SERVING HEALTH

Annual Report 2015/16

PHOENIX group

PHOENIX group in figures

Key figures of the PHOENIX group		2011/12	2012/13	2013/14 [5]	2014/15	2015/16
Revenue	in EUR k	21,660,649	21,218,687	21,791,268	22,567,998	23,247,428
Total operating performance [1]	in EUR k	25,479,749	25,251,336	25,916,290	27,278,243	28,484,595
Total income [2]	in EUR k	2,249,687	2,319,147	2,217,379	2,277,295	2,416,548
Profit before tax	in EUR k	294,775 [3]	230,723 [3]	143,092	361,278	318,985
Adjusted profit before tax [4]	in EUR k	294,775	329,156	253,094	296,558	339,628
Equity	in EUR k	1,935,623	2,103,800	2,161,841	2,481,491	2,726,468
Equity ratio	in %	26.1	28.7	29.4	32.1	35.1
Net debt	in EUR k	1,855,743	1,611,518	1,330,855	1,068,749	1,121,561
Company rating (Standard & Poor's)		BB–	BB	BB	BB	BB+
Employees (total)		29,038	28,698	28,555	28,922	29,745
Employees (full-time)		23,850	23,932	23,850	24,153	24,842

[1] Total operating performance = revenue + handled volume (handling for service charge).
[2] Total income = gross income + other operating income (previous years 2011/12 up to 2012/13 adjusted due to changes in reporting).
[3] Adjusted due to the application of IAS 19R.
[4] Adjusted for impairment losses on goodwill, effects resulting from the sale of financial assets, one-off effects related to the refinancing measures in 2012, expenditures associated with the PHOENIX *FORWARD* optimisation programme, changes in pension schemes 2014/15 and 2015/16, IT project costs 2014/15 and 2015/16 as well as expenditures associated with the minimum wage in Germany 2015/16.
[5] Adjusted due to the first-time application of IFRS 11.

> **Total operating performance**

EUR 28,485 million

> **Increase in total operating performance compared with 2014/15 of**

4.4 %

> **Operating result, adjusted (EBITDA)**

EUR 511.3 million

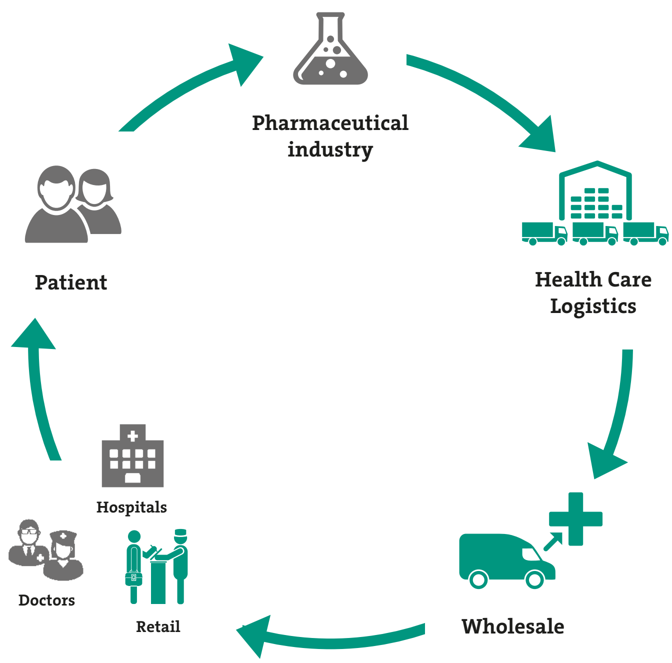
> **Improvement in adjusted profit for the period compared with 2014/15 of**

EUR 36.0 million

> **Increase in equity ratio to**

35.1 %

PHOENIX group: 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 help pharmaceutical manufacturers to make better business decisions and to 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 is accompanied by the best possible customer service.

We deliver health.
Each and every day. Across Europe.

PHOENIX group

> **The PHOENIX group** is a leading pharmaceutical trader in Europe , reliably supplying people with drugs and medical products every day. The PHOENIX group originated from the merger of five regionally active pharmaceutical wholesale businesses in Germany in 1994. Today, the company offers unique geographical coverage throughout Europe, making a vital contribution to comprehensive healthcare with around 30,000 employees. The PHOENIX group's vision is to be the best integrated healthcare provider – wherever it is active. This means that each customer group is provided with the best possible services and products along the entire pharmaceutical supply chain.

> **In pharmaceutical wholesale,** the PHOENIX group is active with 153 distribution centres in 26 European countries and supplies pharmacies and medical institutions with drugs and other health products. Numerous other products and services for pharmacy customers complete the portfolio – from support with patient advice to modern goods management systems to pharmacy cooperation programmes.

> **In pharmacy retail,** the PHOENIX group is active in 12 countries with around 1,800 of its own pharmacies – around 862 of which operate under the new corporate brand BENU. In addition to Norway, the United Kingdom, the Netherlands, and Switzerland, the company is also represented in the Eastern European and Baltic markets. The more than 13,000 pharmacy employees have around 120 million customer contacts each year. They dispense around 260 million drug packages to patients and advise them on issues concerning pharmaceuticals and general health.

> **Pharma Services** provides services across the whole 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 business intelligence offers a first-class basis for decision making.

SERVING HEALTH

ENHANCING SKILLS
DEVELOPING MARKETS
CREATING ADDED VALUE

Contents

Letter from the Chief Executive Officer

Oliver Windholz
Chief Executive Officer

Dear Ladies and Gentlemen,

The PHOENIX group can look back on a successful year, in which we have achieved a great deal! Despite demanding circumstances, we have succeeded in further strengthening our position as one of the leading healthcare providers in Europe. In the fiscal year 2015/16, we succeeded in increasing our total operating performance as a pharmaceutical wholesaler by 4.4 per cent to EUR 28.485 million. In addition, our operating result (EBITDA) adjusted for extraordinary items grew by 6.2 per cent to EUR 511.3 million. Thanks to our strategy for sustainable growth and dynamic cross-border cooperation, we have grown significantly stronger than the market as a whole.

Together we are building a successful future

Our programme PHOENIX *FORWARD* has had a very positive impact on the operating result. Through the measures that have been implemented, such as the initiatives Warehouse Excellence and Indirect Procurement, we have exceeded the planned savings target of EUR 100 million. We will pursue these two initiatives in the coming fiscal years, even after the PHOENIX *FORWARD* programme has come to an end. Our IT infrastructure has been centralised as a result of the successful implementation of the IT-Reinvent project, which has substantially contributed to improving quality and boosting efficiency. The expansion of our services provided to the pharmaceutical industry and the further development of our pharmacy cooperation programmes were at the forefront of the wholesale business. By expanding our own brand range and through acquisitions, we have also been able to solidify our position in the European retail market. Thanks to our policy of international knowledge sharing and the implementation of best practices throughout Europe, an excellent foundation has been laid for us to benefit from group-wide synergies.

Acquisitions and investments in the fiscal year 2015/16
Our strategy is based as much on organic growth as it is on target-oriented acquisitions in wholesale and retail. Following the takeover of Mediq Apotheken Nederland B.V. by the Brocacef Groep (part of PHOENIX), which is currently still subject to approval by the relevant competition authorities, we will cover the whole range of services in the Netherlands. In addition to pharmacies and pharmaceutical wholesale, the acquisition also comprises the area of pre-wholesale. As a result, we will attain an integrated market position as a link between manufacturer and patient. With the purchase of SUNPHARMA pharmacies in Slovakia, we have also entered a new retail market. In line with the re-branding as BENU Pharmacies, we will continue our selective expansion of BENU's market presence also in Central and Eastern Europe. In Hungary, our subsidiary ADG has received the approval by the Hungarian antitrust authorities to acquire the pharmacy service provider Novodata.

With the projects ONE in Denmark and Skårer in Norway, PHOENIX has also pressed ahead with investments in the field of cutting-edge warehouse logistics that will add value to our business. Based on these investments, we are improving the supply of pharmaceuticals and optimising the network between all of our customer groups.

Cooperation across Europe differentiates us from the competition
With a presence in 26 countries, we are unique in Europe. We have over 153 logistics centres and a network of pharmacies that comprises 1,773 own and 12,020 cooperation pharmacies. In addition, we have highly qualified and motivated employees in each country. We are setting ourselves apart from the competition by capitalising on this excellent starting position to consolidate our entire Pharma Services offer under the new All-in-One brand. With All-in-One, we are providing a comprehensive package that will ensure a reliable cross-border supply of pharmaceuticals in Europe. Our vision to be the best integrated healthcare provider – wherever we are – is now another step closer.

Outlook: remaining on course to success
The coming fiscal year will present new challenges. The political pressure on many national healthcare systems requires additional savings, and it is expected that wholesale and retail margins will be further squeezed. We will therefore increase the emphasis on developing our range of products and services as well as on promoting our cross-border cooperation. The Executive Board will continue to prioritise a clear strategy of profitable growth and cost efficiency. In addition to the successful integration of our acquisitions and the implementation of the major investment projects, the expansion of the business segments Wholesale, Retail, and Pharma Services will continue to play a central role in the coming fiscal year. Through excellence in implementation and commitment, we will continue to progress along the path to being the best integrated healthcare provider. We are in a very good position on the strength of our experienced management team, our motivated employees, and the stable shareholder structure of a family business.

I would like to extend my sincere thanks to all of our employees for their excellent work and their loyal service. My appreciation also goes to our customers for their partnership and trust. Let's take advantage of the existing opportunities in the markets and confidently tackle new challenges together! That way we will continue to shape our successful future together.

Mannheim, May 2016
Sincerely,

Oliver Windholz
Chief Executive Officer

Executive Board of the PHOENIX group

We want to shape the future together and be the best integrated healthcare provider – wherever we are. Together, we meet the challenges and are a reliable partner to our customers.

Stefan Herfeld
Retail

Oliver Windholz
Chief Executive Officer

Frank Große-Natrop
Operations/Logistics

Helmut Fischer
Finance

Report of the Advisory Board

Dr. Bernd Scheifele
Chairman of the Advisory Board

Members of the Advisory Board

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

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

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

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

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

Dear Ladies and Gentlemen,

In the fiscal year 2015/16, the Advisory Board of PHOENIX Pharmahandel GmbH & Co KG fulfilled the duties incumbent upon it in accordance with the Articles of Association and Rules of Procedure. It continually advised and supervised the Executive Board in its management of the company. The Executive Board informed the Advisory Board promptly, regularly, and in detail – in writing and orally – about all relevant key figures relating to the company's economic position. In addition, it continuously briefed the Advisory Board within the reporting period on all fundamental issues relating to corporate planning, including revenue, finance, investment, and personnel planning. The Executive Board also reported on profitability, risk management, and relevant strategies for the future.

The Advisory 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 written documentation and the oral report from the Executive Board, the Advisory Board adopted its resolutions. Furthermore, visits were made to subsidiaries of the PHOENIX group, during which the Chairman of the Advisory Board and the Chief Executive Officer gleaned specific information about selected Wholesale and Retail activities and about Pharma Services.

Significant business developments
In the fiscal year 2015/16, the PHOENIX group achieved a new record for revenue and strengthened its market position across Europe. Earnings before interest, taxes, depreciation, and amortisation without extraordinary effects have improved, as have equity and the equity ratio. The cost reduction programme PHOENIX *FORWARD* made a considerable contribution in this regard. Together with the stable shareholder structure, with the Merckle family as the sole owner, this has afforded the company a high degree of planning security.

Throughout Europe, PHOENIX has developed its services along the entire pharmaceutical supply chain and has consolidated its leading position in retail with the expansion of its portfolio of pharmacies. The strategy of organic growth as well as through targeted acquisitions has proved to be sustainable in the long term. Overall the company is in a good position.

The PHOENIX group is currently making substantial concessions in view of the future. With the projects ONE in Denmark and Skårer in Norway, the company commenced with significant investments in the field of cutting-edge warehouse logistics. We are seeing additional market potential in Central and Eastern Europe through regional, cross-border logistics solutions. From its position of strength, PHOENIX will be able to play a role in shaping the market changes that are anticipated in the coming years.

Key areas of advisory and monitoring activity in 2015/16

In the fiscal year 2015/16, the Advisory Board held three meetings and one telephone conference. The reports from the Executive Board about the economic situation of the PHOENIX group were a regular topic at each of the meetings, particularly the current development of revenue and results as well as the financial and asset situation.

In its May 2015 meeting in Mannheim, Germany, the Advisory Board examined in detail the company's annual financial statements and subsequently approved them. In July 2015, the Advisory Board meeting took place in the form of a telephone conference. The purpose of the meeting was to review the business development after five months.

In its two-day meeting in Maarssen, Netherlands, in October 2015, the Advisory Board discussed the strategic direction of the company in great depth. The upcoming acquisition of Mediq Apotheken Nederland B.V. by the Brocacef Groep (part of PHOENIX) – subject to approval by the relevant competition authorities – was of particular importance. The same was true of the purchase of SUNPHARMA pharmacies in Slovakia and the Czech Republic, which has since been completed, and the acquisition of the Hungarian pharmacy service provider Novodata Zrt. by the PHOENIX subsidiary ADG, which has been approved in the meantime by the antitrust authorities. Further items on the agenda included areas for strategic growth and Pharma Services.

