

HEALTHCARE THAT FITS INTO YOUR LIFE



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

In pharmacy retail, the PHOENIX group operates more than 2,700 of its own pharmacies in 15 countries – of which over 1,500 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 20,000 pharmacy employees have around 160 million customer contacts each year. They dispense approximately 375 million drug packages to patients and advise them on issues concerning pharmaceuticals and general health.

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 39,000 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.

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.

In pharmaceutical wholesale, the PHOENIX group has 161 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. With more than 13,500 independent pharmacies in the company's cooperation and partner programmes, the PHOENIX group's pharmacy network 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.

> Total operating performance

€34.5 billion

> Revenue

€27.3 billion

> Increase in total operating performance compared with 2018/19 of

4.5%

> Increase in Revenue compared with 2018/19 of

5.9%

**HEALTH-
CARE
THAT FITS
INTO YOUR
LIFE**

WE DELIVER H
EACH AND EVE
ACROSS EURO

STAY INFORMED WHEREVER YOU ARE

01

So easy



In pharmacy retail, th
rates more than 2,70
in 15 countries – of w
under the corporate b
to Norway, the United
lands, and Switzerlan
heavily represented in
Republic, Slovakia, S
Romania, and the Bal
than 20,000 pharma
around 160 million cu
year. They dispense a
drug packages to pat
on issues concerning
general health.

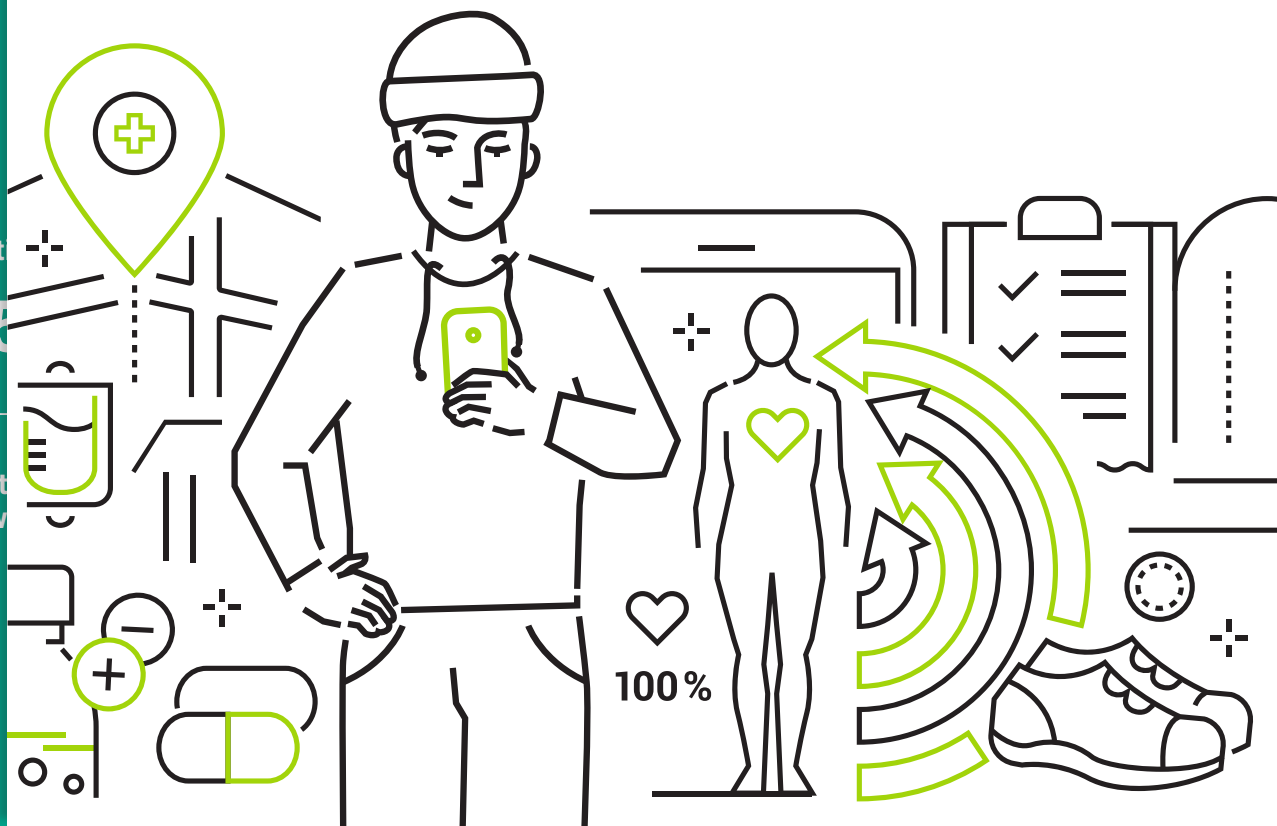
Individual consultation and digital simplicity. To connect the two, we support community pharmacies in Germany with our “deine Apotheke” concept. Thanks to a smartphone app, customers can stay informed wherever they are and locate their nearest pharmacy quickly. Drugs and health products can be pre-ordered online – and soon via e-prescription too. Even PAYBACK loyalty points can be collected and redeemed digitally. Also, the first and only women’s magazine available in the community pharmacies is “deine Apotheke” including features on health, fashion, and entertainment. Throughout Europe, we are developing similar offerings, such as smartphone apps, for pharmacies and end customers. This reflects our guiding principle “Become digital – remain a pharmacy”.

> Total operat

€34.5

> Increase in t
compared w

4.5%





WE DELIVER H
EACH AND EVE
ACROSS EURO

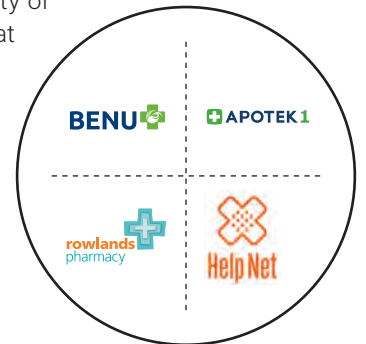
ON-THE-SPOT ADVICE

02

Keeping it personal

In pharmacy retail, th
rates more than 2,70
in 15 countries – of v
under the corporate b
to Norway, the United
lands, and Switzerlan
heavily represented in
Republic, Slovakia, S
Romania, and the Bal
than 20,000 pharma
around 160 million cu
year. They dispense a
drug packages to pat
on issues concerning
general health.

Bright and friendly. At the BENU pharmacies, everyone feels welcome. That is why the new store concept, launched throughout Europe, is also being introduced in the other PHOENIX pharmacy chains. The open room design offers a variety of modern technologies, as well as space for personal consultations at separate tables. Interactive offerings are displayed on screens. As a wholesaler, we pass on successfully trialed measures like these directly to the independent pharmacies in our pharmacy cooperation programmes. An exchange of ideas that ultimately helps patients rely on highly individualised care.



> Total operat

€34.5

> Increase in t
compared w

4.5%





WE DELIVER H
EACH AND EVE
ACROSS EURO

In pharmacy retail, th
rates more than 2,70
in 15 countries – of v
under the corporate b
to Norway, the United
lands, and Switzerlan
heavily represented in
Republic, Slovakia, S
Romania, and the Bal
than 20,000 pharma
around 160 million cu
year. They dispense a
drug packages to pat
on issues concerning
general health.

> Total operat

€34.5

> Increase in t
compared w

4.5%

A PREVENTIVE APPROACH

03

Simply stress-free



Just in case. In more than 2,700 pharmacies, PHOENIX provides a broad spectrum of services. From diabetes advice to blood pressure and blood sugar measurements, as well as flu vaccinations. The new travel health service provided by Rowlands Pharmacy in the United Kingdom even helps customers with a stress-free preparation of their holidays. Patients book a telephone consultation online with a qualified care staff member and receive a personalised travel health plan. They then visit the pharmacy, where they receive vaccination advice from the pharmacist as well as the prescribed vaccinations. We support our customers throughout their lives, in every situation.





a range of services to keep you healthy

 Minor Ailments Service	 Emergency Contraception Service	 Prescription Collection Service	 Anti-Malarial Service	 Cholesterol & Lifestyle Analysis	 Health Checks	 New Medicines Check
 Cholesterol Screening Service	 Sexual Health Service	 Diabetes Screening Service	 Healthy Living Advice	 Substance Misuse Service	 Weight Management Service	 Flu Jab Service
 Inhaler Service			 Needle Exchange Service	 Medicines Check-up	 Chlamydia Screening Service	 Blood Pressure Measuring Service

WE DELIVER HEALTH CARE TO EACH AND EVERY PATIENT ACROSS EUROPE

In pharmacy retail, the number of pharmacies has increased by more than 2,700 in 15 countries – of which 10 are under the corporate banner. These include Norway, the United Kingdom, the Netherlands, and Switzerland, which are heavily represented in the region. Other countries heavily represented in the region include the Czech Republic, Slovakia, Slovenia, Romania, and the Baltic states. There are more than 20,000 pharmacies in the region, serving around 160 million customers each year. They dispense a wide range of drug packages to patients and provide information on issues concerning general health.

