

# BEING THERE

HALF-YEAR REPORT  
FEBRUARY TO JULY 2018



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

**The PHOENIX group** is a leading pharmaceutical trader in Europe, reliably supplying people with drugs and health products every day. The PHOENIX group originated from the merger of five regional pharmaceutical wholesale businesses in Germany in 1994. Today, with more than 36,000 employees, the company offers unique geographical coverage throughout Europe, making a vital contribution to comprehensive healthcare. The PHOENIX group's vision is to be the best integrated healthcare provider – wherever it is active. This means providing each customer group with the best possible products and services along the entire pharmaceutical supply chain.

**In pharmaceutical wholesale**, the PHOENIX group has 154 distribution centres in 26 European countries from which it supplies drugs and other health products to pharmacies and medical institutions. Numerous other products and services for pharmacy customers complete the portfolio – from assistance in advising patients to modern goods management systems to pharmacy cooperation programmes. The PHOENIX group's pharmacy network, with around 13,500 independent pharmacies in the company's cooperation and partner programmes, is the largest of its kind in Europe. The PHOENIX Pharmacy Partnership acts as a European umbrella for the PHOENIX group's 13 pharmacy cooperation programmes in 16 countries.

**In pharmacy retail**, the PHOENIX group operates around 2,500 of its own pharmacies in 14 countries – of which over 1,300 operate under the corporate brand BENU. In addition to Norway the United Kingdom, the Netherlands and Switzerland, the company is also heavily represented in Hungary, the Czech Republic, Slovakia, Serbia, Montenegro, and the Baltic markets. The approximately 18,500 pharmacy employees have around 140 million customer contacts each year. They dispense approximately 315 million drug packages to patients and advise them on issues concerning pharmaceuticals and general health.

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

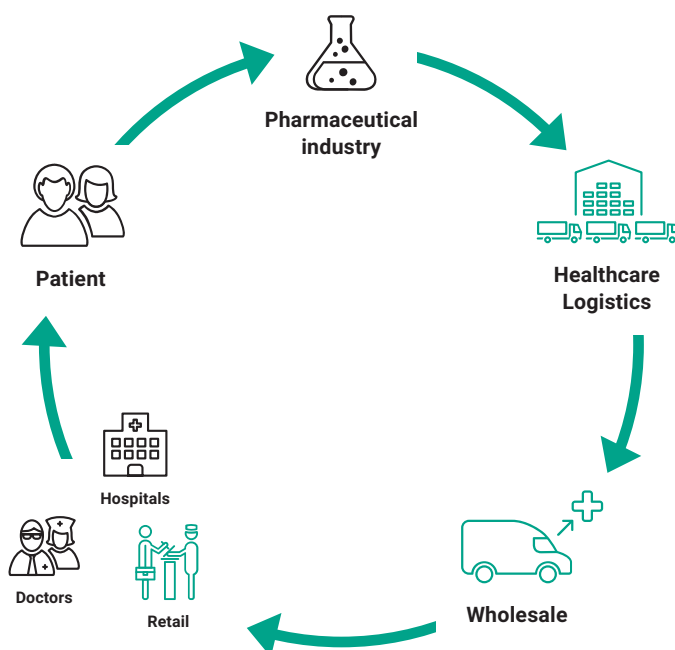


# BEING THERE

## CONTENTS

- |          |  |          |  |
|----------|--|----------|--|
| 2        | Link between manufacturer and patient  | <b>8</b> | <b>INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</b>       |
| 3        | The first half-year at a glance        | 9        | Consolidated income statement                                    |
| <b>4</b> | <b>INTERIM GROUP MANAGEMENT REPORT</b> | 10       | Consolidated statement of comprehensive income                   |
| 4        | Business and economic environment      | 11       | Consolidated statement of financial position                     |
| 7        | Risks and opportunities                | 13       | Consolidated statement of cash flows                             |
| 7        | Forecast                               | 15       | Consolidated statement of changes in equity                      |
|          |  | 16       | Notes to the interim condensed consolidated financial statements |
|          |  | 29       | Financial calendar 2018; Imprint                                 |

# LINK BETWEEN MANUFACTURER AND PATIENT



## WHOLESALE



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

## PHARMA SERVICES



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

## RETAIL



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

## THE FIRST HALF-YEAR AT A GLANCE

- Total operating performance and revenue increased again
- Stable development of adjusted EBITDA
- Acquisition of Farmexim and Help Net in Romania completed

Key figures of the PHOENIX group		1st half-year 2017/18	1st half-year 2018/19
Total operating performance	in EUR m	15,338.3	16,081.9
Revenue	in EUR m	12,297.2	12,565.1
Total income	in EUR m	1,307.0	1,336.9
Adjusted EBITDA	in EUR m	226.8	222.2
EBITDA	in EUR m	219.5	209.3
EBIT	in EUR m	153.1	141.3
Profit after tax	in EUR m	92.7	82.8

		31 July 2017	31 January 2018	31 July 2018
Equity	in EUR m	2,555.5	2,646.6	2,681.1
Equity ratio	in %	29.6	31.7	30.8
Net debt	in EUR m	1,889.7	1,783.0	2,072.6

# INTERIM GROUP MANAGEMENT REPORT

## BUSINESS AND ECONOMIC ENVIRONMENT

### Development of the market

The European economy could continue its growth trend in the second quarter of 2018. In the eurozone, seasonally adjusted GDP increased by 2.2% in the second quarter of 2018 compared to prior year's second quarter. In Germany, the seasonally and calendar adjusted GDP increased by 2.0% compared to the second quarter of 2017.