In its January 2016 meeting in Mannheim, the Advisory Board debated and adopted the corporate plan and the budgets for the countries as well as for the Central Service Departments for the fiscal year 2016/17. The Executive Board reported on the current status of the acquisition plans.

Audit and approval of the annual financial statements 2015/16

The Advisory Board appointed the auditing firm Ernst & Young GmbH, Stuttgart, Germany, as auditor for the fiscal year 2015/16 and, together with the auditor, defined the key areas to be reviewed. The Advisory Board received the provisional, unaudited key figures for the fiscal year and the status of preparations for the final report in advance from the Executive Board. The auditing firm audited the annual financial statements as well as the company and consolidated management report. They were certified without qualification. All documentation relating to the financial statements was issued to the Advisory Board on time and was reviewed in detail in the presence of the auditor. There were no objections. The Advisory Board approved the annual financial statements and the consolidated financial statements. The Advisory Board consented to the Executive Board's proposal regarding the appropriation of the retained earnings.

Cooperation between Advisory Board and Executive Board

Advisory Board and Executive Board have cooperated in a trusting, effective, and efficient manner. The meetings were characterised by an open and enthusiastic exchange.

Together with the company management, we are endeavouring to strengthen the PHOENIX group's leading position in the market and extend it in the long term. The Advisory Board thanks the Executive Board and all employees for their active contribution to the successful fiscal year 2015/16.

On behalf of the Advisory Board,
Mannheim, May 2016

Bernd Scheifele

Dr Bernd Scheifele
Chairman of the Advisory Board

Serving health: PHOENIX group at a glance

153

distribution centres

1,773

own pharmacies in 12 countries

12,020

pharmacy cooperation partners

Equity ratio

35.1%

29,745

employees

Services for more than

200

pharmaceutical manufacturers

Around

260,000,000

drug packages supplied to patients

We are already operating in

26

countries

Around

120,000,000

patient contacts in pharmacies

NO. 1

pharmaceutical wholesaler in 10 countries

Around

60,000

pharmacy customers in pharmaceutical wholesale

Total operating performance

EUR

28,485

million

Highlights of the fiscal year 2015/16

Welcome to the PHOENIX world: launch of the Corporate Intr@net "COIN"

Communication is crucial to our success: since February 2015, COIN has been accessible to all PHOENIX employees across the Group. The subsequent activation of the team workspace "COIN Collaboration" means that project teams, working groups, and communities with members in different countries of the PHOENIX world can now meet and work together.

20-year anniversary: The PHOENIX group celebrated this significant event last spring together with numerous guests at the Mannheim headquarters. PHOENIX group also took the anniversary as an opportunity to change the name of its headquarters to Adolf-Merckle-Haus in honour of the outstanding achievements of the entrepreneur and founder Adolf Merckle.

PHOENIX is the pharmacy retail market leader in Hungary with 171 BENU pharmacies at present. As part of our new BENU store concept we have already converted the 78th pharmacy to an even more appealing salesroom interior design. This is intended to increase customer loyalty and strengthen the retail brand.

Congratulations to JDM on the "TOP 100" label

As one of Germany's most innovative companies, the ADG subsidiary JDM was awarded the "TOP 100" label in June 2015. JDM Innovation GmbH has developed and manufactured creative till systems for pharmacies for more than 30 years.

Every opinion counts

Around 30,000 employees had the opportunity to participate in the first group-wide employee survey last November. The results should tell us how to further increase the satisfaction and motivation of our employees. After all, our vision of being the best integrated healthcare provider – wherever we are – can only be achieved with committed and satisfied employees.

Last summer was characterised by our focus on the Corporate Mission Statement. Across Europe, the mission statements' rollout was accompanied by various communications measures. The mission statement is bringing our company closer together, acting as the supreme guiding principle in our daily work and describing the vision, mission, and strategy of the PHOENIX group.

At the official CEE Bridge Opening Days last September, the PHOENIX group celebrated the opening of the first hub in Prague together with potential customers. This hub provides space for 3,570 pallets for drug manufacturers. A second hub was opened in Warsaw at the beginning of the fiscal year 2016/17.

3rd CSR Report covers all PHOENIX countries for the first time

At PHOENIX, we are fully committed to the topic of sustainability. The third Corporate Social Responsibility Report of the PHOENIX group was published in September of last year, covering all the countries in which the company operates for the first time. Integrating all countries was one of our objectives that has thus been achieved.

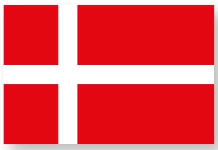
The PHOENIX Pharmaceutics Science Award was presented by the PHOENIX group for the 19th time last October, which once again demonstrated the company's commitment to fundamental pharmaceutical research.

ALL IN one
a PHOENIX service

The Europe-wide market launch of "All-in-One – a PHOENIX service" by Pharma Services was carried out in November 2015. Besides offering services for marketing and sales, the brand primarily focuses on distribution solutions and business intelligence products for the pharmaceutical industry that simplify customer processes. The brand logo reflects the guiding principle "Everything from a single source" and underlines the connection with PHOENIX as an integrated healthcare provider.

Stable outlook indicated by "BB+" rating

In the fiscal year 2015/16, the rating agency Standard & Poor's upgraded the creditworthiness of the PHOENIX group and the two outstanding corporate bonds to "BB+" with a continued stable outlook, in view of the steadily improving development of the company.



Project "ONE" stands for the largest pharmaceutical warehouse in Scandinavia and represents a significant investment project for the PHOENIX group in the area of warehouse logistics. As part of "All-in-One", we will offer extensive services to the pharmaceutical industry from here. The construction of the warehouse in **Køge, Denmark,** commenced in May 2015 and forms an essential cornerstone for establishing the PHOENIX group's market position as the best integrated healthcare provider.

Third CSR report published

All group countries participated // Sustainable growth and cost efficiency // Reduction of pharmaceutical waste // Use of renewable energies // Drug quality assurance // Stakeholder survey with more than 8,600 people // Personnel development and best practice sharing // PHOENIX Pharmaceutics Science Award presented

At PHOENIX, we are fully committed to the topic of sustainability. The third Corporate Social Responsibility (CSR) Report of the PHOENIX group was published in September 2015, covering for the first time all the countries in which the company operates. Integrating all countries was one of our objectives from the previous fiscal year that has thus been achieved.

Sustainable growth
Our strategy is to grow sustainably and work cost-effectively. We aim to create long-term value for ourselves and for our customers while being keenly aware of our social and ecological responsibility.

For this reason, we conducted the first PHOENIX group stakeholder analysis at the start of 2014. Of the more than 8,600 people who were invited, around 31 per cent took part in the survey, which was divided into four sections: value added for customers and the company, environmental protection, support of employees, and commitment to society. Along the same lines, a second stakeholder survey was carried out in October 2015. Its results will be incorporated in the upcoming CSR Report.

Our top priority is the observance of our compliance guidelines. Responsible and compliant actions and conduct should be a matter of course. Therefore, the PHOENIX group is steadily working to reinforce the three major areas of compliance – anti-corruption, competition compliance, and code of conduct – even more firmly.

Value added for customers and the company
Greater cost efficiency should allow the PHOENIX group to continue growing profitably. Products as well as services should retain their high level of quality or be improved even further while ensuring maximum product safety at the same time. The goal is to continuously raise the level of service offered to our customers and increase their satisfaction.

One example of cost efficiency with consistent quality is the “Schockfroster” (shock freezer) project. With improved airflow and a modified control programme, the PHOENIX group can significantly accelerate the shock freezing of its cold packs for cooling drugs. The tests have shown that this innovative process can save up to 30 per cent of the energy used previously.

We work according to the principle: think together global – act local. Successful concepts should be adapted and implemented across borders. Furthermore, impeccable quality in the supply chain ensures a safe and reliable supply of pharmaceuticals. Quality assurance as a whole is awarded the highest priority. All companies follow the guidelines on Good Distribution Practice (GDP).

Waste management and lowering of illness rate – two clear CSR goals
Environmental protection is one of the major CSR goals of the PHOENIX group. We constantly monitor energy consumption and aim to run buildings efficiently and reduce our fuel consumption. Environmentally sound waste management is a particular area of focus.

By 2018, we aim to reduce the costs related to pharmaceutical waste by ten per cent. The PHOENIX group transports and stores almost ten million pharmaceutical packages every day. Individual packages can be damaged as a result of technical problems in transport or storage. We are working to greatly reduce this form of pharmaceutical waste.

Another key objective is to lower the illness rate by one per cent by the end of the fiscal year 2018/19. Various health initiatives, as well as general health protection and occupational safety, will play a decisive role.

In addition, we want to identify potential areas of improvement and weak points through systematic energy monitoring, in order to avoid wasting energy and fulfil the more stringent legal requirements. One of our flagship projects in this area is the gradual conversion to LED lighting and the growing use of electricity from renewable energy sources. We are striving to continuously improve our energy and climate footprint.

Support of employees

The commitment of our employees is the basis for our success. An employee survey during the past year with around 80 questions, divided into the sections “Commitment” and “Leadership” and distributed across all business units, countries, and occupational groups, was intended to provide an insight into their levels of satisfaction and potential for improvement.

The company places great importance on supporting its employees and developing them in the long term. The PHOENIX group invested EUR 4 million in further training measures such as the EMDP (European Management Development Programme), an 18-month programme for junior executives with high development potential.

Commitment to society

To fulfil our obligation of social responsibility, we have made a commitment to sponsoring pharmaceutical research. In 2015, for instance, the PHOENIX Pharmaceutics Science Award, which is worth EUR 40,000, was presented for the 19th time.

Across the Group, we are involved in projects that serve the public. Besides numerous local initiatives in the individual countries, such as the assistance provided by Tamro in Finland for the construction of a children’s hospital, we support the association KULTURBRAS e.V., which looks after disadvantaged children in Brazil.

PHOENIX group in the capital market

Rating upgraded to “BB+” by Standard & Poor’s on account of the continuous improvement in the company’s development // Good performance of the two outstanding PHOENIX group bonds despite a market-driven decline in development in the reporting year

PHOENIX group with clear focus on capital market

Although unlisted, the PHOENIX group considers itself focused on the capital market. In the fiscal year 2015/16, the PHOENIX group was successfully represented on the capital market with two outstanding bonds. One important objective of the bonds issued in 2013 and 2014 was to diversify the sources of financing in order to guarantee the liquidity supply in the long term. Financing via bonds is an integral part of our refinancing measures and contributes to our good, balanced maturity structure. We are guided by the requirements of the capital market in relation to transparency and publicity. This includes corporate management based on value enhancement as well as accounting that promotes transparency and is in line with the International Financial Reporting Standards (IFRS). Ever since the first bond was issued in 2010, the PHOENIX group has been assessed by leading rating agencies.

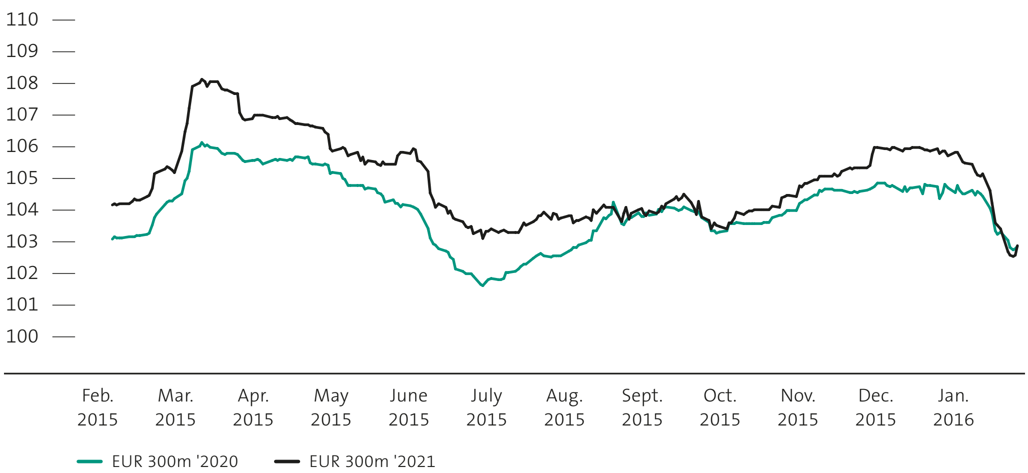
Transparent creditor relations

The aim of the creditor relations activities is to provide transparent, consistent, and prompt information about developments in the market environment and the company, as well as about our objectives. With these activities, we want to strengthen confidence in the PHOENIX group and sustainably foster a better understanding of our business. Capital market communication is oriented towards the long term and considered part of the Group’s sustainable strategy for value enhancement.