> Total operating costs

€34.5

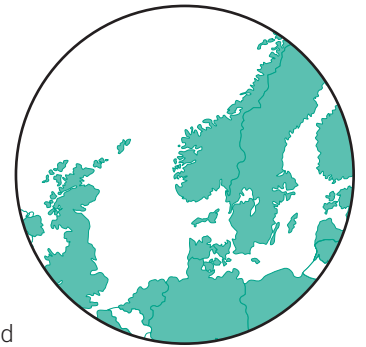
> Increase in total operating costs compared with 2022

4.5%

PROFESSIONALLY EQUIPPED

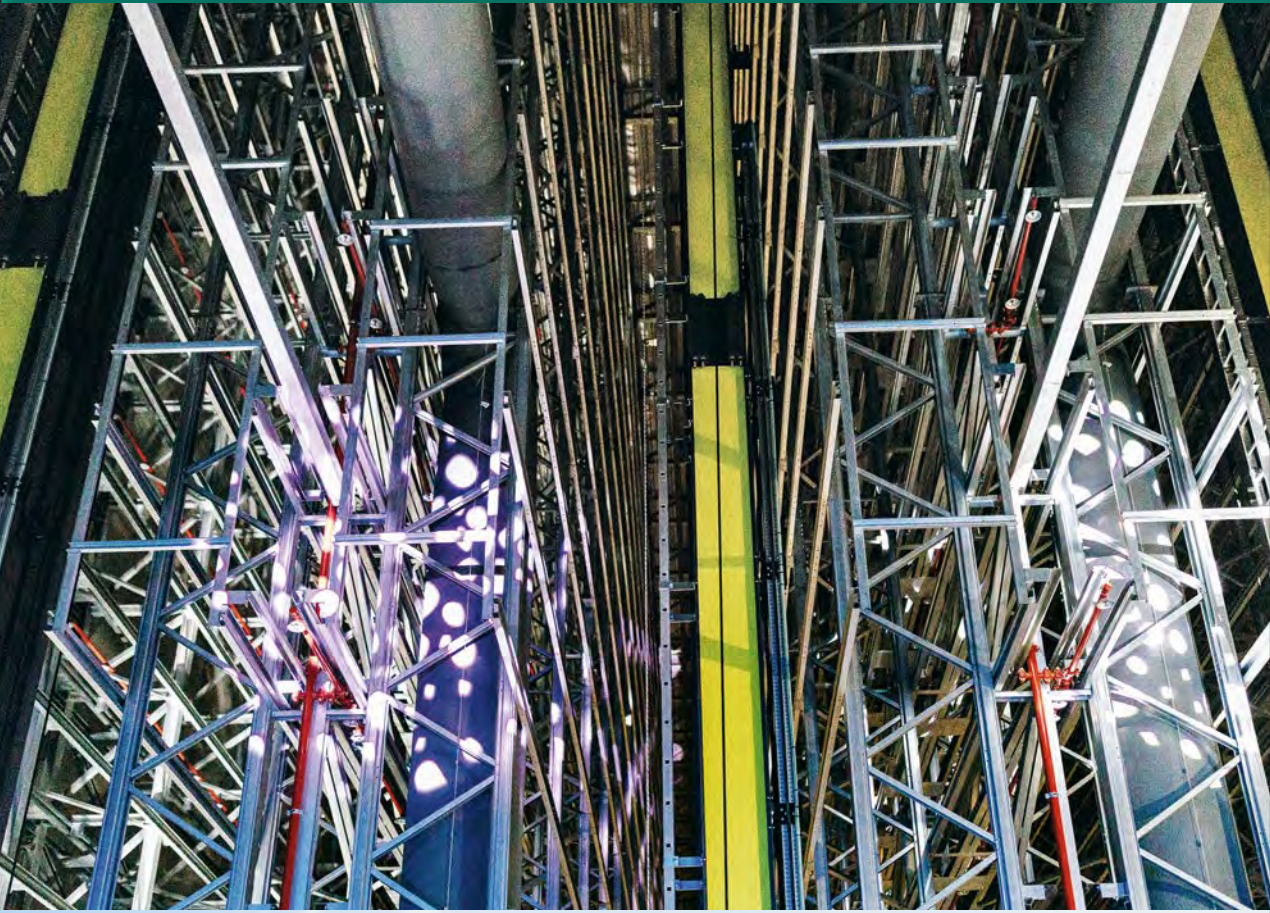
04

Getting well faster



Swift and automated supply. Our new logistics centre for pharmaceuticals and health products is located in Køge, Denmark. It is the largest of its kind in Northern Europe and ensures that drugs reach pharmacies and end customers as quickly as possible. When it comes to health, time is of the essence. At the warehouse in Køge, 1,000 pallets per hour are stored and retrieved in a fully automated process. The building covers 25,000 m² and has space for more than 55,000 pallets. Inside, algorithms based on order history determine the best storage location for each product in order to save time on storage and retrieval. This means that customers at the pharmacies can get well again quickly.





WE DELIVER HEALTHCARE TO EACH AND EVERY PATIENT ACROSS EUROPE

In pharmacy retail, the number of pharmacies has increased by more than 2,700 in 15 countries – of which 10 are under the corporate banner. We are active in Norway, the United Kingdom, the Netherlands, and Switzerland, and are heavily represented in Austria, the Czech Republic, Slovakia, Spain, Romania, and the Balkans. There are more than 20,000 pharmacies in Europe that dispense around 160 million drug packages a year. They dispense a wide range of medicines on issues concerning general health.

> Total operating revenue

€34.5 billion

> Increase in total operating revenue compared with 2023

4.5%

People are becoming more health aware. In response, we are expanding our range of services for pharmacies, wholesale, and pharmaceutical manufacturers. For personal healthcare that fits into your life.

ANNUAL REPORT 2019/20

02 LEADERSHIP AND RESPONSIBILITY

- 03 PHOENIX group in figures
- 04 Letter from the Chief Executive Officer
of the PHOENIX group
- 06 Executive Board of the PHOENIX group
- 08 Report of the Supervisory Board
- 10 Members of the Supervisory Board
- 11 PHOENIX group in the capital market

12 GROUP MANAGEMENT REPORT

- 13 The PHOENIX group at a glance
- 14 Fundamental information about the group
- 18 Report on economic position
- 28 Risk and opportunity report
- 30 Forecast

31 EXTRACT FROM THE CONSOLIDATED FINANCIAL STATEMENTS

- 32 Consolidated income statement
- 33 Consolidated statement of comprehensive income
- 34 Consolidated statement of financial position
- 36 Consolidated statement of cash flows
- 38 Consolidated statement of changes in equity

LEADERSHIP AND RESPONSIBILITY

02 LEADERSHIP AND RESPONSIBILITY

- 03 PHOENIX group in figures
- 04 Letter from the Chief Executive Officer
of the PHOENIX group
- 06 Executive Board of the PHOENIX group
- 08 Report of the Supervisory Board
- 10 Members of the Supervisory Board
- 11 PHOENIX group in the capital market

PHOENIX GROUP IN FIGURES

Key figures of the PHOENIX group		2018/19	2019/20 ¹⁾
Total operating performance ²⁾	in € m	33,045.1	34,517.9
Revenue	in € m	25,812.2	27,326.9
Total income	in € m	2,781.2	2,945.2
EBITDA	in € m	471.1	469.8
Profit before tax	in € m	- 30.8	122.6
Equity	in € m	2,806.6	2,838.6
Equity ratio	in %	33.5	32.5
Net debt	in € m	1,432.6	1,533.2
Company rating (Standard & Poor's) ³⁾		BB +	BB +
Employees (total)		37,140	39,013
Employees (full-time)		29,632	32,009

¹⁾ 2019/20 excluding IFRS 16.