Overall, the European pharmaceutical markets continued their moderate growth trend in the second quarter of 2018. The German pharmaceutical market also showed growth. The total turnover of the German wholesale pharmaceutical market grew by 3.3% from January to July 2018 compared to the same period of the prior year. The increase was mainly due to higher prescription and OTC pharmaceuticals revenues. Market growths were also noted in various foreign markets of the PHOENIX group.

In total, the PHOENIX group continued its positive development in the European market environment.

### Acquisitions

In the first six months of 2018/19, business combinations led to a cash outflow of EUR 127.7m (comparative period: EUR 25.0m). The acquisitions pertained to a wholesaler and a pharmacy chain in Romania and pharmacies in several countries.

### Results of operations

In the first six months of 2018/19, total operating performance, comprising revenue and handled volume that cannot be recognised as revenue but are charged as a service fee, increased by 4.8% to EUR 16,081.9m. Adjusted for foreign exchange rate effects, total operating performance grew by 5.7%.

Revenue grew by EUR 267.9m (2.2%) to EUR 12,565.1m (comparative period: EUR 12,297.2m). The increase is mainly due to increased revenue in Eastern Europe and Germany. Adjusted for foreign exchange rate effects, revenue grew by 2.8%.

Gross profit increased by EUR 38.5m to EUR 1,265.6m. The gross profit margin came to 10.1% (comparative period: 10.0%).

Other operating income declined by EUR 8.6m to EUR 71.3m.



Personnel expenses increased by 3.6% to EUR 690.2m. This is mainly due to the impact of collective salary increases, acquisitions and the growth in business.

Other expenses rose by EUR 15.7m to EUR 438.3m. This is mainly due to increased communication and IT costs, lease costs and consultancy costs. In relation to revenue, other expenses came to 3.5% (comparative period: 3.4%).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) declined by EUR 10.2m to EUR 209.3m, mainly due to non-recurring effects.

EBITDA adjusted for interest from customers, expenses related to ABS and factoring and other non-recurring effects (adjusted EBITDA) came to EUR 222.2m and is determined as follows:

EUR k	1st half-year 2017/18	1st half-year 2018/19	Change EUR k	Change %
EBITDA	219,484	209,296	- 10,188	- 4.6
Interest from customers	5,036	4,528	- 508	- 10.1
Expenses related to ABS/factoring	761	741	- 20	- 2.6
Other non-recurring effects	1,524	7,638	6,114	401.2
<b>Adjusted EBITDA</b>	<b>226,805</b>	<b>222,203</b>	<b>- 4,602</b>	<b>- 2.0</b>

Depreciation and amortisation came to EUR 68.0m and were at the prior year's level.

The financial result came to EUR - 20.2m and was EUR - 24.5m in the comparative period.

The effective tax rate in the first half-year of 2018/19 came to 31.6% and was 27.9% in the comparative period.

Profit after tax was EUR 82.8m (comparative period: EUR 92.7m). Of this, EUR 16.2m is attributable to non-controlling interests (comparative period: EUR 11.5m).

### Net assets

The group's total assets increased by 4.1% to EUR 8,702.0m compared to 31 January 2018. The currency translation difference on the total assets, which is presented in the statement of changes in equity, amounts to EUR - 105.5m (31 January 2018: EUR - 98.6m).

Compared to 31 January 2018, non-current assets increased by EUR 178.4m to EUR 3,289.0m. The increase is particularly related to intangible assets. Intangible assets contain goodwill of EUR 1,720.2m (31 January 2018: EUR 1,600.2m), which had risen due to acquisitions.

Inventories increased compared to 31 January 2018 by EUR 255.0m to EUR 2,385.7m. Besides acquisition effects, the increase is mainly due to seasonal fluctuation.

Trade receivables decreased slightly by 1.5% to EUR 2,652.4m. As of 31 July 2018, receivables of EUR 53.2m (31 January 2018: EUR 61.2m) had been sold 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 173.6m had been sold as of 31 July 2018 (31 January 2018: EUR 177.1m). The group's continuing involvement came to EUR 8.0m (31 January 2018: EUR 8.2m).

Other current receivables and other current financial assets decreased from EUR 167.2m as of 31 January 2018 to EUR 109.2m and mainly include loans granted to customers of EUR 43.5m (31 January 2018: EUR 32.5m) as well as receivables from factoring and ABS transactions of EUR 30.4m (31 January 2018: EUR 30.8m).

Other current assets increased from EUR 112.4m as of 31 January 2018 to EUR 140.4m, among others, due to higher prepayments.

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

### Financial position

Equity increased by EUR 34.6m compared to 31 January 2018. The equity ratio as of 31 July 2018 came to 30.8% (31 January 2018: 31.7%).

Cashflow from operating activities came to EUR – 75.3m (comparative period: EUR 33.8m) and was largely affected by a higher increase of EUR 95.0m in working capital compared to the comparative period. Cashflow from investing activities came to EUR – 196.4m and was EUR – 110.3m in the comparative period. Investing activities mainly pertained to the acquisition of Farmexim S.A. and Help Net Farma S.A. in Romania.

Non-current financial liabilities came to EUR 672.9m (31 January 2018: 655.8m). As at 31 July 2018, non-current financial liabilities contain, among others, bonds of EUR 497.0m (31 January 2018: EUR 496.3m) and promissory note bonds of EUR 149.6m (31 January 2018: EUR 149.5m).