Brief overview of the currently outstanding bonds of the PHOENIX group

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

Price development of PHOENIX bonds in %



We regularly publish relevant information and make it accessible to all capital market participants on the PHOENIX group website under the Investor Relations section. Ever since the first bond was issued in 2010, the PHOENIX group has been publishing quarterly reports on its business performance. Personal conversations and quarterly telephone conferences with representatives of the Executive Board serve as an important tool for ensuring continuous and active communication with investors.

Market-driven development of bonds

In the reporting period, the two currently outstanding bonds developed in line with the market for comparable bonds (term and rating) and with comparable companies. As at the reporting date of 29 January 2016, the bonds were listed at 102.852 per cent (EUR 300 million, due in May 2020) and 102.854 per cent (EUR 300 million, due in July 2021), respectively.

Sustainable interaction with rating agencies

The PHOENIX group is the only leading independent pan-European pharmaceutical trader to have its creditworthiness assessed and published by rating agencies. In this context, the agencies issue both a company rating, which gives an independent opinion on the company's general financial power, and a bond rating, which primarily values the individual bond. In the fiscal year 2015/16, the rating agency Standard & Poor's upgraded the creditworthiness of the PHOENIX group and the two outstanding corporate bonds to "BB+" with a continued stable outlook, in view of the steadily improving development of the company. The rating agency Fitch once again confirmed its "BB" rating with a stable outlook for the PHOENIX group and the two outstanding bonds during the reporting period.

Corporate Mission Statement in practice

Corporate Mission Statement introduced successfully // Our vision: be the best integrated healthcare provider – wherever we are // Our corporate culture: think together global – act local // Current employee survey covers the whole PHOENIX group for the first time // High level of commitment to the company // Our employees understand and implement the Corporate Mission Statement

Corporate Mission Statement of the PHOENIX group
Following the successful introduction of the new PHOENIX Corporate Mission Statement, its content will shape the operations and communications of the PHOENIX group over the coming years. The Corporate Mission Statement, which makes our corporate philosophy, vision, mission, strategy, and values transparent, provides the framework of our daily actions.

Making our vision a reality together

As a family business, we make decisions independently and pursue a long-term strategy. Our vision **of being the best integrated healthcare provider – wherever we are –** can only be achieved with our motivated and loyal employees. They are the cornerstone of our success. They allow us to fulfil our responsibilities, both now and in the future.

Every opinion counts

Our employees' opinions are very important to us. The results of the current employee survey, which covers the whole PHOENIX group for the first time, are now available. Across Europe, around 30,000 employees had the opportunity to assess the PHOENIX group as an employer. The survey gives the company and the individual countries an opportunity to identify key action areas for further improving the satisfaction and motivation of the employees and to utilise the potential for improvement. It also allows us to determine to what extent the new Corporate Mission Statement is understood and put into practice:

- 63 per cent of all employees participated in the employee survey. Overall, the survey underlines the high level of commitment of our employees throughout Europe.
- At a value of 61, the "commitment index", which indicates the level of commitment to and identification with the company, is on a par with comparable companies in Europe. In our top 5 countries, the commitment level reached 68 out of 100 index points.
- At a value of 67 out of 100 index points, the "leadership index", which is used to assess management performance, is well above the average figure for comparable companies (58 points).
- More than 60 per cent of all employees would reapply to the PHOENIX group or one of its subsidiaries.
- Our new Corporate Mission Statement is being put into practice: evaluating the various statements leads us to the conclusion that more than 60 per cent of the PHOENIX employees already understand and implement our vision, mission, and strategy.

Of course, it will take some time to fully bring the Corporate Mission Statement to life and to integrate it in our day-to-day activities. Nevertheless, the results of the survey demonstrate that we are on the right track. As a whole, the survey emphasises the fact that we have laid a foundation for the continuing success of the PHOENIX group.

Talent management

We aim to work together actively to shape leadership and cooperation within the company. It is important to us that our employees enjoy working here – for us and with us. We hope that they would choose the PHOENIX group as an employer again at any time and are keen on pursuing a career with us. Our preferred approach is to fill management positions mainly from our own ranks and wherever appropriate, which is why we offer targeted, individual opportunities for further training. To this end, we also promote the exchange between countries. And this is why we regularly ask our employees where we, as an employer, could improve. The very high degree of continuity within our management positions is another component of our success.

SERVING HEALTH

The PHOENIX group approaches the future with clarity and foresight. We will continue developing our products and services to become the optimal, modern link between manufacturers and patients across national borders. We are wholeheartedly committed to serving health.

Our vision

Be the best integrated healthcare provider – wherever we are.

Our mission

We deliver health across Europe.

Our strategy

Dedicated to our customers' needs.
Committed to excellence.

ENHANCING SKILLS

DEVELOPING MARKETS

CREATING ADDED VALUE

ENHANCING SKILLS

Development of human resources with a vision ensures highest quality.

Mannheim
Jens Lübberstedt
Head of Corporate Human Resources

Serving health

26

We develop our employees in a highly structured manner across Europe in 26 countries.

ENHANCING SKILLS

Employees are key to our success – their potential is our strength.

Our employees fill the PHOENIX name with life and make the critical difference on our path to becoming the best integrated healthcare provider in Europe. To achieve maximum performance on a sustainable basis, we offer targeted and well-structured support to our managers and employees.

Transparency and succession planning across Europe. What are the key roles within the PHOENIX group, who are our top performers, and how can we best support them? The answers to these questions are provided by the newly implemented "Talent Management Concept". We have developed a competency model, based on our corporate mission that takes into account not only the competency to drive business performance and create value as well as technical aspects but also management- and customer-specific perspectives. Group-wide standardised assessment criteria establish transparency in terms of the requirements, performance, and potential of our senior management. In 2017, the assessment will be supplemented with an accompanying development programme.

By means of this concept that extends across borders, we ensure that we have the best people in key positions at all times. Internal succession planning will thereby gain a new, far-reaching significance. We offer our managers interesting career prospects, and thus strengthen their commitment to our company.

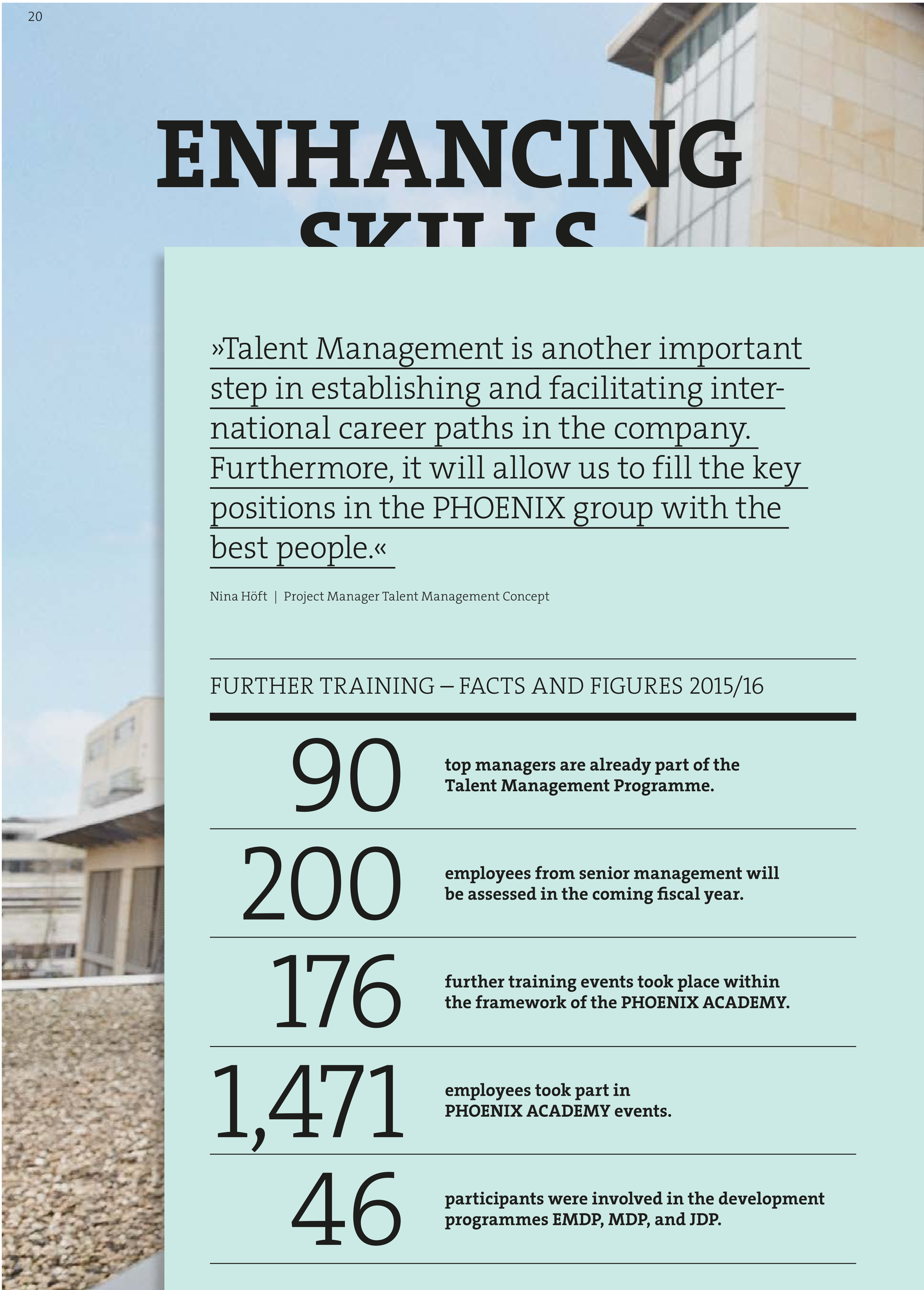
A tradition of individualised further training. We have traditionally placed particular importance on the well-structured development of our employees. As early as 1997, we introduced the national "Management Development Programme (MDP)" to ensure the qualification of junior managers. The "Junior Development Programme (JDP)" was also implemented on a national level to support younger employees with management potential.

The "European Management Development Programme (EMDP)" offers junior managers well-structured development opportunities on an international level. Numerous graduates of the programme are now driving the PHOENIX group's business forward from leading positions.

Whether on an individual basis or for specific target groups, further opportunities for training within the PHOENIX ACADEMY are contributing to the development and support of our employees.

Developing skills

- Around 30,000 employees are using their expertise and commitment to provide the highest standard of work in each of the 26 countries in which the PHOENIX group operates on behalf of its customers.
- For many years we have placed an emphasis on the well-structured development of personnel, with a comprehensive range of training measures on a national and international level.
- Our new “Talent Management Concept” will define standardised assessment criteria for the whole of Europe. The subsequent and corresponding development programme will be launched in 2017.



ENHANCING SKILLS

»Talent Management is another important step in establishing and facilitating international career paths in the company. Furthermore, it will allow us to fill the key positions in the PHOENIX group with the best people.«

Nina Höft | Project Manager Talent Management Concept

FURTHER TRAINING – FACTS AND FIGURES 2015/16

90	**top managers are already part of the Talent Management Programme.**
200	**employees from senior management will be assessed in the coming fiscal year.**
176	**further training events took place within the framework of the PHOENIX ACADEMY.**
1,471	**employees took part in PHOENIX ACADEMY events.**
46	**participants were involved in the development programmes EMDP, MDP, and JDP.**

Mannheim
Nina Höft
Project Manager Talent Management Concept

DEVELOPING MARKETS

We are expanding our presence in Central and Eastern Europe.

Bratislava
Helena Bilčáková
Operations Director Retail

Serving health

44

We are making our entry into the Slovakian retail market with 44 new pharmacies.