²⁾ Total operating performance = revenue + handled volume (handling for service charge).

³⁾ Company rating for PHOENIX Pharmahandel GmbH & Co KG.

In fiscal year 2019/20, the PHOENIX group once again grew more strongly than the market as a whole. We improved our total operating performance and revenue. We also became Europe's leading pharmacy operator after taking over pharmacies in a number of European countries.

All of this is promising for the future: on the basis of a refined strategy, the PHOENIX group intends to continue to grow profitably. The operational excellence of our core business, a consistent focus on processes, and the expansion of our international and interdisciplinary cooperation, among other factors, will play an important role in helping us achieve this objective. In addition, we want to take advantage of the opportunities presented to us by digitalisation in order to intensify our focus on the needs of end customers.

LETTER FROM THE CHIEF EXECUTIVE OFFICER OF THE PHOENIX GROUP

Dear Ladies and Gentlemen,

Since November 2019, I have led the company together with my colleagues on the Executive Board. I am delighted that the Supervisory Board and the shareholders of the PHOENIX group have placed their trust in me. Over the years, I have become familiar with the trade business from a range of different perspectives and would like to use my experience to benefit the PHOENIX group.

In my first few months as Chief Executive Officer, I visited numerous PHOENIX group countries in Europe. During these visits, I held open and intensive discussions on the specific features of the national healthcare markets and the different regulatory and economic conditions of the individual countries. In the process, it became clear to me that the European markets are in an unprecedented state of upheaval. In many markets, there is substantial pressure on our margins in wholesale and retail. At the same time, the expectations of our customers and patients are changing as a result of increasing digitalisation.

As the European market leader in pharmaceutical wholesale and Europe's biggest pharmacy operator, the PHOENIX group is currently in a strong position, due in no small part to the success of the PHOENIX Pharmacy Partnership. With more than 13,500 members in our cooperation and partner programmes in 16 countries, it is the largest European network of independent pharmacies.

In fiscal year 2019/20, the PHOENIX group operated in a challenging environment. The results of the past year create a solid foundation for the ongoing growth of our company. The key financial figures thus developed positively once again: revenue increased to €27.3 billion, an increase of 5.9 per cent. Total operating performance, the key figure relevant to pharmaceutical wholesale, rose by 4.5 per cent to €34.5 billion. Earnings before interest, taxes, depreciation, and amortisation (EBITDA excluding IFRS 16) experienced stable development, reaching €469.8 million.

In the past year, we continued to work on improving the efficiency of our logistics infrastructure. Investments such as those made in Køge, Denmark, represent an important pillar in this respect. Scandinavia's largest logistics centre for drugs and health products is also the largest single investment in the PHOENIX group's infrastructure, at around €80 million. This centre further optimises our supply chain and makes drugs available for patients more quickly than before.

Thanks to our integrated positioning across Europe, we are able to offer a broad range of products and services. We are in a good starting position to identify gaps in the market and new avenues for business activity, as well as to actively drive forward trends and innovations in the healthcare industry. We want to expand the PHOENIX group's position in pharmaceutical wholesale and pharmacy retail, and continuously expand the range of services we provide to our customers.

In order to achieve this, we are refining the company's strategy. We are placing an even stronger focus on a corporate culture that is geared towards the end customers, in conjunction with consistent cost awareness and profit-oriented growth. In doing so, market leadership, customer satisfaction, and efficiency are top priorities for us. The following elements are particularly important:

- We are strengthening our core business in pharmaceutical wholesale with a commitment to providing central basic services, such as the fast, reliable, and secure supply of drugs and health products, across Europe. To fulfil this aim, we will further increase our operational excellence, combined with cost efficiency, and leverage potential through even more consistent process optimisation.
- We are expanding cross-border and interdisciplinary cooperation to ensure outstanding performance, promoting a proactive, open, and forward-looking exchange of knowledge and experience. This means working in an even more integrated way across the company.

» Over the years, I have become familiar with the trade business from a range of different perspectives and would like to use my experience to benefit the PHOENIX group.



SVEN SEIDEL
Chief Executive Officer

- We are taking advantage of the opportunities presented to us by digitalisation in order to intensify our focus on end customers and bring us even closer to them. The key to success is to keep inspiring all our customer groups across Europe.
- We promote sustainable business and are continuing to develop the sustainability goals published in 2019. Economic efficiency and cost leadership, as well as the conservation of environmental resources, often go hand in hand.

» Together, we can drive forward the company's successful growth and promote stable healthcare in Europe!

As a healthcare provider in the areas of Pharmaceutical Wholesale, Pharmacy Retail, Health Logistics, and Services, the PHOENIX group plays a meaningful role in the provision of healthcare to millions of people throughout Europe. With our strong commitment, we fulfil this huge responsibility every single day. This becomes especially clear in times of a pandemic, such as the coronavirus crisis. Despite the difficult conditions, we constantly guarantee the fast, secure, and reliable supply of drugs to community pharmacies, hospitals, doctors, and consumers.

We are positive about the future: We will continue on the path we have forged and optimise the company successfully and sustainably with the help of our refined strategy. We can only achieve this with the best employees on board. My colleagues on the Executive Board and I would like to thank you all for your tireless dedication and high levels of motivation in these extremely challenging times. It is impressive to see how PHOENIX is operating as a team in coping with this pandemic throughout Europe and how the employees are supporting one another. That is a true sign of solidarity! We would also like to thank all our business partners, the Supervisory Board, and the shareholders. Together, we can drive forward the company's successful growth and promote stable healthcare in Europe!

Mannheim, May 2020
Sincerely,

Sven Seidel
Chief Executive Officer PHOENIX Pharma SE

EXECUTIVE BOARD OF THE PHOENIX GROUP



SVEN SEIDEL
Chief Executive Officer



HELMUT FISCHER
Member of the Executive Board
Finance

» With our unique pharmacy and wholesale network, complemented by Health Logistics and services, we are strengthening our position as the best integrated healthcare provider in Europe. In doing so, we always put the satisfaction of our customers and our partners at the heart of our activities.

» To strengthen and expand our market position, we focus on targeted acquisitions. The quality of the cooperation between the business units involved is crucial to success.



MARCUS FREITAG
Member of the Executive Board
Sales and Marketing Pharmaceutical
Wholesale/Pharmacy Solutions

» We support the community pharmacies throughout Europe with our solutions by offering their customers the best service online and offline.



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

» Our highly qualified and motivated employees guarantee outstanding performance along the entire pharmaceutical supply chain.



STEFAN HERFELD
Member of the Executive Board
Retail

» We enhance the range of diverse services in our pharmacies on an ongoing basis. Our pharmacies are thus making an important contribution to healthcare.

REPORT OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

The PHOENIX group brought fiscal year 2019/20 to a successful close, 25 years after its foundation in 1994. The company has continued to make targeted investments in infrastructure and the future viability of the business, thus creating a good basis for further profitable growth. As a result of additional pharmacy takeovers in the past fiscal year, the PHOENIX group is now the leading company in Europe in pharmacy retail as well as wholesale.

In terms of revenue, the PHOENIX group achieved a new record in fiscal year 2019/20. Earnings before interest, taxes, depreciation, and amortisation (excluding IFRS 16) experienced stable development.

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 develop the company further and seize growth opportunities in Europe, wherever they may present themselves.

Trust-based 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 and Executive Board cooperated in a trusting, effective, and efficient manner. Communication was always open and thorough.

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 reports, the Supervisory Board adopted its resolutions. In fiscal year 2019/20, the Chairman of the Supervisory Board and the former Chief Executive Officer, Oliver Windholz, visited various subsidiaries of the PHOENIX group, including those in Germany, Switzerland, Italy, and Norway. Together with the new Chief Executive Officer, Sven Seidel, the

Chairman of the Supervisory Board visited a number of subsidiaries in the last few months of the past fiscal year, including those in the Netherlands and Romania. During these visits, they specifically discussed activities in the wholesale and retail sectors, as well as Pharma Services, and intensified or initiated personal exchanges of ideas.