Current financial liabilities came to EUR 1,304.9m (31 January 2018: EUR 1,037.0m) and include, among others, liabilities to banks of EUR 450.9m (31 January 2018: EUR 179.3m), liabilities to related parties of EUR 258.5m (31 January 2018: EUR 264.9m), liabilities from ABS and factoring agreements with an amount of EUR 445.5m (31 January 2018: EUR 415.0m) as well as other loans amounting to EUR 130.6m (31 January 2018: EUR 116.0m).

Trade payables increased by EUR 73.8m to EUR 3,328.8m. The increase is due to acquisition effects.

Overall, the PHOENIX group was able to underline its position in the first half-year of 2018/19 as a leading healthcare provider in Europe.



See the Consolidated Statement of Cash Flows (p. 13).



## RISKS AND OPPORTUNITIES

The PHOENIX group has comprehensive planning, approval and reporting structures and an early warning system that we use to identify, assess and monitor our opportunities and risks. The opportunities and risks of significance to us are presented extensively in our annual report for fiscal year 2017/18.

The risks and opportunities presented in the annual report are still essentially relevant.



[www.phoenixgroup.eu/en/investor-relations/publications/annual-report-201718](http://www.phoenixgroup.eu/en/investor-relations/publications/annual-report-201718)

## FORECAST

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

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

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

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

We expect a stable development for the equity ratio.



**INTERIM**  
**CONDENSED**  
**CONSOLIDATED**  
**FINANCIAL**  
**STATEMENTS**

<b>9</b>	<b>CONSOLIDATED INCOME STATEMENT</b>
<b>10</b>	<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>
<b>11</b>	<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>
<b>13</b>	<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>
<b>15</b>	<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>
<b>16</b>	<b>NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</b>

# CONSOLIDATED INCOME STATEMENT

for the first half-year of 2018/19

EUR k	2nd quarter 2017/18	2nd quarter 2018/19	1st half-year 2017/18	1st half-year 2018/19
<b>Revenue</b>	<b>6,253,197</b>	<b>6,370,769</b>	<b>12,297,169</b>	<b>12,565,053</b>
Cost of purchased goods and services	-5,632,126	-5,723,711	-11,070,050	-11,299,428
<b>Gross income</b>	<b>621,071</b>	<b>647,058</b>	<b>1,227,119</b>	<b>1,265,625</b>
Other operating income	39,409	35,905	79,889	71,280
Personnel expenses	-329,672	-346,570	-666,328	-690,221
Other operating expenses	-210,400	-220,534	-422,570	-438,256
Result from associates and joint ventures	849	397	1,368	774
Results from other investments	6	94	6	94
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>121,263</b>	<b>116,350</b>	<b>219,484</b>	<b>209,296</b>
Amortisation of intangible assets and depreciation of property, plant and equipment	-33,113	-34,153	-66,430	-67,990
<b>Earnings before interest and taxes (EBIT)</b>	<b>88,150</b>	<b>82,197</b>	<b>153,054</b>	<b>141,306</b>
Interest income	3,599	3,873	6,815	6,546
Interest expense	-16,854	-13,635	-31,323	-26,366
Other financial result	506	892	34	-412
<b>Financial result</b>	<b>-12,750</b>	<b>-8,870</b>	<b>-24,474</b>	<b>-20,232</b>
<b>Profit before income tax</b>	<b>75,401</b>	<b>73,328</b>	<b>128,580</b>	<b>121,075</b>
Income tax	-20,889	-23,220	-35,844	-38,260
<b>Profit for the period</b>	<b>54,512</b>	<b>50,108</b>	<b>92,736</b>	<b>82,815</b>
thereof attributable to non-controlling interests	6,276	9,461	11,472	16,235
thereof attributable to equity holders of the parent company	48,236	40,647	81,264	66,580

	2nd quarter 2017/18	2nd quarter 2018/19
Profit for the period attributable to equity holders of PHOENIX Pharma SE in EUR k	81,264	66,580
Number of shares	2,515,200	2,515,200
<b>Earnings per share in EUR</b>	<b>32.31</b>	<b>26.47</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the first half-year of 2018/19

EUR k	2nd quarter 2017/18	2nd quarter 2018/19	1st half-year 2017/18	1st half-year 2018/19
<b>Profit after tax</b>	<b>54,512</b>	<b>50,108</b>	<b>92,736</b>	<b>82,815</b>
<b>Items not reclassified to the income statement</b>				
Remeasurement of defined benefit plans	504	274	2,297	- 540
<b>Items that may subsequently be reclassified to the income statement</b>				
Gains/losses from changes in the fair value of available-for-sale financial assets	- 99	0	- 98	0
Currency translation differences	- 17,268	- 5,744	- 11,021	- 7,092
<b>Other comprehensive income, net of taxes</b>	<b>- 16,863</b>	<b>- 5,470</b>	<b>- 8,822</b>	<b>- 7,632</b>
<b>Total comprehensive income</b>	<b>37,649</b>	<b>44,638</b>	<b>83,914</b>	<b>75,183</b>
thereof attributable to non-controlling interests	6,255	9,369	11,462	16,070
thereof attributable to owners of the parent company	31,394	35,269	72,452	59,113

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 July 2018

## ASSETS

EUR k	31 Jan. 2018 <sup>1)</sup>	31 July 2018
<b>Non-current assets</b>		
Intangible assets	1,975,766	2,109,229
Property, plant and equipment	934,808	974,238
Investment property	10,596	10,323
Investments in associates and joint ventures	14,726	15,250
Trade receivables	16	259
Other financial assets	95,008	98,401
Deferred tax assets	79,689	81,305
	<b>3,110,609</b>	<b>3,289,005</b>
<b>Current assets</b>		
Inventories	2,130,706	2,385,674
Trade receivables	2,693,262	2,652,183
Income tax receivables	31,609	27,502
Other financial assets	167,236	109,216
Other assets	112,385	140,411
Cash and cash equivalents	106,223	91,876
	<b>5,241,421</b>	<b>5,406,862</b>
Non-current assets held for sale	5,507	6,180
<b>Total assets</b>	<b>8,357,537</b>	<b>8,702,047</b>

<sup>1)</sup> Prior-year figures were restated due to the finalisation of a purchase price allocation.