DEVELOPING MARKETS

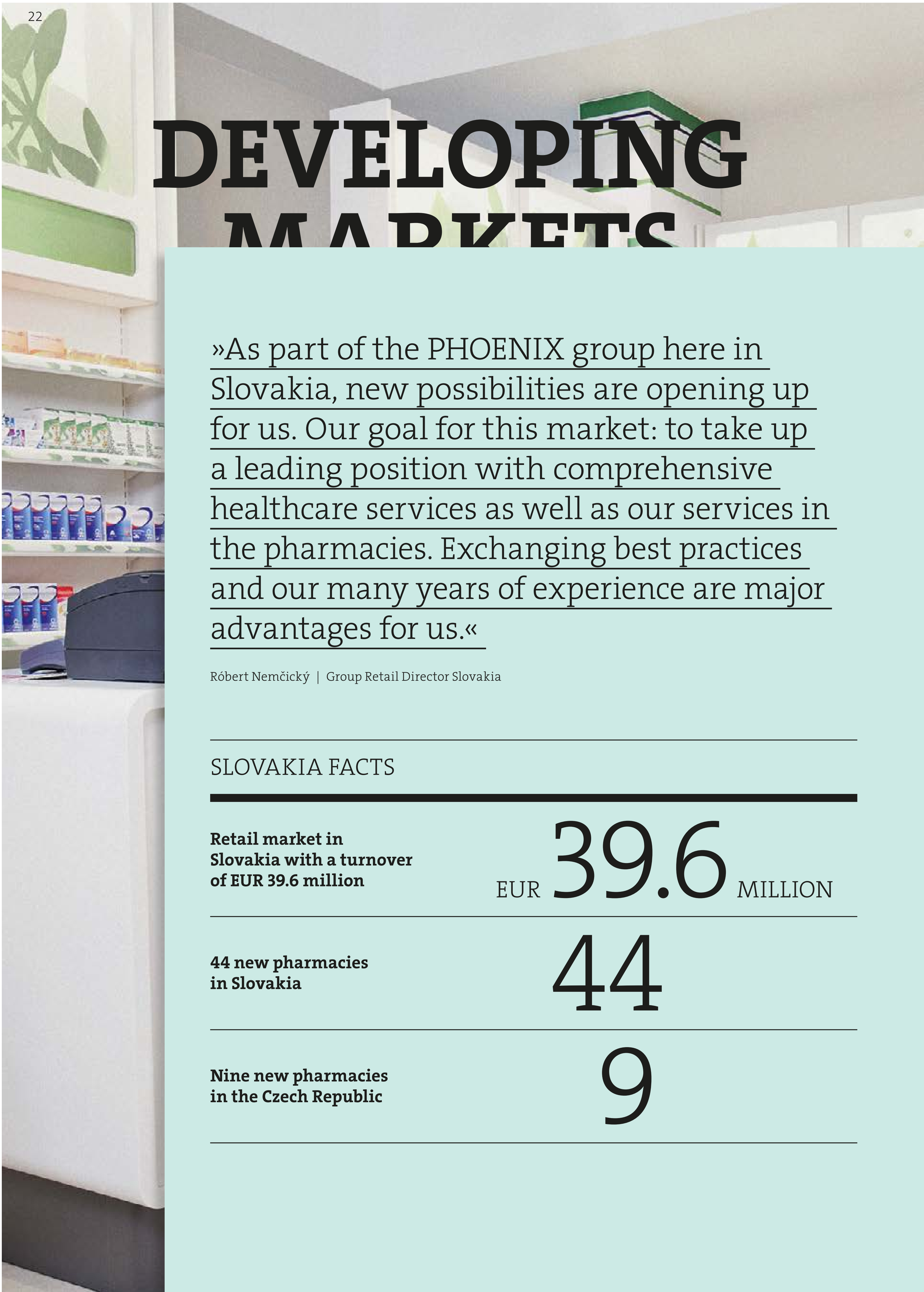
SUNPHARMA becomes BENU.

In Slovakia and the Czech Republic, we were able to expand our network considerably in 2015. Our strategy of tapping into additional growth markets is thus being pursued with special emphasis on Central and Eastern Europe. Particularly in Slovakia, we were able to take the important step of entering the retail market.

Market entry with high quality standards. Since 1998, SUNPHARMA has been operating pharmacies in Slovakia and the Czech Republic. Following the acquisition by PHOENIX, they are being integrated into the BENU world in 2016 – standing for the attributes of our quality brand: open, friendly, communicative. A high priority is given to service: Our reliable employees give the patients professional, individual advice and precisely the help they need. Alongside the change of brand, we are introducing a new furniture and interior design concept. In the "Avion" flagship pharmacy in the Slovakian capital Bratislava, customers can already catch a first glimpse of it.

Genuine added value for our customers. Our pharmacy customers in pharmaceutical wholesale also benefit from the experience we are continuously gaining with our own pharmacies. As a wholesaler we pass on our successful marketing measures to individual pharmacies within the scope of our pharmacy cooperation programmes such as the "PARTNER" programme in Slovakia. These advisory services and our excellent customer focus set us apart from the competition.

We want to provide added value to all our customers, in both retail and wholesale. The measures we employ range from uniform branding of our pharmacies to continuous optimisation of our logistics processes in wholesale. Our aim is to support our customers in offering their patients the best possible service.



DEVELOPING MARKETS

»As part of the PHOENIX group here in Slovakia, new possibilities are opening up for us. Our goal for this market: to take up a leading position with comprehensive healthcare services as well as our services in the pharmacies. Exchanging best practices and our many years of experience are major advantages for us.«

Róbert Nemčický | Group Retail Director Slovakia

SLOVAKIA FACTS

Retail market in Slovakia with a turnover of EUR 39.6 million	EUR 39.6 MILLION
44 new pharmacies in Slovakia	44
Nine new pharmacies in the Czech Republic	9

Bratislava
Róbert Nemčický
Group Retail Director Slovakia

CREATING ADDED VALUE

We connect the various players within the healthcare system.

Maarssen

Krisztina Bohncke

Nurse

Serving health

3

Wholesale, Retail, and Pharma Services: in the Netherlands, we cover all stages along the supply chain.

CREATING ADDED VALUE

Integrated service offerings that are individually tailored to the patient's needs. This is how we make our vision of being the best integrated healthcare provider a reality.

The patient is the centre of attention: with “All-in-One – a PHOENIX service”, we guarantee comprehensive services across Europe. By acting as a competent interface that connects pharmaceutical manufacturers, pharmacies, health insurance companies, and patients,we endeavour to help the various players within the health-care system work together efficiently.

Already a model for success in the Netherlands. What this looks like in practice can be observed in the Netherlands, where the PHOENIX subsidiary Brocacef is offering the patients services that go far beyond established standards. As part of our “Nurse-Care-Programme”, for example, trained nurses visit their patients at home. Where required, they support the patients by monitoring their medication intake or taking blood pressure and insulin measurements, for instance.

Pooled services. Services such as these significantly reduce the burden on the healthcare system, in keeping with our objective “Better care with lower costs”. To ensure that we live up to this claim in all countries, we are pooling our services in eight core areas across Europe under the “All-in-One” brand. These include Patient Services, Health Care Logistics, and Business Intelligence.

We aim to further optimise our infrastructure to guarantee a reliable supply of pharmaceuticals. Ever since the introduction of “All-in-One” in November of last year, PHOENIX has worked even more closely in partnership with pharmaceutical manufacturers.

CREATING ADDED VALUE

»With the regular house visits I receive an additional service that saves me having to go to the doctor or the pharmacy. What really impresses me: that the nurse isn't just my personal contact – she's also in constant contact with my pharmacist.«

Eep Talstra | Pensioner

NETHERLANDS FACTS

"All-in-One" with eight core services	8
Close to the patient with three "Care-Programmes"	3
One BENU My Medication app for managing personal health data	1

Maarssen
Eep Talstra
Pensioner

GROUP MANAGEMENT REPORT 2015/16

BACKGROUND OF THE GROUP

Leader in European pharmaceuticals // Unique coverage thanks to activities in 26 countries // Number one pharmaceutical wholesaler in 10 countries // Strategic focus on customer-oriented corporate culture, strict cost management and profit-oriented growth // Service range systematically expanded in all business units // Continuous optimisation of processes and Europe-wide implementation of best practices // Cooperation programmes for pharmacy customers expanded

Overview of the PHOENIX group

The PHOENIX group

The PHOENIX group is a leading European company in pharmaceutical trading and one of the largest family firms in both Germany and Europe. Its core business is pharmaceutical wholesale and pharmacy retail. Subsidiaries also operate in related business areas, whose activities round off its offering by adding services for the pharmaceutical industry, pharmacy IT systems and logistics solutions.

The PHOENIX group is active in 26 countries in Europe. In its core business, the Company was operating 153 distribution centres and a total of 1,773 pharmacies as of the end of the reporting year. This makes its country portfolio highly diversified. As the largest market, Germany makes up around one-third of consolidated revenue.

In pharmaceutical wholesale, the PHOENIX group is number one in ten countries. It operates the retail pharmacy business mainly in the United Kingdom, Norway, the Netherlands, Switzerland, Hungary, the Czech Republic and the Baltic countries. It also offers companies in the pharmaceutical industry its competencies as a logistics service provider.

The activities of the PHOENIX group are geared to achieving sustainable values through a customer-focused corporate culture, strict cost management and profit-oriented growth. Having local expertise at hand within the Group means that the regional differences prevailing in the European pharmaceutical markets are always addressed.

Another part of the strategy is for us to continuously strengthen our position in the areas of pharmacies and wholesale through acquisitions and organic growth. The planned acquisition of Mediq in the Netherlands also contains pre-wholesale activities in addition to pharmacies and wholesale. This is an important step towards fulfilling our vision of being the best integrated provider of healthcare services.

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

Throughout all business units, the PHOENIX group continuously implements best practices across Europe. In addition to group-wide initiatives, it mainly benefits in this regard from locally successful process optimisation measures, which serve as a starting point for improvement measures in other countries.

The Company is largely managed using the financial indicators of the income statement and the statement of financial position. The main indicators are revenue and adjusted EBITDA in the income statement as well as the equity ratio in the statement of financial position.

Activities by business unit

Further development of the pharmacy cooperation programmes

In the past fiscal year, the PHOENIX group focused on expanding its range of services. This includes in particular the further development of the various pharmacy cooperation programmes as well as increasing their visibility among potential customers. More than 12,000 independent pharmacies have since become members of the twelve attractive pharmacy cooperation programmes. This results in more than two million customer contacts a day in 15 countries.

The pharmacy cooperation programmes were the focus of the International Pharmacy Cooperation Programs Meeting (IPCP) in 2015. As a result of the IPCP, three projects were initiated: The “Loyalty Card Programme” launched across Europe in May 2015 is set to be gradually rolled out further as part of the overarching loyalty programme, an already successfully established customer loyalty programme. The loyalty card rewards the loyalty of the patients and is set to be offered in all pharmacies with corresponding PHOENIX cooperation programmes with a high standard of quality. As customers of the PHOENIX group, the pharmacies can offer their patients a number of purchasing advantages and bonuses with the loyalty card. This strengthens their loyalty to the pharmacies that are in cooperation with PHOENIX.

In the second project, “Marketing Mix”, the aim is to identify best practices in the area of the different print materials and to introduce them in countries in Europe. Following the sending of magazines for the end consumer or product and health inserts in the spring, the second stage involved focusing on online communications with a variety of social media activities. These marketing and communication services designed to stimulate sales as part of the cooperation programmes help create strong brand names and give competitive advantages for the participating pharmacies.

In the third project, "Category Management", PHOENIX aims to share best practices as way of building up a comprehensive toolbox based on the countries' different market requirements. Best practice sharing serves as the foundation for further improving standards and quality in the pharmacy cooperation programmes.

PHOENIX also progressed the pharmacy cooperation programmes in the course of the SMEP (Sales & Marketing Excellence Platform) Champions Meetings. An analysis of the current strategy in the areas of business development, pharmacy cooperation programmes as well as own brand names and sales was performed in the course of the Sales & Marketing PIMM (PHOENIX International Management Meeting). This is set to ensure that services are enhanced and strengthened in a targeted manner in the long term.

In Germany, PHOENIX and the pharmacies umbrella brand LINDA pharmacies started the joint initiative on diabetes in the past fiscal year. Thanks to this close partnership, LINDA pharmacies have huge support on the way to pharmaceutical excellence as one of the most important customer groups. As a way of support, the PHOENIX ACADEMY offers professional training programmes on diabetes in order to train and optimise day-to-day communication with patients at pharmacies. The accompanying online community is also an innovation with regard to the diabetes initiative, which provides a platform for exchanging information using online consultations, for example. The community provides a national networking platform for the pharmacies' diabetes specialists where they benefit from each other's experiences. One in five LINDA pharmacies has already registered for the exclusive training programme, which will also be offered in 2016.

Investment in logistics

In May 2015, the Skårer investment programme for state-of-the-art warehouse logistics, named after its place of inception in Norway, was given the go-ahead. The maximum capacity utilisation of the location has been reached on peak days due to the new central tendering practice for pharmaceuticals as well as additional pharmacy customers. As a result of this, PHOENIX is implementing a new automation technology, which we will use to achieve a high degree of volume utilisation and increase productivity significantly. The innovative system is one of the leading and most technologically advanced systems in the area of warehouse logistics and has already successfully commenced operation at various locations of the PHOENIX group. With this innovation, PHOENIX underscores its position as a technologically leading pharmaceutical wholesaler in Europe.

Pharma Services: Best integrated healthcare service provider across the entire value-added chain

To ensure health across Europe, the supply of pharmaceuticals must be constantly improved and all customer groups interconnected in the best possible way. In this respect, Pharma Services – in addition to wholesale and retail – offers a variety of Europe-wide services across the entire pharmaceutical value-added chain. With the CEE (Central Eastern Europe) Bridge project, PHOENIX is establishing a highly efficient supply chain in Central and Eastern Europe and meeting the rising demand of pharmaceutical companies with international operations. The PHOENIX group is thus strengthening its market position for the long term.

There are now more than 100 offerings in the various countries. In addition to services for marketing and sales, the services mainly comprise distribution solutions for the pharmaceutical industry, which are adjusted to meet European, regional or local requirements. The aim is to bundle all of these services across Europe under the new "All-in-One" brand. In the course of the European launch, relationships with manufacturers are being cultivated and strategic partnerships maintained.