Significant business developments

In fiscal year 2019/20, the PHOENIX group expanded its services along the entire pharmaceutical supply chain. The strategy of organic growth, as well as growth through targeted acquisitions, has proven successful in the long term. During the reporting year, particular focus was placed on the following business activities:

- The PHOENIX group became Europe's largest pharmacy operator during the past year. With the acquisition of 20 Dutch Thio Pharma pharmacies, 17 Proxi Pharm pharmacies in Romania, 10 newly added FAJN pharmacies in the Czech Republic, and 20 ZU Julija and 28 PPP Novi Sad pharmacies in Serbia, the company now has more than 2,700 of its own pharmacies in 15 European countries.
- In the past fiscal year, the PHOENIX group once again 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.
- As part of this programme, the largest logistics centre in Scandinavia was opened in Køge, Denmark, in November 2019. At around €80 million, it has been the largest single investment to date in the PHOENIX group's infrastructure.
- The company is also working intensively on the increasing digitalisation and further development of distribution channels for end customers.
- In April 2019, the PHOENIX group celebrated its 25-year anniversary and was able to look back on a successful quarter of a century.

The Supervisory Board believes that the company is still well-positioned for the future and for the changes anticipated in its markets.

Key areas of advisory and monitoring activity in 2019/20

In fiscal year 2019/20, in two meetings and two telephone conferences, 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. Where necessary, the Supervisory Board issued the requested approvals at the relevant meetings following thorough examination and detailed discussion. In addition to the current development of revenue and 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 2019 in Mannheim, Germany, the Supervisory Board dealt primarily with the company's annual financial statements, which were subsequently audited and approved.
- During a telephone conference in July 2019, the Supervisory Board's discussions focused on the current business development.
- In October 2019, the Supervisory Board met for two days in Oslo, Norway, where it discussed the company's strategic orientation in detail. The main topics were the strategic areas of growth, the IT infrastructure, and digitalisation.
- The telephone conference in December 2019 focused primarily on the current business development.

The Supervisory Board also held a meeting after the end of fiscal year 2019/20 in March 2020 in Mannheim, where it adopted the corporate plan as well as the budgets for the countries and the corporate departments for fiscal year 2020/21.

Audit and adoption of the annual financial statements 2019/20

The Supervisory Board appointed the auditing firm Ernst & Young GmbH, Stuttgart, Germany, as the auditor for fiscal year 2019/20 and, together with the auditor, defined the key areas to be reviewed. The Executive Board presented the provisional, unaudited key figures for the fiscal year and the status of preparations for the final report to the Supervisory Board in advance. The auditing firm audited the annual financial statements as well as the company and consolidated management report. These were certified without qualification. All documentation relating to the financial statements was issued to the Supervisory Board on time and was reviewed in detail in the presence of the auditor. There were no objections. The Supervisory Board adopted the annual financial statements and approved the consolidated financial statements. The Supervisory Board consented to the Executive Board's proposal regarding the appropriation of retained earnings.

Composition of the Executive Board

The Supervisory Board decided to make a number of changes to the group's Executive Board, in view of the fact that the development of results over the past few years had been positive but also somewhat static. These changes should also strengthen the company's operational excellence in terms of cost leadership and customer satisfaction.

With effect from 30 September 2019, Oliver Windholz stepped down as Chief Executive Officer of the PHOENIX group and left the company. He had been a member of the Management Board since 1 September 2011 and was responsible for the Sales and Marketing division. As of 1 February 2014, he became Chairman of the Management Board, and on 18 October 2017, he also became CEO of the newly founded parent company PHOENIX Pharma SE. The Supervisory Board would like to thank Oliver Windholz for his enormous personal commitment and his unfailing loyal and valuable cooperation.



DR BERND SCHEIFELE
Chairman of the Supervisory Board

With effect from 1 November 2019, Sven Seidel has taken over as Chief Executive Officer of the PHOENIX group. In him, the company has an experienced top manager who can draw on extensive expertise in the trade business. Sven Seidel was CEO of Lidl from 2014 to 2017, and more recently served on the Executive Board of the Otto Group. He has wide-ranging experience in the retail sector as well as in online and multi-channel sales. The Supervisory Board would like to welcome Sven Seidel to the company and looks forward to a sincere and successful cooperation.

The Executive Board was also expanded to include an additional member as of 1 November 2019. On that date, Marcus Freitag took over the newly created division Sales and Marketing Pharmaceutical Wholesale/ Pharmacy Solutions. His expertise in pharmaceutical wholesale, particularly in the area of sales, makes him well qualified for this task. He joined the PHOENIX group in 2007, and since 2017 has been the Managing Director of PHOENIX Germany, where he is responsible for sales. Accordingly, the Executive Board now comprises five members. Through this reorganisation, the Supervisory Board has significantly broadened the experience profile of the Executive Board. This lays a solid foundation for successfully tackling the challenges the company will face in the market.

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 for the long term. In the name of my colleagues on the Supervisory Board, I would like to thank the members of the Executive Board, as well as all employees, for their active commitment and their performance during fiscal year 2019/20.

On behalf of the Supervisory Board
Mannheim, Germany, May 2020

Bernd Scheifele

Dr Bernd Scheifele
Chairman of the Supervisory Board

MEMBERS OF THE SUPERVISORY BOARD

Dr Bernd Scheifele

Chairman of the Supervisory Board,
Former Chairman of the Managing Board
of HeidelbergCement AG, Heidelberg,
Germany

Dr Ralf Belusa

Managing Director
Digital Business & Transformation
Hapag-Lloyd AG, Hamburg, Germany

Dr Peter Maag

Chairman and 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

Bernhard Simon

Chief Executive Officer
Dachser Group SE & Co. KG,
Kempten, Germany

PHOENIX GROUP IN THE CAPITAL MARKET

- Company rating of PHOENIX Pharmahandel GmbH & Co KG and rating of bonds by Standard & Poor's remains at "BB+"
- Successful placement of a further promissory note of €220 million
- PHOENIX group's outstanding bonds developed in line with the market and according to their residual maturities

Represented on the capital market with bonds and promissory notes

Although unlisted, the PHOENIX group considers itself to be closely linked to the capital market. As at the end of fiscal year 2019/20, it was represented on the capital market with two bonds outstanding and two promissory notes. A new promissory note was placed during the past fiscal year. One important objective of using capital market financing is to diversify the sources of financing in order to guarantee the liquidity supply at any time and in the long term. 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.

Additional promissory note successfully placed

With the placement of a promissory note for €220 million by PHOENIX Pharma SE in April 2019, the PHOENIX group has successfully entered the promissory note market again for the first time since 2016. The promissory note has a term of long nine years and a fixed coupon. By placing it in an attractive interest rate environment, we were able to improve our long-term financing security and further strengthen our maturity profile.

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, and according to their residual maturity. As at the 31 January 2020 reporting date, the bonds were listed at 100.890 per cent (€300 million, due in May 2020) and 105.048 per cent (€200 million, repurchase of €100 million in November 2017, due in July 2021), respectively.

Active capital market communication strengthens trust in our company

Our creditor relations activities aim to strengthen confidence in the PHOENIX group and, at the same time, foster 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 has a long-term orientation and is considered part of the group's sustainable strategy for value enhancement. We regularly make relevant information available to capital market participants in the Investor Relations section of the PHOENIX group website. In addition to its annual reports, the PHOENIX group has been publishing quarterly information 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.

Ratings confirm 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. At the end of fiscal year 2019/20, the rating agency Standard & Poor's once again assessed PHOENIX Pharmahandel GmbH & Co KG and the two outstanding corporate bonds as "BB+", outlook "negative". This is mainly due to the PHOENIX group's leading position in the pharmaceutical wholesale sector of numerous European markets and its growing presence in the higher-margin pharmaceutical retail sector.