**EQUITY AND LIABILITIES**

EUR k	31 Jan. 2018 <sup>1)</sup>	31 July 2018
<b>Equity</b>		
Issued capital	2,515	2,515
Capital reserves	626,375	626,375
Revenue reserves	2,002,650	2,054,843
Accumulated other comprehensive income	-228,002	-248,278
<b>Equity attributable to the shareholders of the parent company</b>	<b>2,403,538</b>	<b>2,435,455</b>
Non-controlling interests	243,029	245,665
	<b>2,646,567</b>	<b>2,681,120</b>
<b>Non-current liabilities</b>		
Financial liabilities	655,783	672,885
Trade payables	2	1
Provisions for pensions and similar obligations	242,686	239,896
Other non-current provisions	1,401	1,805
Deferred tax liabilities	122,482	122,138
Other non-current liabilities	2,115	1,908
	<b>1,024,469</b>	<b>1,038,633</b>
<b>Current liabilities</b>		
Financial liabilities	1,036,965	1,304,922
Trade payables	3,255,025	3,328,818
Other provisions	51,729	42,377
Income tax liabilities	36,769	32,424
Other liabilities	306,013	273,753
	<b>4,686,501</b>	<b>4,982,294</b>
Liabilities directly associated with assets held for sale	0	0
<b>Total equity and liabilities</b>	<b>8,357,537</b>	<b>8,702,047</b>

<sup>1)</sup> Prior-year figures were restated due to the finalisation of a purchase price allocation.



# CONSOLIDATED STATEMENT OF CASH FLOWS

for the first half-year of 2018/19

EUR k	31 July 2017	31 July 2018
<b>Profit after tax</b>	<b>92,736</b>	<b>82,815</b>
Income taxes	35,844	38,260
<b>Profit before income taxes</b>	<b>128,580</b>	<b>121,075</b>
Adjustments for:		
Interest expenses and interest income	24,508	19,820
Amortisation/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and investment property	66,430	67,990
Result from associates and other investments	-1,374	-868
Net result from the disposal of assets related to investing activities	-2,403	-46
Other non-cash expense and income	42,520	49,915
	<b>258,261</b>	<b>257,886</b>
Interest paid	-32,094	-31,974
Interest received	5,673	6,244
Income taxes paid	-26,174	-35,756
Dividends received	311	217
<b>Result before change in assets and liabilities</b>	<b>205,977</b>	<b>196,617</b>
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	-10,790	-15,518
<b>Result before change in operating assets and liabilities</b>	<b>195,187</b>	<b>181,099</b>
Change in inventories	-192,570	-180,513
Change in trade receivables	78,680	40,774
Change in trade payables	29,232	-21,924
	<b>-84,658</b>	<b>-161,663</b>
Change in other assets and liabilities not related to investing or financing activities	-76,755	-94,712
<b>Change in operating assets and liabilities</b>	<b>-161,413</b>	<b>-256,375</b>
<b>Cash flow from operating activities</b>	<b>33,774</b>	<b>-75,276</b>
Acquisition of consolidated companies and business units, net of cash acquired	-25,015	-127,739
Capital expenditures for intangible assets, property, plant and equipment, and investment property	-94,477	-69,577
Investment in other financial assets and non-current assets	-9,763	-1,211
<b>Cash outflows for investments</b>	<b>-129,255</b>	<b>-198,527</b>

EUR k	31 July 2017	31 July 2018
Cash received from the sale of consolidated companies and business units, net of cash disposed	10,898	64
Cash received from disposal of intangible assets, property, plant and equipment and investment property	6,829	1,610
Proceeds from other financial assets and non-current assets	1,234	500
<b>Cash inflows from realised investments and divestments</b>	<b>18,961</b>	<b>2,174</b>
<b>Cash flow from investing activities</b>	<b>- 110,294</b>	<b>- 196,353</b>
<b>Cash available for financing activities</b>	<b>- 76,520</b>	<b>- 271,629</b>
Capital increase/repayment	- 156,494	0
Capital contribution from/repayment to non-controlling interests	- 76	0
Acquisition of additional shares in already consolidated subsidiaries	- 2,578	- 3,382
Dividends paid to non-controlling interests	- 7,946	- 9,996
Proceeds from bond issuance and bank loans	110,460	120,523
Repayment of bonds and bank loans	- 150,327	- 20,155
Change in bank loans which have a maturity period of 3 months or less	250	148,191
Proceeds from the issue of loans from shareholders in the parent company	38,000	135,950
Repayment of loans from shareholders in the parent company	0	- 128,580
Proceeds from the issue of loans from related parties	172,000	244,450
Repayment of loans from related parties	- 49,574	- 259,301
Change in ABS/Factoring	- 46,996	30,876
Change in finance lease	- 259	- 295
Change in other financial liabilities	0	- 686
<b>Cash flow from financing activities</b>	<b>- 93,540</b>	<b>257,595</b>
<b>Changes in cash and cash equivalents</b>	<b>- 170,060</b>	<b>- 14,034</b>
Effect of exchange rate changes on cash and cash equivalents	- 1,105	- 313
Cash and cash equivalents at the beginning of the period	489,337	106,223
Cash and cash at the end of the period	318,172	91,876
Less cash and cash equivalents included in assets held for sale	0	0
<b>Cash and cash equivalents presented in the balance sheet at the end of the period</b>	<b>318,172</b>	<b>91,876</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the first half-year of 2018/19