During the six-monthly Pharma Services International Meetings between the managers for each country and the central Pharma Services Europe Team, there were updates on the various categories of the "All-in-One" brand, including PHOENIX Preferred Partnerships, Health Care Logistics, Business Intelligence, Patient Services and CEE Bridge. Especially with CEE Bridge, PHOENIX offers a regional cross-border logistics solution for storage and transport that offers a high degree of flexibility. During the CEE Bridge opening day in the past fiscal year, PHOENIX opened the first hub in Prague. A second hub was opened in Warsaw at the beginning of the fiscal year 2016/17.

The Company is also investing in the area of warehouse logistics, namely in the ONE project in Denmark. Commenced in May 2015, it is planned to be commissioned in 2017. ONE will be one of the largest and most modern logistics centres in Northern Europe. These projects show how the PHOENIX group is making a significant contribution to improving the supply of pharmaceuticals and interconnecting all customer groups in the best possible way.

Position strengthened in the European retail market

The PHOENIX group was also able to build on its own pharmacy portfolio in the past fiscal year and thus strengthen its position in the European retail market for the long term. By the end of fiscal year 2015/16, the number of PHOENIX group pharmacies had increased to 1,773, a rise of more than 7 %.

With the purchase of the SUNPHARMA pharmacies in Slovakia and the Czech Republic, we have tapped a new retail market in Slovakia with high growth potential. The acquisition is the next step towards increasing our market presence in Central and Eastern Europe. In the Netherlands, PHOENIX intends to purchase Mediq Apotheken Nederland B.V., although this is still subject to the approval of the competition authorities responsible. The acquisition primarily contains pre-wholesale activities in addition to pharmacies and wholesale, allowing us to offer more comprehensive services across the entire pharmaceutical value-added chain. The aim is to achieve a uniform market presence in the medium term. In addition to SUNPHARMA, the Mediq pharmacies are also set to trade under the BENU brand.

High profit contributions by the Group in Norway and the United Kingdom prove that the PHOENIX group was again able to maintain its position as one of Europe's leading healthcare service providers in this fiscal year.

The BENU brand, which now comprises 862 pharmacies from nine countries, is characterised by professional consulting services and absolute customer-centricity. With 171 BENU pharmacies at present, PHOENIX is the pharmacy retail market leader in Hungary. In the meantime, the 78th pharmacy in Hungary has been converted to the new BENU pharmacy concept. Overall, 260 branches have already been converted to the new store concept to date. This includes, among other things, an even more appealing interior design of the pharmacies' salesrooms and is expected to further increase customer loyalty and strengthen the retail brand. We also saw successful growth in the Serbian retail trade market in the past fiscal year and expanded to 148 pharmacies.

In the Czech Republic we launched an online mail order service. This is integrated into BENU's loyalty programme and offers patients a service-based approach with online consulting and quick delivery. In Norway, customer loyalty was expanded with the new Apothek1 loyalty app. In the two countries, we thus succeeded in responding even better to our customers' requirements.

In Hungary, the Czech Republic and the Baltics, investments were made in TV advertising for the first time, which helped improve BENU's brand awareness significantly.

Processes and organisation

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

In January 2013, the PHOENIX group commenced its PHOENIX *FORWARD* programme, which it has since successfully implemented. Savings of EUR 100m at least should be achieved by the end of the fiscal year 2015/16. We have been able to exceed this target with initiatives such as Warehouse Excellence and indirect procurement. Both measures are being continued in the coming fiscal year. We will close the programme with savings of EUR 138m. On the whole, PHOENIX *FORWARD* has made an important contribution towards keeping the Company on its successful course and strengthening our position as one of Europe's leading healthcare service providers.

In order to increase quality, efficiency and transparency in accounting at both a global and local level, centralising the IT infrastructure was an important matter for the PHOENIX group. The aim is to bundle our IT hardware and software in all countries into a central service organisation and to leverage the resulting synergies. In a total of 21 countries, IT processes, for example to process user requests, were implemented across the board using central software. This process has already been completed in Finland, Sweden, Lithuania, Latvia, Estonia, Germany, Austria and Switzerland.

The PHOENIX group is also constantly working on further improving its accounting processes. Standardised accounting software has now been installed in 18 of the Group's countries. The corresponding component SAP FSCM (Financial Supply Chain Management) has already been successfully implemented in Austria and Switzerland; user tests are being performed in Germany.

REPORT ON ECONOMIC POSITION

Challenging overall economic environment with persistent fierce competition // Sound growth in Germany // Revenue growth also in majority of foreign markets // Position in pharmacy retail market strengthened through pharmacy acquisitions // Professional basic and advanced training as basis for qualified employees

Macroeconomic and sector-specific environment

The European economy recorded slight growth in 2015, with GDP in the eurozone increasing by 1.6 % in 2015 compared to the prior year. The German economy was also in good shape, with GDP (adjusted for price and calendar effects) up by 1.4 %.

There were differences in the development of the European pharmaceutical markets. The German pharmaceutical wholesale market experienced pleasing growth in 2015, increasing by 3.6 % on the prior year. This was primarily attributable to the tangible increase in revenue from pharmacy-only and prescription drugs. Nevertheless, the German market continued to be dominated by fierce competition.

Situation of the PHOENIX group and development of its business

Acquisitions

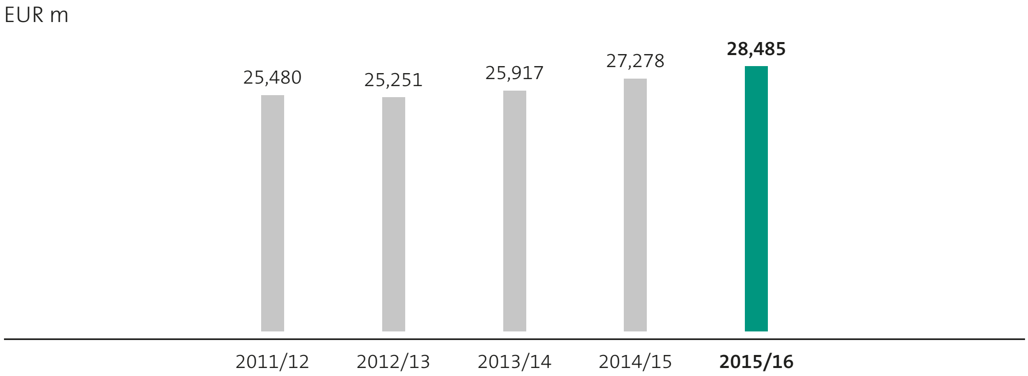
The PHOENIX group pursues a targeted acquisition strategy. In total, business combinations in the reporting year 2015/16 led to cash outflow of EUR 52.3m (prior year: EUR 19.4m). Cash received from divestitures amounted to EUR 11.0m (prior year: EUR 0.9m).

The business combinations in fiscal year 2015/16 mainly concerned pharmacies in various countries as well as a pharmacy chain.

Results of operations

Total operating performance, which comprises revenue and changes in merchandise volumes, increased by 4.4 % to EUR 28,484.6m in fiscal year 2015/16. Adjusted for exchange rate effects, the growth amounts to 3.9 % and therefore exceeds market growth.

Total operating performance



Revenue increased by 3.0 % to EUR 23,247.4m in fiscal year 2015/16 (prior year: EUR 22,568.0m). This was primarily attributable to revenue growth in our largest market, Germany, where the pharmaceutical wholesale market experienced significant growth. We also generated revenue growth in the majority of our foreign markets. This development corresponds to the statements made in the forecast of the Group management report for fiscal year 2014/15. Adjusted for exchange rate effects, the increase in revenue amounts to 2.3 %. At 0.4 %, changes in the basis of consolidation did not have a significant effect on revenue development.

Gross profit increased by EUR 133.0m to EUR 2,267.2m. The gross profit margin, calculated as gross profit in relation to revenue, increased from 9.46 % to 9.75 %. This is mainly attributable to an improved cost-of-sales ratio.

Non-recurring items resulted in a profit contribution in EBITDA of EUR – 15.9m in fiscal year 2015/16 (prior year: EUR 65.2m). Of the non-recurring items, EUR 6.2m (prior year: EUR 68.5m) relates to non-recurring effects in connection with the accounting method for pension obligations, EUR – 9.0m (prior year: EUR 0.0m) to the impact of the minimum wage in Germany as well as EUR – 13.1m (prior year: EUR 3.3m) to IT project costs.

Personnel expenses increased from EUR 1,034.4m to EUR 1,158.7m. Adjusted for the non-recurring effects in connection with the accounting method for pension obligations as well as for currency effects, personnel expenses increased by 4.8 % on the prior year. This is primarily attributable to collectively bargained wage increases and an increase in headcount due to the expansion of business.

Other expenses increased by EUR 64.3m to EUR 767.3m. This was largely attributable to the EUR 16.7m increase in transport costs, the EUR 13.1m increase in communication and IT expenses, the EUR 10.9m increase in rental expenses as well as the EUR 9.2m increase in consulting fees. In relation to revenue, other expenses came to 3.3 % (prior year: 3.1 %). Other operating expenses were influenced by non-recurring items totalling EUR 22.1m (prior year: EUR 3.3m).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) fell from EUR 546.6m to EUR 495.4m. EBITDA adjusted for non-recurring items increased by EUR 29.9m. This was mostly due to the higher gross profit.

At EUR 509.2m, the PHOENIX group's EBITDA indicator (adjusted EBITDA) was down on the prior-year figure in line with net debt. Adjusted for the non-recurring effects for pension expenses, adjusted EBITDA was on a par with the prior year as forecast. The adjusted EBITDA is determined as follows:

EUR k	FY 2014/15	FY 2015/16
EBITDA	546,606	495,404
Interest from customers	18,253	11,444
Factoring fees	2,754	2,356
Adjusted EBITDA	**567,613**	**509,204**

At EUR 119.0m, amortisation, depreciation and impairment losses were EUR 7.9m higher than in the prior year (EUR 111.1m). This increase is largely due to the impairment loss recognised on goodwill of EUR 4.7m (prior year: EUR 0.6m).

The effects described resulted in earnings before interest and taxes (EBIT) of EUR 376.4m overall (prior year: EUR 435.5m). The return on sales based on EBIT amounted to 1.62 % (prior year: 1.93 %). The non-recurring items described above as well as the impairment loss recognised on goodwill caused earnings before interest and taxes (EBIT) to amount to EUR -20.6m (prior year: EUR 64.6m). Adjusted EBIT thus increased by EUR 26.1m overall.

Financial result improves

The financial result improved by EUR 16.7m from EUR – 74.2m to EUR – 57.5m. This improvement was mainly attributable to the 2014 repayment of the high-yield bond issued in 2010 as well as the lower average net debt.

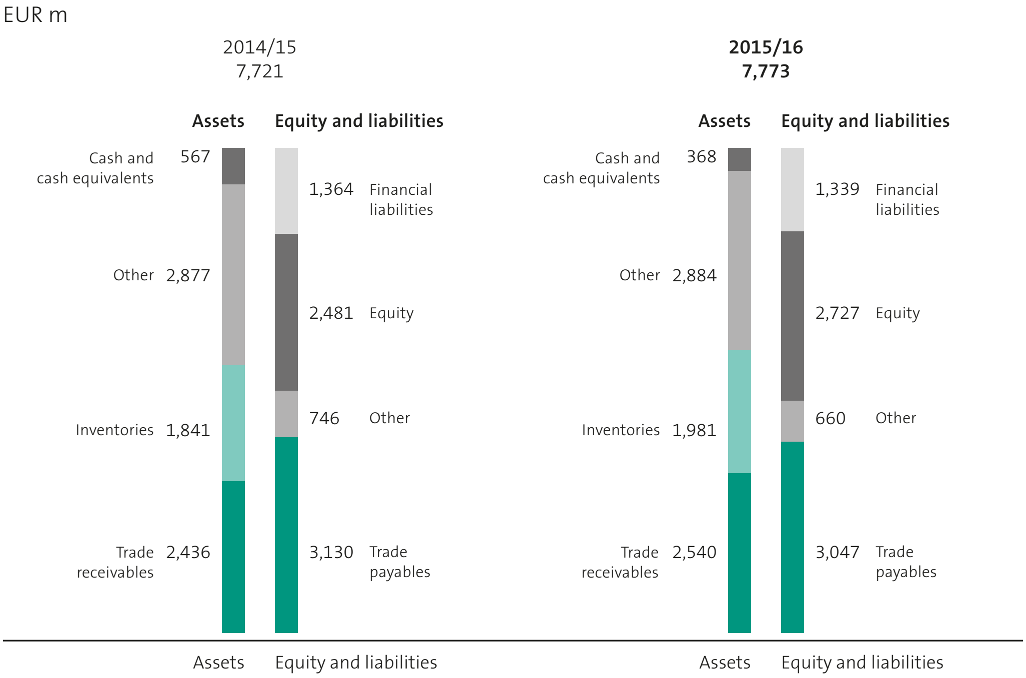
Earnings before taxes amounted to EUR 319.0m (prior year: EUR 361.3m). Adjusted for the non-recurring items, earnings before taxes increased by EUR 42.9m.