GROUP MANAGEMENT REPORT 2019/20

13 THE PHOENIX GROUP AT A GLANCE

14 FUNDAMENTAL INFORMATION ABOUT THE GROUP

- 14 The PHOENIX group
- 16 Strategy and group management
- 17 Processes and organisation

18 ECONOMIC REPORT

- 18 Economic environment
- 18 Business development at a glance
- 20 Financial performance
- 24 Assets and liabilities
- 25 Financial position
- 26 Employees

28 RISK AND OPPORTUNITY REPORT

- 28 Risk management
- 28 Risks
- 29 Opportunities
- 29 Executive Board's overall assessment of the risks and opportunities

30 FORECAST

- 30 Future economic environment
- 30 Future development of the PHOENIX group
- 30 Executive Board's assessment of the group's future position

THE PHOENIX GROUP AT A GLANCE

EQUITY RATIO (EXCLUDING IFRS 16)

32.5%

TOTAL OPERATING PERFORMANCE

34,518

€ MILLION

> 39,000

EMPLOYEES

≈ 375 MILLION

DRUG PACKAGES
TO PATIENTS / YEAR

> 13,500

PHARMACIES IN COOPERATION
AND PARTNERSHIP PROGRAMMES

AROUND 160

MILLION PATIENT
CONTACTS
PER YEAR IN THE
PHARMACIES

TOP
1

PHARMACEUTICAL
WHOLESALER
IN 13 COUNTRIES

161

DISTRIBUTION CENTRES

FUNDAMENTAL INFORMATION ABOUT THE GROUP

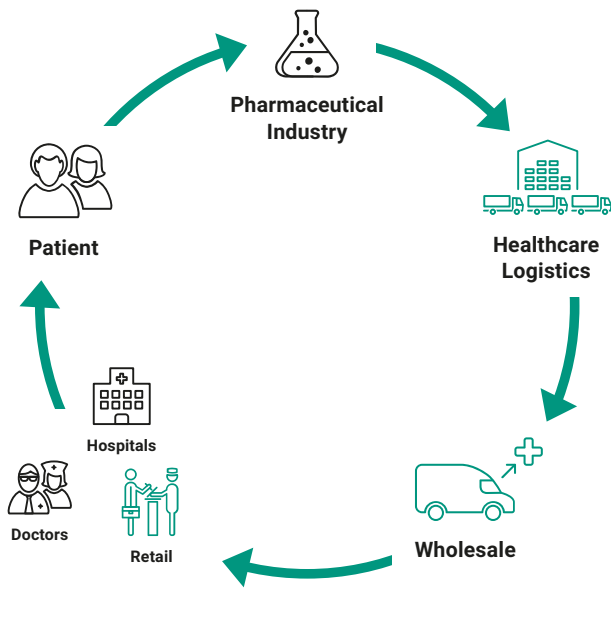
- Leading market position in European pharmaceutical wholesale
- Corporate strategy builds upon three pillars
- Digitalisation brings direct communication with end customers
- Projects and initiatives aim to achieve process optimisation and cost efficiency

THE PHOENIX GROUP

Leading European 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. 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 health services provider wherever it operates.

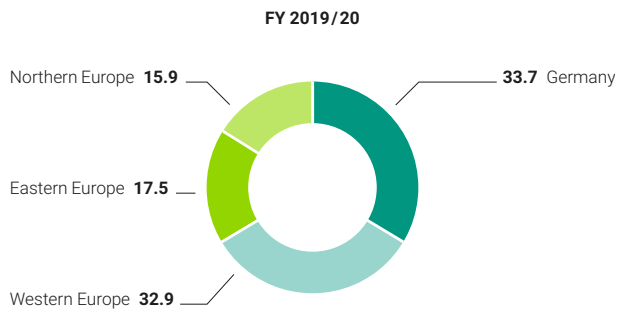
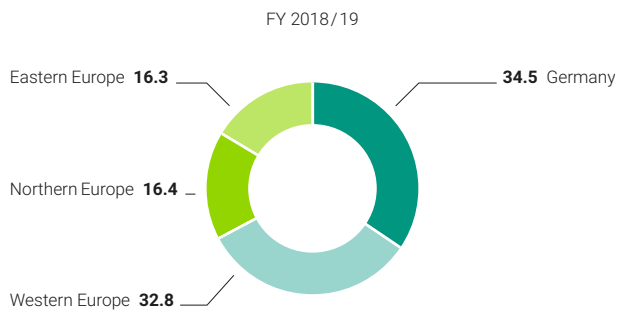
PHOENIX GROUP: LINK BETWEEN MANUFACTURER AND PATIENT



The PHOENIX group 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 %



In pharmaceutical wholesale, the PHOENIX group is number one 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 GROUP AS THE LEADING PHARMACEUTICAL WHOLESALER IN 13 EUROPEAN COUNTRIES

- PHOENIX group market leader
- PHOENIX group market presence

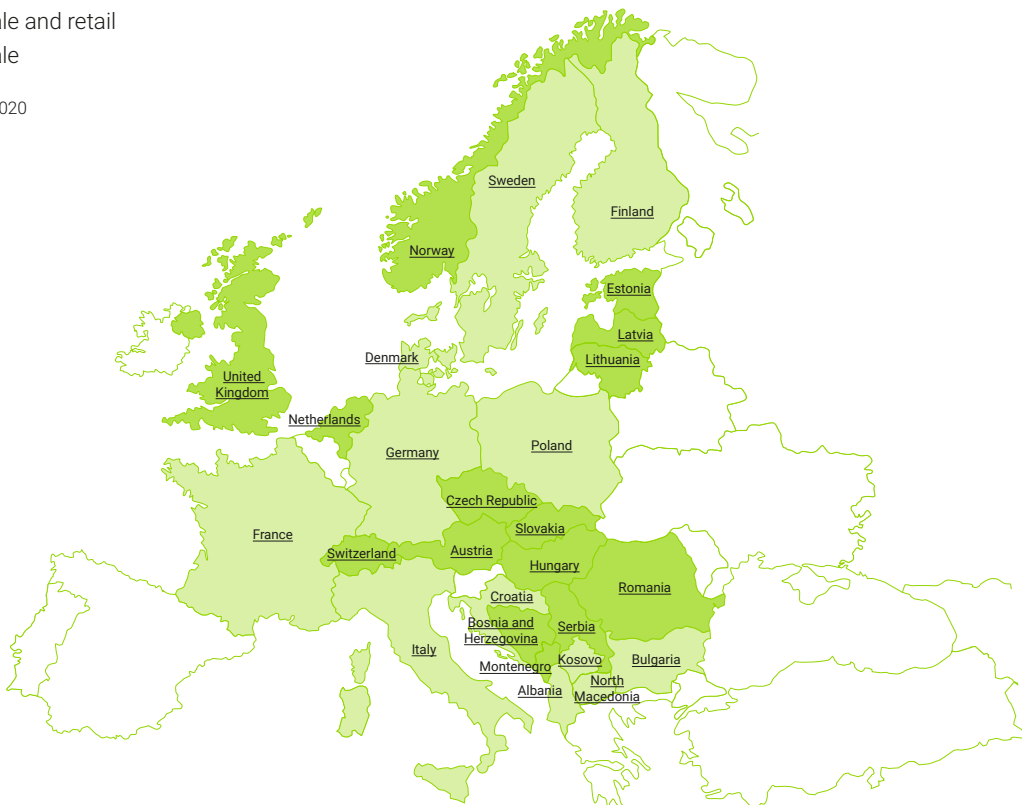
As of 31/01/2020



PHOENIX GROUP 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

The PHOENIX group 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 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.
- Our integrated services in the Pharma Services business, which we bundle under the All-in-One service brand

- 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 the PHOENIX group. 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. 18.**

Our strategy envisions that the PHOENIX group 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, the PHOENIX group 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, the PHOENIX group with its subsidiaries allows the members access to numerous sales and marketing services as well as purchasing advantages.

STRATEGY AND GROUP MANAGEMENT

Strategy for further growth

The PHOENIX group'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 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 white label brand LIVSANE as a key element for the further development of our own 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, the PHOENIX group 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.

The PHOENIX group 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 the PHOENIX group 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.

The PHOENIX group 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 units of the PHOENIX group that develop IT solutions, such as ADG.

From an IT perspective, the PHOENIX group 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 and revenue 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.

The PHOENIX group also continues to focus on expanding its services. This includes 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 and part of the services of the PHOENIX service brand "All-in-One". 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 work of pharmacists on the advisory board. The PHOENIX group 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.

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 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. The PHOENIX group 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. 19.**

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

The PHOENIX group'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. 19.**

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 the PHOENIX group since 2017. The LIVSANE range currently includes more than 160 products and is available in 15 European countries. As a subsidiary of the PHOENIX group, 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 "The PHOENIX group invests in the future" on  p. 20.**

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, the PHOENIX group 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.