EUR k	Issued capital	Capital reserves	Revenue reserves	Net assets of group entities before contribution to PHOENIX Pharma SE	Currency translation differences	IAS 39 available-for-sale financial assets	Remeasurement of defined benefit plans	Equity attributable to shareholders of the parent	Non-controlling interests	Total equity
<b>1 February 2017</b>				<b>2,637,145</b>	<b>-94,803</b>	<b>10,004</b>	<b>-143,030</b>	<b>2,409,316</b>	<b>230,568</b>	<b>2,639,884</b>
Transfer of the net assets to PHOENIX Pharma SE on 30 April 2017 <sup>1)</sup>	2,515	626,375	2,008,255	-2,637,145				0	0	0
Profit after tax			81,264					81,264	11,472	92,736
Accumulated other comprehensive income					-11,011	-98	2,297	-8,812	-10	-8,822
<b>Total comprehensive income, net of tax</b>			<b>81,264</b>		<b>-11,011</b>	<b>-98</b>	<b>2,297</b>	<b>72,452</b>	<b>11,462</b>	<b>83,914</b>
Changes in the interest of consolidated companies			-708					-708	-1,169	-1,877
Dividends								0	-9,677	-9,677
Other transactions with owners			-156,494					-156,494		-156,494
Other changes in equity			-216					-216	-6	-222
<b>31 July 2017</b>	<b>2,515</b>	<b>626,375</b>	<b>1,932,101</b>	<b>0</b>	<b>-105,814</b>	<b>9,906</b>	<b>-140,733</b>	<b>2,324,350</b>	<b>231,178</b>	<b>2,555,528</b>
<b>1 February 2018</b>	<b>2,515</b>	<b>626,375</b>	<b>2,002,650</b>	<b>0</b>	<b>-98,569</b>	<b>12,809</b>	<b>-142,242</b>	<b>2,403,538</b>	<b>243,029</b>	<b>2,646,567</b>
Initial application of IFRS 9			-12,309			-12,809		-25,118	-888	-26,006
<b>1 February 2018 adjusted</b>	<b>2,515</b>	<b>626,375</b>	<b>1,990,341</b>	<b>0</b>	<b>-98,569</b>	<b>0</b>	<b>-142,242</b>	<b>2,378,420</b>	<b>242,141</b>	<b>2,620,561</b>
Profit after tax			66,580					66,580	16,235	82,815
Accumulated other comprehensive income					-6,927	0	-540	-7,467	-165	-7,632
<b>Total comprehensive income, net of tax</b>			<b>66,580</b>		<b>-6,927</b>	<b>0</b>	<b>-540</b>	<b>59,113</b>	<b>16,070</b>	<b>75,183</b>
Changes in the interest of consolidated companies			-1,389					-1,389	-1,201	-2,590
Dividends									-12,737	-12,737
Other changes in equity			-689					-689	1,392	703
<b>31 July 2018</b>	<b>2,515</b>	<b>626,375</b>	<b>2,054,843</b>	<b>0</b>	<b>-105,496</b>	<b>0</b>	<b>-142,782</b>	<b>2,435,455</b>	<b>245,665</b>	<b>2,681,120</b>

<sup>1)</sup> In order to continue the PHOENIX Pharmahandel GmbH & Co KG group under the ultimate parent company that was newly formed, PHOENIX Pharma SE, the former partners under common control of PHOENIX Pharmahandel GmbH & Co KG contributed their shares in the KG and special operating assets to PHOENIX Pharma SE on 30 April 2017. Further information can be found in the notes to the consolidated financial statements for the fiscal year 2017/18 under General – Formation of the group and first-time adoption of IFRSs.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

as of 31 July 2018

## The company

PHOENIX Pharmahandel SE, Mannheim, ("PHOENIX group") is a European healthcare provider and pharmaceuticals distribution group. The PHOENIX group has business activities in 27 European countries. In several countries, the PHOENIX group also operates its own pharmacy chains. The registered office is located in Mannheim, Germany.

## Basis of presentation

The interim condensed consolidated financial statements of the PHOENIX group as of 31 July 2018 are prepared on the basis of IAS 34 "Interim Financial Reporting", observing all International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, and mandatory in the EU as of 31 July 2018, as well as all mandatory interpretations of the International Financial Reporting Standards Interpretation Committee (IFRS IC).

The interim condensed consolidated financial statements as of 31 July 2018 of the PHOENIX group were released for publication by the Executive Board of PHOENIX Pharma SE on 12 September 2018.

## Significant accounting policies

The accounting policies used to prepare the interim condensed consolidated financial statements are – except where financial reporting standards have been applied for the first time in 2018/19 – essentially consistent with those used in the consolidated financial statements as of 31 January 2018. Standards and interpretations that are applicable since 1 February 2018 for the first time had the following impacts on the interim financial statements:

### **IFRS 9 Financial instruments: classification and measurement**

IFRS 9 is the new standard for accounting for financial instruments that the PHOENIX group applied retrospectively for the first time as of 1 February 2018 without restating the prior-year figures, accounting for the aggregate amount of any transition effects by way of an adjustment to equity and presenting the comparative period in line with previous rules.