Income taxes amounted to EUR 94.0m (prior year: EUR 103.3m) and contain expenses from current taxes of EUR 77.5m (prior year: EUR 61.4m) as well as deferred tax expenses of EUR 16.5m (prior year: EUR 41.9m). The tax rate came to 29.5 % (prior year: 28.6 %).

Profit for the period came to EUR 225.0m (prior year: EUR 258.0m), of which EUR 22.2m (prior year: EUR 35.1m) was attributable to non-controlling interests. The decrease in profit attributable to non-controlling interests is primarily due to the positive non-recurring effect in connection with the accounting method for pension obligations in the prior year at our Dutch subsidiary, where the non-controlling interest is 45 %. Adjusted for the non-recurring items, profit for the period increased by EUR 36.0m.

The profit attributable to the owners of the parent company in fiscal year 2015/16 amounted to EUR 202.8m (prior year: EUR 222.9m). Adjusted for the non-recurring items, the profit attributable to the owners of the parent company increased by EUR 35.8m.

Structure of the statement of financial position



Net assets

The Group's total assets increased slightly by 0.7 % to EUR 7,772.6m. The currency translation difference on the total assets amounts to EUR – 48.5m (prior year: EUR 41.4m).

Intangible assets increased by EUR 35.1m to EUR 1,568.9m. The increase is mainly due to the rise in goodwill due to acquisitions. As of 31 January 2016, intangible assets essentially comprised goodwill (EUR 1,184.2m; prior year: EUR 1,149.9m) and pharmacy licenses in the United Kingdom (EUR 334.1m; prior year: EUR 328.4m).

The EUR 18.3m increase in property, plant and equipment is largely attributable to ongoing investing activities.

Inventories increased by 7.6 % on the prior year to EUR 1,981.3m driven by the rise in business volume. The average number of days sales of inventory increased slightly from 31.0 to 31.7 days.

Trade receivables increased from EUR 2,436.2m in the prior year to EUR 2,539.9m due to the higher level of revenue. As part of accounts receivable management, measures aimed at shortening payment terms and reducing past due receivables helped to further reduce days sales outstanding from 44.7 to 42.7.

Receivables amounting to EUR 24.8m had been sold as of 31 January 2016 (prior year: EUR 121.6m) 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 164.2m had been sold as of 31 January 2016 (prior year: EUR 255.3m). The Group's continuing involvement came to EUR 7.3m (prior year: EUR 20.9m).

Other receivables and other current financial assets decreased by EUR 19.0m to EUR 168.2m. The decrease is largely attributable to the fall in receivables for ABS/factoring programmes due to an ABS programme that ended.

Financial position

Further increase in equity

Equity increased from EUR 2,481.5m as of 31 January 2015 to EUR 2,726.5m as of 31 January 2016. The equity ratio developed in line with the forecast made in the group management report for 2014/15 and amounts to 35.1 % (prior year: 32.1 %). The increase stemmed primarily from the profit for the period of EUR 225.0m (prior year: EUR 258.0m). This was impacted by currency translation with an effect of EUR – 7.1m (prior year: EUR 42.5m), the change in the reserve for available-for-sale financial assets with an effect of EUR – 0.2m (prior year: EUR 0.6m) and the change in the reserve for the remeasurement of defined benefit plans with an effect of EUR 63.7m (prior year: EUR – 65.1m) and the change in equity.

Cash flow from operating activities came to EUR 87.1m (prior year: EUR 387.9m), which was largely affected by an increase in the working capital compared to the prior year. The cash flow from investing activities came to EUR – 177.4m (prior year: EUR – 146.2m).

The free cash flow decreased from EUR 241.7m in the prior year to EUR -90.4m. For the change in free cash flow and cash and cash equivalents, please refer to the statement of cash flows.

Provisions for pensions decreased – largely due to actuarial gains on account of higher interest rates – from EUR 292.4m in the prior year to EUR 211.3m in the reporting year.

Non-current financial liabilities amount to EUR 604.3m (prior year: EUR 603.7m). This item mainly includes bonds of EUR 592.7m (prior year: EUR 591.4m).

Current financial liabilities decreased by EUR 25.5m to EUR 734.8m.

According to the calculation below, total net financial liabilities increased slightly from EUR 1,068.7m to EUR 1,121.6m.

EUR k	31 Jan. 2015	31 Jan. 2016
+ Financial liabilities (non-current)	603,683	604,262
./. Derivative financial instruments (non-current)	– 431	– 370
+ Financial liabilities (current)	760,288	734,796
./. Derivative financial instruments (current)	– 11,721	– 398
./. Cash and cash equivalents	– 567,449	– 367,881
./. Held-to-maturity financial assets	0	0
./. Financial assets held for sale	0	0
+ Receivables sold in the course of factoring and ABS transactions	356,033	181,772
./. Factoring receivables	– 37,191	– 26,461
./. Receivables from ABS programmes	– 34,463	– 4,159
Net financial liabilities	**1,068,749**	**1,121,561**

The ratio of net debt to adjusted EBITDA came to 2.2 in fiscal year 2015/16 following 1.9 in the prior year.

The objective of financial management is to ensure a sound capital structure to finance operating business. In this connection, the aim is also to further strengthen the equity ratio by retaining profits.

Trade payables decreased by EUR 83.1m on the prior year to EUR 3,047.4m.

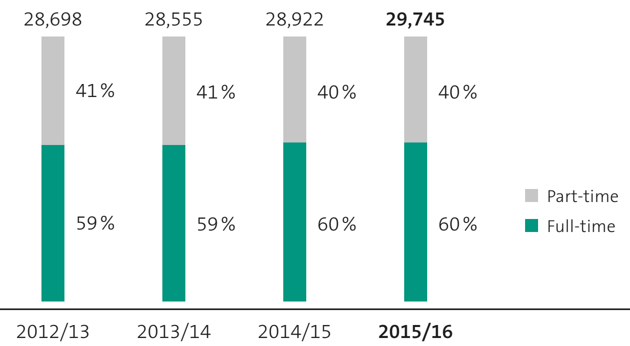
For further information on the PHOENIX group's financial liabilities, please refer to the sections on "Financial liabilities" and "Other notes" in the notes to the consolidated financial statements.

Overall, the PHOENIX group was able to successfully further strengthen its market position in fiscal year 2015/16 as a leading pharmaceutical trader in Europe and expand its wholesale and retail activities.

Employees

The success of the PHOENIX group is again thanks to the great dedication of our employees in all business units this year. The motivated, qualified and loyal employees make a significant contribution every single day towards strengthening our leading position as one of the best integrated healthcare providers in Europe. At the end of fiscal year 2015/16, there were 29,745 employees (24,842 full-time equivalents) at PHOENIX across a total of 26 countries in Europe. This corresponds to growth of around 3 % in both cases.

Employees broken down into full-time/part-time as of 31 Jan.



Dialogue with employees

The opinion of PHOENIX's employees is important for the Group, which is why the Company engages in close dialogue with its entire staff. Group-wide management guidelines are part of our corporate culture. They provide a basis for personnel management and create a common bond throughout the Group. The guidelines contain the following topics:

- Collaboration in partnership
- Motivation and dedication
- Information
- Promotion and development
- Value added
- Assessment and feedback

As an important feedback instrument, PHOENIX conducted the first group-wide employee survey. Around 30,000 employees had the opportunity to participate, of which around 63 % took this opportunity. Divided into "Leadership" and "Commitment", the Company achieved 67 out of 100 index points for the leadership index which was well above the average for comparable companies. At 61 index points, the commitment index was on a par with the comparable companies. The index reached 68 in the top 5 countries. These concrete results have been used to identify potential for improvement and to derive measures; after all, the PHOENIX group's aim is to remain an attractive employer for current and future employees.

One relevant feedback instrument is the annual employee appraisal. We successfully implemented it across the board in the different distribution centres.

Common bond throughout the Group – PHOENIX group with common corporate philosophy for the first time

The corporate philosophy in place for all employees at the PHOENIX group bundles the Group's long-lived values under one roof and describes the identity of the Group as well as its long-term aims and strategy. This self-image serves as the highest guiding principle in the day-to-day work at the Group and shows the connection between PHOENIX employees and management. This causes the Company to grow closer together. The key content of the philosophy was presented and explained to the management of the PHOENIX group. In the past fiscal year, there were also accompanying communications measures implemented across Europe including posters, table displays and brochures.

Online learning and exchange

In fiscal year 2015/16, the Corporate Intranet (COIN) went live and is accessible to all PHOENIX employees across the Group. The team work area “COIN Collaboration” approved in May 2015 fosters collaboration in closed working groups beyond departmental and country borders. An additional online measure is the e-learning system implemented by PHOENIX across Europe with training sessions, for example on compliance. This allows employees to get up to speed on different issues effectively in a short space of time. Guidelines and other areas are made accessible and understandable using examples from day-to-day business.

Intensive training and best practice sharing

The development of its employees and management is of utmost importance to the PHOENIX group. This is why there are a number of training measures on offer relating to professional and personal development. This wide range of possibilities helps cover everyone’s individual needs.

The PHOENIX ACADEMY offers employees and management a targeted range of seminars and workshops. Health, a key part of the corporate philosophy, is occupying an increasingly important role in the PHOENIX ACADEMY’s current programme. In light of this, there are various workshops on offer as part of the training programme, such as “Easier on the eyes – staying healthy at your workstation”.

In the past fiscal year, PHOENIX also again offered many overarching development programmes for both management and employees striving for leadership positions. With regard to talent management, it is important for the Company to offer its employees prospects for career advancement and therefore to fill management from within its own ranks. The Junior Development Programme offers a training opportunity for younger employees with management potential. 2015 saw the fourth group enter this programme. Employees who already have experience take part in the Management Development Programme, which is being conducted for the sixth time since summer 2015.

As a way of implementing group-wide personnel development measures, the European Management Development Programme was conducted for the third time. The programme is run in collaboration with the Mannheim Business School and Malik Management Zentrum St. Gallen to develop leaders in all countries. This helps support the convergence of the PHOENIX group at an international level. The third group is expected to conclude the programme in the course of 2017.

The motto of the PHOENIX International Management Meeting (PIMM) 2015 in Germany was “Strive to be the best integrated healthcare provider – wherever we are”. It served as an excellent platform for intensive talks and a lively exchange between the management of foreign companies as well as upper management with international responsibility. Further events, such as the management conference or the first meeting of the central accounts receivable management in Germany with all regional and international debtor managers also support this effort.

Throughout all business units, the PHOENIX group continuously implements best practices across Europe. Exchanging experiences is the basis of special further training concepts aimed at employees working in the pharmacy retail market and which are used for working across borders. The aim is to learn from one another and to leverage synergies. A cornerstone of this is the advanced ENGAGE programme which is currently being conducted in BENU pharmacies in Switzerland and the Czech Republic. The two modules “campaign implementation” and “management training” were successfully concluded in the past fiscal year. Prior to this, employees at pharmacies had already been trained in areas such as customer service and selling skills.

Possibilities for starting a career at the PHOENIX group

The PHOENIX group attaches great importance to training young people. Finding and retaining loyal, qualified and responsible employees is an important success factor. For this reason, the Group offers a variety of possibilities for dedicated trainees and graduates to start their career at PHOENIX. Graduates who join the Group directly have a wide variety of options.

In its home market, Germany, the PHOENIX group employed 132 trainees and 19 students in a dual study course as of 1 October 2015. Those starting out on their career at PHOENIX train as wholesale and foreign trade clerks or as warehouse logistics specialists. At a rate of over 80 %, PHOENIX took on the significant majority of trainees after their training was complete.

Group-wide communication beyond borders is fostered from the very first day of an employee's career, for example by offering international assignments. These are offered both as part of the dual study course and during a practical apprenticeship. In fiscal year 2015/16, participants were able to gain experience in Croatia, Italy, Hungary and the Netherlands.

In order to attract young talent, the PHOENIX group offers a variety of career possibilities in the pharmaceutical wholesale sector and participates in career and student information days as well as at training fairs. Due to its high level of dedication to training (participation in the "Initiative Ausbildungsbotschafter" (training ambassador initiative), support with examinations or initiation of school cooperations), the PHOENIX group in Mannheim received a certificate from IHK Rhein-Neckar Chamber of Commerce.

SUBSEQUENT EVENTS

The PHOENIX group aims to acquire Mediq Apotheken Nederland B.V. via its subsidiary Brocacef Groep. The acquisition contains pre-wholesale activities in addition to pharmacies and wholesale, and is subject to the approval of the competition authorities responsible.

At the end of February 2016, the competition authorities in Hungary approved the PHOENIX group's acquisition of Novodata. Novodata is a market leader in the area of pharmacy software on the Hungarian healthcare market.

RISKS AND OPPORTUNITIES

Risk management system allows for swift action // Quality and stability of operating processes as basis for operating business // Assigning all customers a risk classification as basis for uniform and optimised accounts receivable management // Leading market position in pharmaceutical wholesale in most European countries // Continuous implementation of best practices in Europe

Risks

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

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 the Group's business.

The amended Hungarian pharmacies act that entered into effect on 1 January 2012 has since 1 January 2014 required pharmacists to hold an investment of at least 25 % in their pharmacies' capital; as of 1 January 2017, pharmacists will have to hold a majority interest in their pharmacies.