The PHOENIX group invests in the future

The PHOENIX group is facing up to the requirements of tomorrow by investing in intangible assets and property, plant and equipment. In past years, the PHOENIX group 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 201.7m (prior year: EUR 175.8m).

After three years of construction, in November 2019 the PHOENIX group 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 the PHOENIX group. 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 the PHOENIX group 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 "The PHOENIX group continues to invest in IT" on p. 17.** We also want to make targeted investments in the future in further modernisation, automation and building maintenance.

Executive Board's overall assessment of the situation

The PHOENIX group 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, the PHOENIX group 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	34,513.8	4.1	34,517.9	1,472.8	4.5
Revenue	25,812.2	27,322.8	4.1	27,326.9	1,514.7	5.9
EBITDA	471.1	603.6	-133.8	469.8	-1.3	-0.3
EBIT after goodwill impairment	40.8	176.3	-10.8	165.5	124.7	305.6
EBIT before goodwill impairment	320.3	307.0	-10.8	296.2	-24.1	-7.5
Financial result	-71.6	-67.3	24.4	-42.9	28.7	-40.1
Profit before tax	-30.8	109.0	13.6	122.6	153.4	-498.1
Profit or loss for the period after goodwill impairment	-112.0	39.5	4.9	44.4	156.4	-139.6
Profit or loss for the period before goodwill impairment	167.5	164.9	4.9	169.8	2.3	1.4
Equity	2,806.6	2,832.4	6.2	2,838.6	32.0	1.1
Equity ratio (%)	33.5	29.9	2.6	32.5	-1.0	-3.0
Net debt	1,432.6	2,294.9	-761.7	1,533.2	100.6	7.0

The mandatory first-time application of IFRS 16 “Leases” as of 1 February 2019 had a significant impact on the PHOENIX group’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	27,322,803	4,108	27,326,911	1,514,732	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	2,911,627	4,108	2,915,735	291,767	11.1
Other operating income	157,219	30,278	-817	29,461	-127,758	-81.3
Personnel expenses	-1,420,825	-1,510,166	0	-1,510,166	-89,341	6.3
Other operating expenses	-899,832	-831,650	-137,020	-968,670	-68,838	7.7
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)	471,102	603,560	-133,729	469,831	-1,271	-0.3
Amortisation of intangible assets and depreciation of property, plant and equipment	-141,857	-259,856	116,591	-143,265	-1,408	1.0
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)	40,797	176,313	-10,787	165,526	124,729	305.7
Financial result	-71,563	-67,268	24,337	-42,931	28,632	-40.0
Profit before income tax	-30,766	109,045	13,550	122,595	153,361	-498.5
Income tax	-81,209	-69,530	-8,644	-78,174	3,035	-3.7
Profit for the period	-111,975	39,515	4,906	44,421	156,396	-139.7
Profit for the period before goodwill impairment	167,538	164,927	4,906	169,833	2,295	1.4

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 34,517.9m in fiscal year 2019/20. Adjusted for foreign exchange rate effects, the growth amounts to 4.7%.

Revenue increased by 5.9% to EUR 27,326.9m 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:

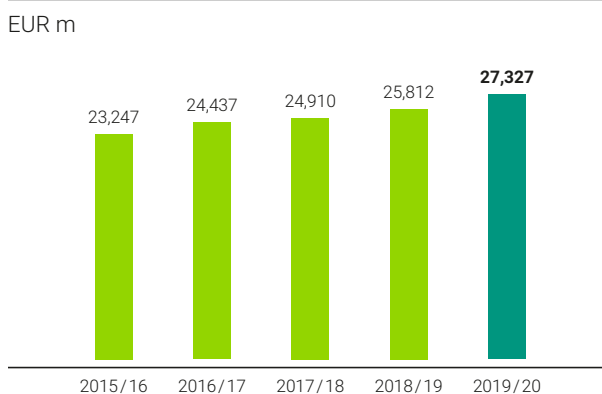
	FY 2018/19 in EUR m	FY 2019/20 in EUR m	Change in EUR m	Change in %
Germany	8,922.3	9,239.9	317.6	3.6
Western Europe	8,496.7	9,020.8	524.1	6.2
Eastern Europe	4,206.5	4,786.7	580.2	13.8
Northern Europe	4,256.1	4,345.8	89.7	2.1

EBITDA significantly higher than in the prior year due to the first-time application of IFRS 16

Gross profit increased by EUR 287.7m in the reporting year to EUR 2,911.6m. 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 profit increased by EUR 291.8m to EUR 2,915.8m. 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 1,510.2m. 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 68.2m to EUR 831.7m. 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 68.8m to EUR 968.7m. 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 3.5% (prior year: 3.5%).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose from EUR 471.1m to EUR 603.6m. Without taking into account the impact of IFRS 16, in deviation from our forecast for fiscal year 2019/20, which anticipated a slight year-on-year increase, EBITDA declined to EUR 469.8m. The lower EBITDA (excluding IFRS 16) is due in particular to non-recurring expenses.

Adjusted EBITDA (excluding IFRS 16) of EUR 487.8m was down EUR 16.6m 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	471,102	603,560	- 133,729	469,831	- 1,271	- 0.3
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	22,333	7,159		7,159	- 15,174	- 67.9
Adjusted EBITDA	504,361	621,482	- 133,729	487,753	- 16,608	- 3.3

Goodwill impairment

Amortisation of intangible assets and depreciation of property, plant and equipment amounted to EUR 259.9m (prior year: EUR 141.9m). Amortisation and depreciation in fiscal year 2019/20 contained amortisation of right-of-use assets under IFRS 16 of EUR 116.6m 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 176.3m overall (prior year: EUR 40.8m). Without taking IFRS 16 into account, EBIT amounted to EUR 165.5m. EBIT (excluding IFRS 16) before goodwill impairment amounted to EUR 296.2m compared to EUR 320.3m in the prior year. The return on sales (excluding IFRS 16) based on EBIT before goodwill impairment amounted to 1.08% (prior year: 1.24%).

The financial result improved by EUR 4.3m to EUR - 67.3m. 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 24.3m. Adjusted for this effect, the financial result improved by EUR 28.7m to EUR - 42.9m. In the prior year, the financial result was impacted due to a negative effect of EUR 19.8m on account of the sale of financial assets and impairments of financial assets in the amount of EUR 14.3m.

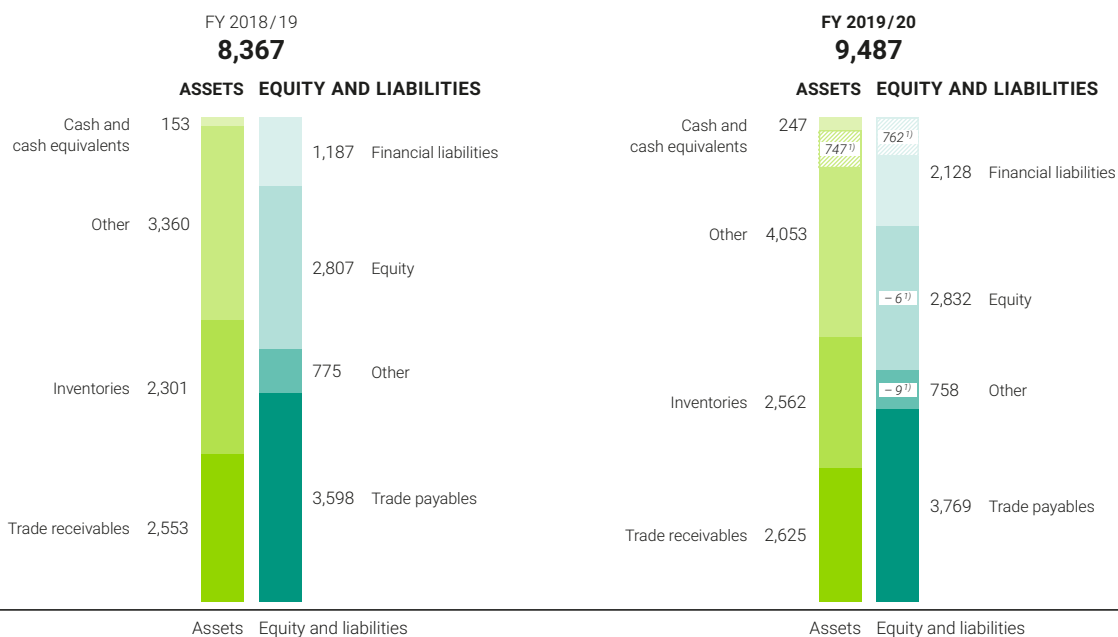
Earnings before income tax amounted to EUR 109.0m (prior year: EUR - 30.8m). Excluding the effects of IFRS 16, earnings before income taxes amount to EUR 122.6m.