IFRS 9 introduces new provisions for the classification and measurement of financial assets and replaces the current rules on the impairment of financial assets. The classification and measurement of financial liabilities are otherwise largely unchanged from the existing regulations.

Under IFRS 9, the classification and measurement of financial assets is determined by the company's business model and the characteristics of the cashflows of each financial asset. In the case of equity instruments held as of 1 February 2018, the PHOENIX group recognises future changes in their fair value through profit or loss. Participations in limited partnerships were previously reported in the category available-for-sale with changes in their fair value recognised in other comprehensive income in the statement of comprehensive income and are now classified as debt instruments with changes in their fair value recognised through profit or loss. As of the date of initial application, there was a reclassification within reserves from "IAS 39 available-for-sale financial assets" to "reserves" amounting to EUR 12,809k.

IFRS 9 introduces a new impairment model for financial assets measured at amortised cost. This model provides for the recognition of expected credit losses at the time of initial recognition. This led to an additional need to recognise an impairment as of 1 February 2018. Additionally, trade receivables that are part of an ABS or factoring agreement have to be measured at their fair value. As of the date of initial application, an amount of EUR – 26,006k (net of taxes) has been recognised in equity.

#### **IFRS 15 Revenue from contracts with customers**

IFRS 15 replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31 and sets an extensive framework for determining whether, in what amount and at what point in time revenue is recognised. IFRS 15 provides for a uniform, five-level revenue recognition model that is generally applicable to all contracts with customers. The PHOENIX group primarily generates revenue from simply structured sales of pharmaceutical products for which control passes to the customer at a specific point in time. The initial application of IFRS 15 did not lead to any impact on the interim financial statements of the PHOENIX group.

#### **IFRIC 22 Foreign currency transactions and advance considerations**

IFRIC 22 regulates the translation of foreign currency transactions in the event of prepayments made or received. The interpretation did not lead to any impact on the interim financial statements of the PHOENIX group.

#### **Business combinations**

The business combinations carried out in the first six months of 2018/19 are explained below. Purchase accounting is performed in accordance with the acquisition method pursuant to IFRS 3 "Business Combinations".

In fiscal year 2018/19, the cumulative profit after tax of the acquirees came to EUR 10k, and revenue amounted to EUR 15,573k. Assuming that the acquisition date coincides with the beginning of the reporting period for all business combinations, accumulated revenue for the period came to EUR 298,986k. Assuming that the acquisition date coincides with the beginning of the reporting period for all business combinations, the accumulated profit after tax came to EUR – 356k.

The table below shows a summary of the fair values of acquisitions:

#### Fair value recognised on acquisition

EUR k	Wholesale and retail Romania	Other	Total
Cash and cash equivalents	122,315	23,864	146,179
Equity instruments	0	0	0
Acquisition-date fair value of previously held equity interest	0	0	0
<b>Total cost</b>	<b>122,315</b>	<b>23,864</b>	<b>146,179</b>
Intangible assets	17,795	35	17,830
Other non-current assets	68,707	1,351	70,058
Inventories	60,061	4,848	64,909
Trade receivables	104,639	2,548	107,187
Cash and cash equivalents	9,508	576	10,084
Other current assets	1,713	1,191	2,904
Non-current liabilities	9,540	2,530	12,070
Current liabilities	227,031	10,694	237,725
<b>Net assets</b>	<b>25,852</b>	<b>-2,675</b>	<b>23,177</b>
Non-controlling interests	1,406	0	1,406
<b>Net assets acquired</b>	<b>24,446</b>	<b>-2,675</b>	<b>21,771</b>
<b>Bargain purchase</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Goodwill</b>	<b>97,869</b>	<b>26,539</b>	<b>124,408</b>

#### Wholesale and retail Romania

On 31 July 2018, PHOENIX group acquired 88,8% of the voting shares in a wholesaler and 100,0% of the voting shares in a pharmacy chain in Romania. It is expected that PHOENIX will strengthen its market position in Europe through the market entry in Romania.

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

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

#### Other business combinations

In the first six months of 2018/19, the group acquired a pharmacy chain and further pharmacies that are individually immaterial.

EUR 2,300k of the goodwill recognised from business combinations is expected to be tax deductible.

Because the data was preliminary, the final value of some of the assets and liabilities could not be established as at the balance sheet date.



### Other operating expenses

Other operating expenses contain expenses in connection with ABS and factoring programmes of EUR 741k (comparative period: EUR 761k).

### Financial result

EUR k	1st half-year 2017/18	1st half-year 2018/19
Interest income	6,815	6,546
Interest expenses	- 31,323	- 26,366
Other financial result	34	- 412
<b>Financial result</b>	<b>- 24,474</b>	<b>- 20,232</b>

Interest income includes interest from customers of EUR 4,528k (comparative period: EUR 5,036k).

The other financial result includes exchange rate gains of EUR 17,718k (comparative period: EUR 18,896k) and exchange rate losses of EUR 26,771k (comparative period: EUR 20,132k). Changes in the market value of derivatives gave rise to income of EUR 28,404k (comparative period: EUR 38,878k) and expenses of EUR 19,905k (comparative period: EUR 37,795k).

### Other assets and other liabilities

EUR k	31 Jan. 2018 <sup>1)</sup>	31 July 2018
Prepayments	62,675	82,725
Tax claims – VAT and other taxes	32,724	36,129
Sundry other assets	16,986	21,557
<b>Other assets</b>	<b>112,385</b>	<b>140,411</b>

<sup>1)</sup> Prior-year figures were restated due to the finalisation of a purchase price allocation.