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

In the operating business, the quality and stability of the operating processes 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.

Credit risk and accounts receivable management

The credit risk at the PHOENIX group, measured in relation to total receivables, is comparatively low, as healthcare institutions generally have a good credit rating. Regardless of this, payment terms in the healthcare sector tend to vary from one country to another, with longer payment terms customary in Southern and Eastern Europe. The risk is also usually 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 directive is used for accounts receivables management, which stipulates that all customers be divided into risk classes as standard. The assessment incorporates information from sales and finance, and relevant indicators are systematically taken into account. The risk assessment of existing and new customers is monitored on an ongoing basis using external and internal data. Based on the risk classification, clearly defined process steps and responsibilities apply to each class to enable an immediate response in the event of receivables becoming past due. The policy is put into practice throughout the organisation through corresponding policies on the separation of functions and the definition of interfaces between sales and accounts receivable management as well as a clear definition of approval requirements. Overall, the group-wide policy will improve group-wide control of the credit risk by means of standardised portfolio management adapted to local requirements and reflecting the risk-bearing capacity of each country.

Acquisition projects are continually subject to analysis

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

Legal risks

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

Financial risks

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

In the course of the refinancing 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 2015/16, the agreed covenants were complied with comfortably.

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

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

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

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

The PHOENIX group is currently involved in appeal proceedings with the tax authorities regarding VAT for the years 2001 to 2004. Amended VAT and interest assessment notices were issued for these periods, but PHOENIX filed an appeal/complaint and applied for a stay on execution. The current tax field audit for VAT from 2005 to 2008 is also ongoing, which the Company is also discussing with the tax authorities.

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

Opportunities

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

Strong market position in wholesale
The PHOENIX group holds a leading market position in pharmaceutical wholesale in almost all countries in which the Company operates. It is 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 country coverage or market position in these regions.

In addition, the PHOENIX group can fall back on long-established partnerships with pharmacy customers. Many customers take part in cooperation programmes. In some countries, the PHOENIX group also offers franchise systems for independent pharmacies. This can have a positive effect on revenue development, among other things.

Well-positioed in a stable market
The integration of the wholesale and retail pharmaceutical business offers opportunities, allowing cost savings in pharmaceutical sales channels.

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

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

Overall, the PHOENIX group operates in a stable market with substantial opportunities and is well positioned to successfully make use of these in order to expand 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.

FORECAST

Stable economic environment with growing GDP in Germany // Expansion of market position through organic growth and acquisitions // Revenue growth expected in Germany, Western, Eastern and Northern Europe // Adjusted EBITDA for 2016/17 at the level of the prior-year value // Further increase in efficiency for positive business development of the PHOENIX group in the long term

We anticipate a stable economic environment in 2016, with GDP in Germany expected to grow by around 1 %. Moderate GDP growth is also expected in the rest of Europe. We do not anticipate any noticeable increase in inflation or interest rates in 2016.

We expect the pharmaceutical markets in Europe to record market growth of around 3.1 % overall in 2016. In Germany, our largest market, we anticipate market growth of approximately 3.8 %.

For the fiscal year 2016/17, 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 anticipate revenue growth in Germany, Western Europe, Eastern Europe and Northern Europe.

We expect adjusted EBITDA for 2016/17 to be at the level of the prior-year value. The consolidation of Mediq is not included in these figures.

The equity ratio is expected to again increase slightly mainly as a result of the planned earnings course.

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

Mannheim, 7 April 2016

Management of the unlimited partner
PHOENIX Verwaltungs GmbH

Oliver Windholz Helmut Fischer Frank Große-Natrop Stefan Herfeld

CONSOLIDATED FINANCIAL STATEMENTS 2015/16

Consolidated income statement

for fiscal year 2015/16

EUR k	Note	FY 2014/15	FY 2015/16
Revenue	1	**22,567,998**	**23,247,428**
Cost of purchased goods and services		– 20,433,880	– 20,980,268
Gross profit		**2,134,118**	**2,267,160**
Other operating income	2	143,177	149,388
Personnel expenses	3	– 1,034,353	– 1,158,714
Other operating expenses	4	– 702,932	– 767,255
Result from associates and joint ventures	5	4,559	3,082
Result from other investments	5	2,037	1,743
Earnings before interest, taxes depreciation and amortisation (EBITDA)		**546,606**	**495,404**
Amortisation of intangible assets and depreciation of property, plant and equipment	6	– 111,122	– 118,960
Earnings before interest and taxes (EBIT)		**435,484**	**376,444**
Interest income		22,530	15,235
Interest expenses		– 92,447	– 69,615
Other financial result		– 4,289	– 3,079
Financial result	7	**– 74,206**	**– 57,459**
Profit before income tax		**361,278**	**318,985**
Income tax	8	– 103,266	– 93,974
Profit for the period		**258,012**	**225,011**
thereof attributable to non-controlling interests		35,150	22,173
thereof attributable to owners of the parent company		222,862	202,838

Consolidated statement of comprehensive income

for fiscal year 2015/16

EUR k	FY 2014/15	FY 2015/16
Profit for the period	**258,012**	**225,011**
Items not reclassified to the income statement		
Remeasurement of defined benefit plans	– 98,757	42,717
Items that may subsequently be reclassified to the income statement		
Gains/losses from changes in the fair value of available-for-sale financial assets	621	– 77
Reclassification adjustments	0	– 99
Currency translation differences	42,977	– 7,333
Other comprehensive income, net of taxes	**– 55,159**	**35,208**
Total comprehensive income	**202,853**	**260,219**
thereof attributable to non-controlling interests	25,550	23,004
thereof attributable to owners of the parent company	177,303	237,215

Consolidated statement of financial position

as of 31 January 2016

ASSETS

EUR k	Note	31 Jan. 2015*	31 Jan. 2016
Non-current assets			
Intangible assets	9	1,533,807	1,568,886
Property, plant and equipment	10	788,141	806,449
Investment property	11	7,023	7,902
Investments in associates and joint ventures	12	18,646	15,757
Trade receivables		1,072	35
Other financial assets	13	70,393	73,121
Deferred tax assets	8	118,561	89,109
Income tax receivables		4,573	4,046
		2,542,216	**2,565,305**
Current assets			
Inventories	14	1,841,101	1,981,327
Trade receivables	15	2,435,111	2,539,905
Income tax receivables		44,417	40,549
Other financial assets	15	187,141	168,171
Other assets	16	103,087	108,765
Cash and cash equivalents	17	567,449	367,881
		5,178,306	**5,206,598**
Non-current assets held for sale	24	856	655
Total assets		**7,721,378**	**7,772,558**

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

EQUITY AND LIABILITIES

EUR k	Note	31 Jan. 2015*	31 Jan. 2016
Equity			
Unlimited and limited partners' capital	18	1,185,000	1,185,000
Reserves	18	1,247,377	1,444,420
Accumulated other comprehensive income	18	– 185,196	– 148,540
Equity attributable to partners		**2,247,181**	**2,480,880**
Non-controlling interests	18	234,310	245,588
		2,481,491	**2,726,468**
Non-current liabilities			
Financial liabilities	21	603,683	604,262
Trade payables		736	1,243
Provisions for pensions and similar obligations	19	292,367	211,259
Other non-current provisions		0	2,681
Deferred tax liabilities	8	121,297	120,877
Other non-current liabilities		3,180	2,552
		1,021,263	**942,874**
Current liabilities			
Financial liabilities	21	760,288	734,796
Trade payables	22	3,129,746	3,046,137
Other provisions	20	31,165	28,923
Income tax liabilities		33,703	34,845
Other liabilities	23	263,722	258,515
		4,218,624	**4,103,216**
Liabilities directly associated with assets held for sale	24	0	0
Total equity and liabilities		**7,721,378**	**7,772,558**

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

Consolidated statement of cash flows

for fiscal year 2015/16

EUR k	31 Jan. 2015	31 Jan. 2016
Net profit/loss for the period	**258,012**	**225,011**
Write-downs/write-ups of fixed assets	111,122	118,960
Gain/loss from the disposal of fixed assets	−3,300	−883
Increase/decrease in non-current provisions	−6,496	−3,754
Result from associates and other investments	−6,596	−4,825
Other non-cash expenses/income	−37,254	49,381
Interest result	69,917	54,380
Taxes	103,275	93,974
Interest paid	−78,909	−58,274
Interest received	21,655	15,746
Income taxes paid	−78,646	−70,904
Dividends received	1,241	5,172
Result before changes in working capital	**354,021**	**423,984**
Changes in working capital	**33,857**	**−336,929**
Cash inflow (+)/outflow (−) from operating activities	**387,878**	**87,055**
Cash paid for the purchase of consolidated companies and business units	−19,368	−52,302
Cash received from the sale of consolidated companies and business units	898	10,950
Cash received from disposals of non-current assets	6,394	11,114
Cash paid for investments in non-current assets	−134,149	−147,199
Cash inflow (+)/outflow (−) from investing activities	**−146,225**	**−177,437**

EUR k	31 Jan. 2015	31 Jan. 2016
Cash available for financing activities	**241,653**	**– 90,382**
Capital increase	124,065	0
Payments to non-controlling interests (dividends)	– 5,955	– 8,080
Cash received from the issue of loans from related parties	0	155,000
Repayment of borrowings from related parties	0	– 155,000
Acquisition of additional shares in already consolidated companies	– 1,209	– 1,372
Cash received from the sale of shares in subsidiaries without loss of control	0	1
Increase/decrease in ABS/factoring liabilities	67,078	– 14,415
Increase/decrease in loans to partners in the parent company	– 123,766	0
Cash received from the issue of bonds and loans	632,543	190,987
Cash repayments of bonds and loans	– 859,096	– 274,258
Increase/decrease in finance lease liabilities	– 1,446	– 989
Cash inflow (+) /outflow (–) from financing activities	**– 167,786**	**– 108,126**
Change in cash and cash equivalents	**73,867**	**– 198,508**
Cash and cash equivalents at the beginning of the period	**494,458**	**567,449**
Exchange rate effect on cash and cash equivalents	– 876	– 1,060
Cash and cash equivalents at the end of the period	**567,449**	**367,881**

Consolidated statement of changes in equity
for fiscal year 2015/16

EUR k	Unlimited and limited partners' capital	Reserves
1 February 2014	**1,050,000**	**1,059,387**
Profit for the period		222,862
Accumulated other comprehensive income		0
Total comprehensive income, net of tax	**0**	**222,862**
Capital increase/reduction	135,000	–10,935
Conversion of a pension plan		–23,587
Changes in basis of consolidation		–161
Dividends		0
Other changes in equity		–189
31 January 2015	**1,185,000**	**1,247,377**
1 February 2015	**1,185,000**	**1,247,377**
Profit for the period		202,838
Accumulated other comprehensive income		
Total comprehensive income, net of tax		**202,838**
Conversion of a pension plan		–2,279
Changes in basis of consolidation		–2,608
Dividends		0
Other changes in equity		–908
31 January 2016	**1,185,000**	**1,444,420**

Currency translation differences	IAS 39 Available-for-sale financial assets	Remeasurement of defined benefit plans	Equity attributable to partners	Non-controlling interests	Total equity
–83,896	**7,983**	**–87,311**	**1,946,163**	**215,678**	**2,161,841**
			222,862	35,150	258,012
42,487	607	–88,653	–45,559	–9,600	–55,159
42,487	**607**	**–88,653**	**177,303**	**25,550**	**202,853**
			124,065	79	124,144
		23,587	0		0
			–161	–260	–421
			0	–5,925	–5,925
			–189	–812	–1,001
–41,409	**8,590**	**–152,377**	**2,247,181**	**234,310**	**2,481,491**
–41,409	**8,590**	**–152,377**	**2,247,181**	**234,310**	**2,481,491**
			202,838	22,173	225,011
–7,071	–174	41,622	34,377	831	35,208
–7,071	**–174**	**41,622**	**237,215**	**23,004**	**260,219**
		2,279	0		0
			–2,608	–3,937	–6,545
			0	–7,870	–7,870
			–908	81	–827
–48,480	**8,416**	**–108,476**	**2,480,880**	**245,588**	**2,726,468**

Notes to the consolidated financial statements

for fiscal year 2015/16

GENERAL

The Company

PHOENIX Pharmahandel GmbH & Co KG, Mannheim, Germany ("PHOENIX" or the "PHOENIX group"), is a European pharmaceuticals distribution group. PHOENIX has business activities in 26 European countries. In several countries, PHOENIX also operates pharmacy chains of its own. The registered office is located in Mannheim, Germany.

Basis of presentation

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

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

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

The consolidated financial statements of PHOENIX as of 31 January 2016 and the year then ended were authorised for issue on 7 April 2016 by the management of PHOENIX Pharmahandel GmbH & Co KG.