Income taxes of EUR 69.5m (prior year: EUR 81.2m) were recorded. The ratio of tax expense to earnings before income tax of 63.8% (prior year: - 264.0%) is largely impacted by non-tax-deductible goodwill impairment. Income taxes excluding IFRS 16 amounted to EUR 78.2m (prior year: EUR 81.2m) and contain expenses from current taxes of EUR 70.8m (prior year: EUR 64.9m) as well as deferred tax expenses of EUR 7.4m (prior year: EUR 16.3m).

Profit for the period came to EUR 39.5m (prior year: loss of EUR 112.0m). Excluding the effects of IFRS 16, profit for the period amounted to EUR 44.4m. Profit for the period (excluding IFRS 16) before goodwill impairment amounted to EUR 169.8m compared to EUR 167.5m 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 13.4% to EUR 9,486.7m. 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 993.1m in the prior year to EUR 1,733.4m. As of 31 January 2020, property, plant and equipment contains right-of-use assets of EUR 734.0m 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 fell by EUR 25.3m to EUR 121.7m.

FINANCIAL POSITION

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

Increased equity

Equity increased from EUR 2,806.6m as of 31 January 2019 to EUR 2,832.4m as of 31 January 2020. Excluding the effects of IFRS 16, equity amounted to EUR 2,838.6m. In contrast to our forecast, the equity ratio (excluding IFRS 16) declined from 33.5% in the prior year to 32.5% 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	-112.0	39.5	4.9	44.4	156.4	-139.6
Non-cash expenses/income, p&l neutral payments	509.3	479.2	-132.4	346.8	-162.5	-31.9
Change in working capital	-35.5	-236.0	0.0	-236.0	-200.5	564.8
Cash flow from operating activities	361.8	282.7	-127.5	155.2	-206.6	-57.1
Cash flow from investing activities	-300.1	-230.8	0.0	-230.8	69.3	-23.1
Free cash flow	61.7	51.9	-127.5	-75.6	-137.3	-222.5

Cash flow from operating activities came to EUR 282.7m (prior year: EUR 361.8m). 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 200.5m. Excluding the effects of IFRS 16, cash flow from operating activities came to EUR 155.2m. Cash flow from investing activities came to EUR -230.8m after EUR -300.1m in the prior year. In the prior year, this was largely affected by the acquisition of Farmexim S.A. and Help Net Farma S.A.

Free cash flow decreased from EUR 61.7m in the prior year to EUR 51.9m. Excluding the effects of IFRS 16, free cash flow amounted to EUR -75.6m 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 256.9m in the prior year to EUR 224.3m in the reporting year.

Non-current financial liabilities came to EUR 1,229.1m (31 January 2019: EUR 662.3m). These include lease liabilities pursuant to IFRS 16 of EUR 647.4m (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 370.0m (31 January 2019: EUR 149.7m).

Current financial liabilities amount to EUR 899.2m as of the reporting date (31 January 2019: EUR 525.2m) and contain lease liabilities pursuant to IFRS 16 of EUR 114.3m (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 109.6m (31 January 2019: EUR 116.2m).

On the whole, net debt increased compared to 31 January 2019 (excluding IFRS 16) by EUR 100.6m to EUR 1,533.2m 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	1,229,148	- 647,393	581,755	- 80,527	- 12.2
./ Derivative financial instruments (non-current)	- 187	- 145		- 145	42	- 22.5
+ Financial liabilities (current)	525,215	899,181	- 114,320	784,861	259,646	49.4
./ Derivative financial instruments (current)	- 5,733	- 5,324		- 5,324	409	- 7.1
./ Cash and cash equivalents	- 153,309	- 246,846		- 246,846	- 93,537	61.0
+ 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	1,432,605	2,294,879	- 761,713	1,533,166	100,561	7.0

Trade payables increased by EUR 171.2m on the prior year to EUR 3,769.0m primarily due to acquisitions.

EMPLOYEES

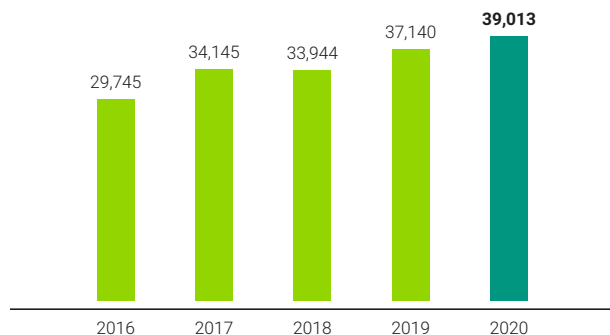
At the end of fiscal year 2019/20, the PHOENIX group employed 39,013 employees in 27 European countries. Consequently, headcount increased by 5.0% compared to the prior year. This increase is due in particular to the takeover of pharmacies in the Netherlands, Romania, Serbia and the Czech Republic along 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 the PHOENIX group. 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.

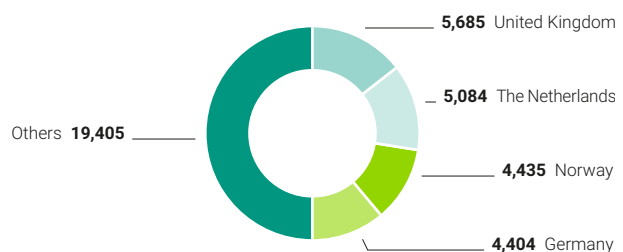
DEVELOPMENT OF EMPLOYEES

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 the PHOENIX group. Therefore, after the second survey, we focused on an optimised follow-up process, which we kicked off under the motto “#bettereveryday”. 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. The Executive Board of the PHOENIX group has received progress reports from the various countries on all of the measures introduced.

The PHOENIX group 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, the PHOENIX group 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 the PHOENIX group’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, the PHOENIX group has also set up international development programmes to support 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).

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

The PHOENIX group 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 the PHOENIX group 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
- The PHOENIX group exploits opportunities

RISK MANAGEMENT

The risk management system within the PHOENIX group 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 Executive Board regularly receives reports on the audit findings of the internal audit.

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 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 the PHOENIX group that should ensure the continuation of the group's operations.

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 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 the PHOENIX group 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 the PHOENIX group. Currency translation 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 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.

OPPORTUNITIES

The PHOENIX group 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, the PHOENIX group can also 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.

Many of our pharmacy customers take part in the company's cooperation programmes. In some countries, the PHOENIX group 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, the PHOENIX group is aiming to implement process improvements across Europe and on an ongoing basis. **More information can be found under "Ongoing optimisation" on p. 17.** 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 around 30% and financing with a long-term outlook have established the financial prerequisites for the future growth of the PHOENIX group. This applies as regards both organic growth and appropriate acquisitions.

EXECUTIVE BOARD'S OVERALL ASSESSMENT OF THE RISKS AND OPPORTUNITIES

On the whole, the PHOENIX group 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
- The PHOENIX group'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, the PHOENIX group 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.

FUTURE DEVELOPMENT OF THE PHOENIX GROUP

For fiscal year 2020/21, 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.

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.

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

The Executive Board is convinced that with its presence in 27 European countries and its sound financing structure, the PHOENIX group 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.