EUR k	31 Jan. 2018 <sup>1)</sup>	31 July 2018
VAT and other tax liabilities	111,265	82,050
Personnel liabilities	140,225	129,853
Liabilities relating to social security/similar charges	27,763	27,103
Contract Liabilities (IFRS 15)	14,864	22,364
Sundry other liabilities	11,896	12,383
<b>Other liabilities</b>	<b>306,013</b>	<b>273,753</b>

<sup>1)</sup> Prior-year figures were restated due to the finalisation of a purchase price allocation.

**Other financial assets and other financial liabilities**

The table below presents the non-current financial assets:

EUR k	31 Jan. 2018	31 July 2018
Trade receivables, non-current	16	259
<b>Other financial assets</b>		
Equity and debt instruments	40,787	43,171
Loans to and receivables from associates	2,086	1,110
Other loans	47,482	46,530
Other non-current financial assets	4,653	7,590
	<b>95,008</b>	<b>98,401</b>

The table below presents the current financial assets:

EUR k	31 Jan. 2018	31 July 2018
Trade receivables	2,693,262	2,652,183
<b>Other financial assets</b>		
Loans to and receivables from associates or related parties	6,926	5,846
Other loans	32,544	43,507
Derivative financial instruments	1,648	2,910
Other current financial assets	126,118	56,953
	<b>167,236</b>	<b>109,216</b>

The receivables from factoring and ABS transactions as of 31 July 2018 are presented below:

EUR k	31 Jan. 2018	31 July 2018
<b>Transferred but only partly derecognised receivables</b>		
Receivables not derecognised in accordance with IAS 39		
Volume of receivables	456,747	485,667
Financial liability	405,924	436,667
<b>Continuing involvement</b>		
Volume of receivables	177,119	173,619
Continuing involvement	8,232	8,039
Financial liability	9,030	8,831
<b>Transferred and fully derecognised receivables</b>		
Volume of receivables	61,224	53,202
Retentions of title	30,834	30,389

At the reporting date, financial liabilities were divided into non-current and current liabilities as follows:

EUR k	31 Jan. 2018	31 July 2018
<b>Financial liabilities (non-current)</b>		
Liabilities to banks	149,635	158,924
Bonds	496,319	496,963
Loans	356	326
Other financial liabilities	9,473	16,672
	<b>655,783</b>	<b>672,885</b>

EUR k	31 Jan. 2018 <sup>1)</sup>	31 July 2018
<b>Financial liabilities (current)</b>		
Liabilities to banks	179,251	450,943
Loans	115,981	130,642
Liabilities to associates and related parties	264,903	258,534
Liabilities for customer rebates and bonuses	33,119	0
ABS and factoring liabilities	414,954	445,498
Other financial liabilities	28,757	19,305
	<b>1,036,965</b>	<b>1,304,922</b>

<sup>1)</sup> Prior-year figures were restated due to the finalisation of a purchase price allocation.

In connection with the loan agreements, it was agreed to comply with certain financial covenants, all of which were met in the first six months of 2018/19.

Other financial liabilities (non-current) contain non-current derivative financial instruments of EUR 208k (31 January 2018: EUR 229k).

Other financial liabilities (current) contain current derivative financial instruments of EUR 1,557k (31 January 2018: EUR 2,292k).

### Information on financial instruments

The items in the statement of financial position for financial instruments are assigned to classes and categories.

The carrying amounts for each category and class of financial assets, and the fair values for each class are presented in the following table:

31 July 2018	Category pursuant to IFRS 9					
	At amortised costs	At fair value through profit and loss	No category according to IFRS 9	Outside the scope of IFRS 7	Carrying amount	Fair value
EUR k						
<b>Assets</b>						
Equity and debt instruments	0	43,171	0	0	43,171	43,171
Trade receivables	2,652,442	0	0	0	2,652,442	2,652,442
Loans to and receivables from associates or related parties	6,956	0	0	0	6,956	6,910
Other loans	90,037	0	0	0	90,037	91,075
Derivative financial assets without hedge accounting	2,910	0	0	0	2,910	2,910
Other financial assets	56,038	0	0	0	56,038	56,038
Lease receivables	0	0	8,505	0	8,505	n/a
Cash and cash equivalents	91,876	0	0	0	91,876	91,876

31 January 2018	Category pursuant to IAS 39						Carrying amount	Fair value
	Loans and receivables	Available-for-sale financial assets	Financial assets held-for-trading	No category according to IAS 39.9	Outside the scope of IFRS 7			
EUR k								
<b>Assets</b>								
Available-for-sale financial assets	0	38,070	0	0	0	38,070	38,070	
Available-for-sale financial assets at cost	0	2,717	0	0	0	2,717	n/a	
Trade receivables	2,693,278	0	0	0	0	2,693,278	2,693,278	
Loans to and receivables from associates or related parties	9,012	0	0	0	0	9,012	8,951	
Other loans	80,026	0	0	0	0	80,026	81,705	
Derivative financial assets without hedge accounting	0	0	1,648	0	0	1,648	1,648	
Other financial assets	125,234	0	0	0	0	125,234	125,234	
Lease receivables	0	0	0	5,537	0	5,537	n/a	
Cash and cash equivalents	106,223	0	0	0	0	106,223	106,223	

Equity and debt instruments primarily contain shares in unlisted entities and participations in limited partnerships. Shares in listed entities are measured at the quoted price determined as of the reporting date. For other equity and debt instruments, the fair value is determined using a multiplier method (revenue multiple, level 3). This method uses individually derived multipliers between 0.54 and 1.39 (31 January 2018: between 0.54 and 1.39). A 10% increase in the multipliers would increase the value by EUR 5,010k (31 January 2018: EUR 5,010k); a 10% decrease in the multipliers would decrease the value by EUR 5,008k (31 January 2018: EUR 5,008k).