Mannheim, 9 April 2020

The Executive Board

Sven Seidel (Chair)

Helmut Fischer

Marcus Freitag

Frank Große-Natrop

Stefan Herfeld



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

32	CONSOLIDATED INCOME STATEMENT
33	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
34	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
36	CONSOLIDATED STATEMENT OF CASH FLOWS
38	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	27,322,803
Cost of purchased goods and services		-23,188,211	-24,411,176
Gross profit		2,623,968	2,911,627
Other operating income	2	157,219	30,278
Personnel expenses	3	-1,420,825	-1,510,166
Other operating expenses	4	-899,832	-831,650
Result from associates and joint ventures	5	8,650	1,270
Results from other investments	5	1,922	2,201
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		471,102	603,560
Amortisation of intangible assets and depreciation of property, plant and equipment	6	-141,857	-259,856
Impairment of intangible assets and property, plant and equipment	6	-288,448	-167,391
Earnings before interest and taxes (EBIT)		40,797	176,313
Interest income		14,176	14,515
Interest expense		-53,468	-77,745
Other financial result		-32,271	-4,038
Financial result	7	-71,563	-67,268
Profit before income tax		-30,766	109,045
Income tax	8	-81,209	-69,530
Profit for the period		-111,975	39,515
thereof attributable to non-controlling interests		36,727	33,748
thereof attributable to equity holders of the parent company		-148,702	5,767

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for fiscal year 2019/20

EUR k	FY 2018/19	FY 2019/20
Profit after tax	- 111,975	39,515
Items not reclassified to profit or loss		
Remeasurement of defined benefit plans	- 17,148	13,032
Items that may subsequently be reclassified to profit or loss		
Currency translation differences	- 2,161	3,055
Other comprehensive income, net of taxes	- 19,309	16,087
Total comprehensive income	- 131,284	55,602
thereof attributable to non-controlling interests	36,591	33,307
thereof attributable to owners of the parent company	- 167,875	22,295

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	993,060	1,733,419
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	88,071	113,074
Deferred tax assets	8	65,812	77,382
		3,002,319	3,756,085
Current assets			
Inventories	14	2,301,048	2,561,829
Trade receivables	15	2,552,312	2,624,818
Income tax receivables		36,231	21,359
Other financial assets	15	146,986	121,728
Other assets	16	135,444	134,285
Cash and cash equivalents	17	153,309	246,846
		5,325,330	5,710,865
Non-current assets held for sale	24	39,417	19,786
Total assets		8,367,066	9,486,736

EQUITY AND LIABILITIES

EUR k	Note	31 Jan 2019	31 Jan 2020
Equity			
Issued capital	18	2,786	2,786
Capital reserves	18	961,106	961,106
Revenue reserves	18	1,837,523	1,832,009
Accumulated other comprehensive income	18	- 259,984	- 243,456
Equity attributable to the shareholders of the parent company		2,541,431	2,552,445
Non-controlling interests	12, 18	265,119	279,979
		2,806,550	2,832,424
Non-current liabilities			
Financial liabilities	21	662,282	1,229,148
Trade payables	22	0	435
Provisions for pensions and similar obligations	19	256,914	224,320
Other non-current provisions	20	2,556	3,556
Deferred tax liabilities	8	116,672	125,921
Other non-current liabilities		1,452	1,142
		1,039,876	1,584,522
Current liabilities			
Financial liabilities	21	525,215	899,181
Trade payables	22	3,597,814	3,768,529
Other provisions	20	37,271	48,465
Income tax liabilities		32,406	35,371
Other liabilities	23	327,934	318,244
		4,520,640	5,069,790
Total equity and liabilities		8,367,066	9,486,736

CONSOLIDATED STATEMENT OF CASH FLOWS

for fiscal year 2019/20

EUR k	31 Jan 2019	31 Jan 2020
Profit after tax	-111,975	39,515
Income taxes	81,209	69,530
Profit before income taxes	-30,766	109,045
Adjustments for:		
Interest expenses and interest income	39,292	63,230
Amortisation/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and investment property	430,305	427,247
Result from associates and other investments	-10,572	-3,471
Net result from the disposal of assets related to investing activities	1,244	-1,760
Other non-cash expense and income	112,709	68,431
	542,212	662,722
Interest paid	-53,761	-75,692
Interest received	13,964	18,641
Income taxes paid	-74,814	-51,254
Dividends received	2,062	2,518
Result before change in assets and liabilities	429,663	556,935
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	-32,277	-38,251
Result before change in operating assets and liabilities	397,386	518,684
Change in inventories	-97,431	-257,400
Change in trade receivables	-103,663	-81,545
Change in trade payables	238,884	158,637
	37,790	-180,308
Change in other assets and liabilities not related to investing or financing activities	-73,335	-55,685
Change in operating assets and liabilities	-35,545	-235,993
Cash flow from operating activities	361,841	282,691
Acquisition of consolidated companies and business units, net of cash acquired	-148,887	-56,653
Capital expenditures for intangible assets, property, plant and equipment, and investment property	-175,756	-201,729
Investment in other financial assets and non-current assets	-2,976	-2,515
Cash outflows for investments	-327,619	-260,897

EUR k	31 Jan 2019	31 Jan 2020
Cash received from the sale of consolidated companies and business units, net of cash disposed	353	2,993
Cash received from disposal of intangible assets, property, plant and equipment and investment property	7,822	22,251
Proceeds from other financial assets and non-current assets	19,307	4,845
Cash inflows from realised investments and divestments	27,482	30,089
Cash flow from investing activities	-300,137	-230,808
Cash available for financing activities	61,704	51,883
Capital contribution from/capital repayment to non-controlling interest(s)	317,414	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 shareholders of the parent company	155,710	0
Repayment of loans to shareholders of the parent company	-256,848	-19,874
Issue of loans from related parties	819,870	323,130
Repayment of loans to related parties	-966,056	-100,220
Changes in ABS/factoring liabilities	7,344	-23,187
Changes in finance lease liabilities	-982	-127,502
Changes in other financial liabilities	-297	5,142
Cash flow from financing activities	-15,282	39,028
Changes in cash and cash equivalents	46,422	90,911
Effect of exchange rate changes on cash and cash equivalents	664	2,626
Cash and cash equivalents at the beginning of the period	106,223	153,309
Cash and cash equivalents at the end of the period	153,309	246,846
Cash and cash equivalents presented in the balance sheet at the end of the period	153,309	246,846

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for fiscal year 2019/20

	Issued capital	Capital reserves	Revenue reserves
EUR k			
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			
Total comprehensive income, net of tax			-148,702
Capital increase/reduction	271	334,731	
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
1 February 2019	2,786	961,106	1,837,523
Initial application of IFRS 16			-10,991
1 February 2019 adjusted	2,786	961,106	1,826,532
Profit after tax			5,767
Accumulated other comprehensive income			
Total comprehensive income, net of tax			5,767
Changes in the interest of consolidated companies			-650
Dividends			
Other changes in equity			360
31 January 2020	2,786	961,106	1,832,009

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
-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		-17,125	-19,173	-136	-19,309
-2,048		-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
-100,617	0	-159,367	2,541,431	265,119	2,806,550
			-10,991	-408	-11,399
-100,617	0	-159,367	2,530,440	264,711	2,795,151
			5,767	33,748	39,515
3,480		13,048	16,528	-441	16,087
3,480		13,048	22,295	33,307	55,602
			-650	132	-518
			0	-19,045	-19,045
			360	874	1,234
-97,137	0	-146,319	2,552,445	279,979	2,832,424

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

IMPRINT

Publisher

Ingo Schnaitmann
Head of Corporate Communications
Jacob-Nicolas Sprengel
Senior Manager Corporate Communications
PHOENIX group

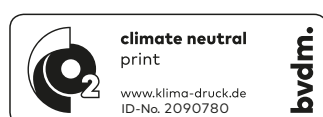
PHOENIX Pharma SE
Corporate Communications
Pfungstweidstrasse 10–12
68199 Mannheim
Germany
Phone +49 (0)621 8505 8502
Fax +49 (0)621 8505 8501
media@phoenixgroup.eu
www.phoenixgroup.eu

Investor Relations

Karsten Loges
Head of Corporate Finance and Asset Management
Phone +49 (0)621 8505 741
k.loges@phoenixgroup.eu

Concept, design and realisation

Corporate Communications PHOENIX group
HGB Hamburger Geschäftsberichte GmbH & Co. KG,
Hamburg, Germany



Photographs

Thomas Gasparini (Leporello, pages 6 and 7 below; page 8; pages 5, 6 and 7)
Matthias Müller (pages 6/7)
Martin Svoboda (Leporello, page 7 above)
M2 Film (Leporello, page 9 above)
TT-Film (Leporello, page 9 below)
iStock (Cover and Leporello, pages 2, 3, 4 and 5)

Printing

Konica Minolta Marketing Services Ltd.,
Cologne, Germany

© PHOENIX Pharma SE, Mannheim, Germany
Printed in Germany. All rights reserved.

Translation of the German version.
The German version is binding.



The mark of
responsible forestry