Derivatives are recognised at their fair values (level 2).

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

The fair value of loans to and receivables from associates or related entities, other loans, held-to-maturity financial assets and other non-current financial assets due after more than one year correspond to the net present value of the payments related to the assets based on the current interest rate parameters and yield curves (level 2).

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

31 July 2018	Category pursuant to IAS 39					
	At amortised costs	At fair value through profit and loss	No category according to IFRS 9	Outside the scope of IFRS 7	Carrying amount	Fair value
EUR k						
<b>Financial liabilities</b>						
Liabilities to banks	609,867	0	0	0	609,867	610,242
Bonds	496,963	0	0	0	496,963	531,762
Loans	130,968	0	0	0	130,968	130,968
Trade payables	3,328,819	0	0	0	3,328,819	3,328,819
Liabilities to associates and related parties	258,534	0	0	0	258,534	258,534
ABS and factoring liabilities	445,498	0	0	0	445,498	445,498
Other financial liabilities at cost	16,955	0	0	0	16,955	16,955
Other financial liabilities at fair value	7,746	0	0	0	7,746	7,746
Lease liabilities	0	0	9,568	0	9,568	n/a
Derivative financial liabilities without hedge accounting	0	1,765	0	0	1,765	1,765



31 January 2018 <sup>1)</sup>	Category pursuant to IAS 39					Carrying amount	Fair value
	Other financial liabilities	Financial liabilities held-for-trading	No category according to IAS 39.9	Outside the scope of IFRS 7			
EUR k							
<b>Financial liabilities</b>							
Liabilities to banks	328,886	0	0	0	328,886	329,344	
Bonds	496,319	0	0	0	496,319	534,497	
Loans	116,337	0	0	0	116,337	116,337	
Trade payables	3,255,027	0	0	0	3,255,027	3,255,027	
Liabilities to associates and related parties	264,903	0	0	0	264,903	264,903	
Liabilities and provisions for customer rebates and bonuses	33,119	0	0	0	33,119	33,119	
ABS and factoring liabilities	414,954	0	0	0	414,954	414,954	
Other financial liabilities at cost	18,488	0	0	0	18,488	18,488	
Other financial liabilities at fair value	8,383	0	0	0	8,383	8,383	
Lease liabilities	0	0	8,838	0	8,838	n/a	
Derivative financial liabilities without hedge accounting	0	2,521	0	0	2,521	2,521	

<sup>1)</sup> Prior-year figures were restated due to the finalisation of a purchase price allocation.

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

Derivatives are recognised at their fair values (level 2).

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

**Fair value hierarchy of financial instruments**

The PHOENIX group applies the following fair value hierarchy to define and present its financial instruments measured at fair value:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Techniques that use inputs that are not based on observable market data.

Financial instruments measured at fair value				
EUR k	Level 1	Level 2	Level 3	Total
<b>31 July 2018</b>				
Equity and debt instruments	0	0	43,171	43,171
Derivative financial assets without hedge accounting	0	2,910	0	2,910
Derivative financial liabilities without hedge accounting	0	1,765	0	1,765
Other financial liabilities	0	0	7,746	7,746

Financial instruments measured at fair value				
EUR k	Level 1	Level 2	Level 3	Total
<b>31 January 2018<sup>1)</sup></b>				
Available-for-sale financial assets	0	0	38,070	38,070
Derivative financial assets without hedge accounting	0	1,648	0	1,648
Derivative financial liabilities without hedge accounting	0	2,521	0	2,521
Other financial liabilities	0	0	8,383	8,383

<sup>1)</sup> Prior-year figures were restated due to the finalisation of a purchase price allocation.

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

EUR k	Equity and debt instruments	Other financial liabilities <sup>1)</sup>
<b>1 February 2018</b>	<b>40,543</b>	<b>8,383</b>
Purchase	825	0
Sale of shares	- 279	0
thereof recognised in the income statement	0	0
Issues	2,007	0
Acquisitions	0	0
Remeasurement of contingent purchase price obligations (through profit or loss)	0	0
Payments due to acquisitions	0	- 1,006
Other	75	369
<b>31 July 2018</b>	<b>43,171</b>	<b>7,746</b>

<sup>1)</sup> Prior-year figures were restated due to the finalisation of a purchase price allocation.

### Contingent liabilities

As of 31 July 2018, the PHOENIX group recorded contingent liabilities for guarantees of EUR 76,449k (31 January 2018: EUR 76,674k).

### Notes to the statement of cash flows

EUR k	31 Jan. 2018	31 July 2018
<b>Restricted cash</b>		
Cash and cash equivalents at the end of the period	106,223	91,876
thereof restricted		
due to security deposits	12,368	8,303
due to restrictions placed upon foreign subsidiaries	15,162	14,362

**Related party disclosures**

Related parties granted PHOENIX group in the first half-year of 2018/19 individual loans totally amounting to EUR 380,400k, which were all fully repaid during the reporting period, and interest expenses of EUR 524k were incurred.

Beyond that, the business relationships with related parties presented in the consolidated financial statements as of 31 January 2018 remained essentially unchanged in the first six months of 2018/19.

Mannheim, 12 September 2018

The Executive Board of PHOENIX Pharma SE

# FINANCIAL CALENDAR 2018

Please consult our calendar for the most important announcement dates:

**18 December**      Quarterly report February to October 2018

## 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/Group Treasury/Holdings  
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 (Cover)

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