Application of new accounting standards and changes in accounting policies

In fiscal year 2015/16, PHOENIX applied the following revised standards and interpretations that are mandatory for the fiscal year 2015/16 for the first time:

IAS 19 Defined Benefit Plans: Employee Contributions

The amendment to IAS 19 clarifies how employee contributions or third-party contributions to defined benefit plans are accounted for, with the accounting treatment depending on whether the contributions depend on the number of years of service or not. A solution facilitating the accounting practice is also granted if the amount of the contributions is not dependent on the number of years of service. The amendment to IAS 19 did not have any effect on the consolidated financial statements of the PHOENIX group.

Annual Improvements to IFRS 2010 to 2012 and 2011 to 2013 Cycles
The amendments define more closely the recognition, measurement and disclosure of business transactions and standardise terminology, and can mainly be considered as editorial changes to existing standards. The amendments led to an additional disclosure on related parties in relation to the unlimited partner.

IFRIC 21 Levies
IFRIC 21 deals with the issue of accounting for public levies which do not represent income taxes within the meaning of IAS 12 or amounts charged only on behalf of the government (in particular VAT) and clarifies in particular when obligations to pay such levies are recognised as liabilities or provisions in the financial statements. The first-time application of IFRIC 21 did not have any effect on the consolidated financial statements of the PHOENIX group.

Standards, interpretations and amendments issued, but not yet adopted

The IASB and IFRS IC have adopted the standards and interpretations listed below, whose application is not yet mandatory for the fiscal year 2015/16 or have not yet been endorsed by the European Commission in some cases as of the reporting date.

Standard/interpretation		Effective as of the fiscal year	Endorsed by the EU
IFRS 9	Financial Instruments: Classification and Measurement	2018/19	No
IFRS 15	Revenue from Contracts with Customers	2018/19	No
IFRS 16	Leases	2019/20	No
IAS 1	Initiative to improve disclosure requirements	2016/17	Yes
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet determined	No
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	2016/17	Yes
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	2016/17	Yes
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses	2017/18	No
Amendments to IAS 7	Initiative to improve disclosure requirements	2017/18	No
Annual IFRS Improvements	2012 – 2014 cycle	2016/17	Yes

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

IFRS 15 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 analysis of the effect the application of IFRS 15 will have on the consolidated financial statements of the PHOENIX group has not been completed yet. Apart from an extension of the disclosures in the notes, from a current perspective we do not expect a significant impact on the financial position and performance of the PHOENIX group.

The amendments resulting from IFRS 16 mainly concern the lessee. Under IFRS 16, all leases as well as the associated contractual rights and obligations must be recognised in the statement of financial position of the lessee. The precise impact on the consolidated financial statements of the PHOENIX group has yet to be analysed.

We expect the application of IAS 1 to reduce the number of disclosures in the consolidated financial statements.

The amendment to IAS 16 clarifies that depreciation methods for property, plant and equipment based on revenue are not appropriate. The amendment to IAS 38 introduces the rebuttable presumption that revenue is not an appropriate basis for the amortisation of intangible assets. We assume that a straight-line method of amortisation allows the most reliable measure of the decline in value of economic benefit. We are therefore not affected by the amendments to IAS 16 and IAS 38.

At the core of the amendments to IAS 7 are rules for additional disclosures in the notes that should allow users of financial statements to assess the changes in liabilities from an entity's financing activities.

The amendments to IAS 12 relate to clarifications in respect of the recognition of deferred taxes on losses. From a current perspective, we do not expect a significant impact on the financial position and performance of the PHOENIX group.

We do not expect the first-time adoption of the Annual Improvements to IFRSs – 2012 to 2014 Cycle – and the amendments to IFRS 10, IAS 28 and IFRS 11 to have any material effects on the consolidated financial statements of the PHOENIX group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of PHOENIX and its subsidiaries as of 31 January 2016 and the year then ended.

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

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

The financial statements of most of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Only the entities in Norway, Luxembourg, Bulgaria, Serbia, Bosnia, Macedonia and Albania as well as the entities in Hungary and Slovakia have 31 December as their reporting date; one entity in Finland has 30 June as its reporting date. In general, there is no material impact on the financial statements; this notwithstanding, any material impact is taken into account.

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

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

The entire basis of consolidation comprises 363 (31 January 2015: 303) fully consolidated German and foreign companies, of which three (31 January 2015: three) are structured entities. 23 entities (31 January 2015: 23) were accounted for using the equity method. The complete list of shareholdings is an integral component of the notes to the consolidated financial statements and will be published in the electronic version of the German Federal Gazette.

Ten (31 January 2015: ten) entities are fully consolidated although the PHOENIX group holds less than 50 % of the voting rights. Contractual arrangements mean that PHOENIX is able to direct the relevant activities of these entities.

As of the reporting date, there were relationships in place with a total of six (31 January 2015: six) structured entities, of which three (31 January 2015: three) were fully consolidated. The structured entities are franchise pharmacies and asset-backed securities (ABS) entities. The ABS entities are mainly used to refinance the Group. The non-consolidated structured entities are immaterial for the financial position and performance of the PHOENIX group.

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

in %	31 Jan. 2015	31 Jan. 2016
Blister Center Aschaffenburg GmbH	90.00	100.00
Comifar SpA	89.02	91.62
Nesodden apotek AS	51.00	100.00
BENU Király Kft.	74.67	71.34
PLUS PHARMACIE SA	74.50	74.72
IVRYLAB SAS	96.25	96.28
PHOENIX Zdravotnícke zásobovanie a.s.	95.92	95.94

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

Business combinations and goodwill

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

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

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

Currency translation

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

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

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

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

Country	Currency	Closing rate 31 Jan. 2015	Closing rate 31 Jan. 2016	Average rate FY 2014/15	Average rate FY 2015/16
Albania	ALL	137.7200	138.6800	137.7200	138.6800
Bulgaria	BGN	1.9558	1.9558	1.9558	1.9558
Bosnia and Herzegovina	BAM	1.9558	1.9558	1.9558	1.9558
Czech Republic	CZK	27.7970	27.0260	27.5699	27.2087
Croatia	HRK	7.6975	7.6600	7.6388	7.6110
Denmark	DKK	7.4440	7.4628	7.4531	7.4604
United Kingdom	GBP	0.7511	0.7641	0.8011	0.7247
Hungary	HUF	312.0300	312.0300	309.8902	309.8273
Macedonia	MKD	61.5108	61.6950	61.6155	61.6213
Norway	NOK	8.8335	9.4845	8.3988	9.0013
Poland	PLN	4.2075	4.4398	4.1924	4.1939
Serbia	RSD	123.5499	123.2485	118.0017	120.7056
Sweden	SEK	9.3612	9.3483	9.1477	9.3427
Switzerland	CHF	1.0468	1.1144	1.2032	1.0678

Summary of significant accounting policies

Intangible assets

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

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

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

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

Pharmacy licenses with indefinite useful lives grant open-ended protection for the sale of drugs and other pharmaceuticals products in the related territory under public law. All other pharmacy licenses are granted for periods ranging between three and 30 years depending on the specific license.

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

■ Pharmacy licenses	indefinite or 3 to 30 years
■ Software	3 to 5 years
■ Trademarks	indefinite or 18 years

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

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

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

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

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

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

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

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

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

Non-current assets held for sale

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

Impairment of non-financial assets

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

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

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

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

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

Financial assets and financial liabilities (financial instruments)

Measurement and recognition of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

Derecognition of financial instruments

A financial asset is derecognised when the rights to receive cash flows from the asset have expired. In addition, a financial asset is derecognised when the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Derivative financial instruments and hedge accounting

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

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

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

PHOENIX does not use hedge accounting at present.

Inventories

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

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

Cash and cash equivalents

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

Equity

The components of equity are recognised in accordance with IAS 32 (rev. 2008). Financial instruments have to be classified on initial recognition as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangements and the definitions of IAS 32 (2008). The capital contributions of the unlimited and limited partners of PHOENIX Pharmahandel Gesellschaft mit beschränkter Haftung & Co KG (puttable instruments) are classified as equity as all criteria of IAS 32 (2008) were satisfied. The criteria for puttable instruments that should be classified as an equity instrument are:

a) The instrument entitles the holder to a pro rata share of the entity’s net assets in the event of the entity’s liquidation.

b) The instrument is in the class of instruments that is subordinate to all other classes of instruments.

c) All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.

d) Apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, and it is not a contract that will or may be settled in the entity’s own equity instruments as set out in the definitions for financial liabilities in accordance with IAS 32.

e) The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity over the life of the instrument (excluding any effects of the instruments).

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration is recognised in retained earnings.

Pensions and other post-employment benefits

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

Provisions

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

Current and deferred taxes

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

Current income tax charge

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

Deferred income taxes

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

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

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

Leases

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

Leases where the Group is the lessor and does not transfer substantially all the risks and rewards of ownership of the asset to the lessee are classified as operating leases. Initial direct costs incurred in negotiating and concluding an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

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

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

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

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

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

Government grants
Government grants paid as compensation for expenses or losses already incurred are recognised in the period in the income statement in which the corresponding claim arises.

Significant accounting judgements, estimates and assumptions

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

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

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

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

Intangible assets with indefinite useful lives are based on fair value less costs to sell calculations that use a relief from royalty approach or an EBITDA multiple.

Further details on impairment are disclosed in Note 9.

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

Further details on deferred taxes are disclosed in Note 8.

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

Further details on bad debt allowances are disclosed in Note 15.

Pension benefits

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

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

Further details about the assumptions used are given in Note 19.

Fair value of financial instruments

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

Further details on financial instruments can be found in the note "Additional information on financial instruments".

Revenue recognition

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

Further details on revenue are disclosed in Note 1.

Business combinations

The business combinations carried out in fiscal year 2015/16 and fiscal year 2014/15 are explained below. Business combinations are initially accounted for using the acquisition method pursuant to IFRS 3 "Business Combinations".

In fiscal year 2015/16, the cumulative profit for the period of the Group's acquirees came to EUR – 1,062k and revenue to EUR 83,382k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, cumulative revenue for the period would have come to EUR 130,044k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, the cumulative profit for the period would have come to EUR 1,038k.

The table below shows a summary of their fair values:

Fair value recognised as of the acquisition date

EUR k	Other FY 2015/16
Cash and cash equivalents	51,762
Equity instruments	0
Acquisition-date fair value of previously held equity interests	0
Total cost	**51,762**
Intangible assets	11,368
Other non-current assets	9,982
Inventories	5,066
Trade receivables	2,919
Cash and cash equivalents	1,299
Other current assets	492
Non-current liabilities	3,974
Current liabilities	21,377
Net assets	**5,775**
Non-controlling interests	0
Net assets acquired	**5,775**
Bargain purchase	**0**
Goodwill	**45,987**

Other business combinations
In fiscal year 2015/16, the Group acquired individual pharmacies and a chain of pharmacies in business combinations that are individually immaterial.

The goodwill arising on those acquisitions, which mainly results from expected synergies or location advantages, was allocated to the cash-generating units Slovakia (EUR 20,912k), United Kingdom (EUR 9,935k), Netherlands (EUR 3,900k), Czech Republic (EUR 3,295k), Baltics (EUR 2,489k), Switzerland (EUR 1,745k), Norway (EUR 1,443k), Italy (EUR 1,300k) and Serbia (EUR 968k) and is managed in the local functional currencies (CZK, CHF, GBP, NOK, RSD and EUR).

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

EUR 4,954k of the recognised goodwill from business combinations is expected to be tax deductible.

The fair value of current receivables contains trade receivables with a fair value of EUR 2,919k. The gross amount of the trade receivables past due amounts to EUR 2,926k, of which EUR 7k is expected to be uncollectible.

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

Business combinations in fiscal year 2014/15
In fiscal year 2014/15, the cumulative profit for the period of the Group's acquirees came to EUR 147k and revenue to EUR 36,102k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, cumulative revenue for the period would have come to EUR 54,580k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, the cumulative profit for the period would have come to EUR 1,321k.

The table below shows a summary of their fair values:

Fair value recognised as of the acquisition date

EUR k	Other FY 2014/15
Cash and cash equivalents	30,582
Equity instruments	0
Acquisition-date fair value of previously held equity interests	873
Total cost	**31,455**
Intangible assets	7
Other non-current assets	2,772
Inventories	4,648
Trade receivables	2,485
Cash and cash equivalents	4,067
Other current assets	2,445
Non-current liabilities	2,688
Current liabilities	8,028
Net assets	**5,708**
Non-controlling interests	– 124
Net assets acquired	**5,832**
Bargain purchase	**0**
Goodwill	**25,623**

Other business combinations

In fiscal year 2014/15, the Group mainly acquired additional pharmacies in business combinations that are individually immaterial.

Other business combinations include contingent consideration of EUR 540k (maximum amount expected).

In the course of business combinations achieved in stages, a profit of EUR 483k was obtained from the remeasurement of the share in equity held prior to the acquisition date.

The goodwill arising on those acquisitions, which mainly results from expected synergies or location advantages, was allocated to the cash-generating units Norway (EUR 6,993k), Czech Republic (EUR 5,661k), Netherlands (EUR 4,608k), Switzerland (EUR 4,421k), Serbia (EUR 3,903k) and Germany (EUR 37k) and is managed in the local functional currencies (CZK, CHF, NOK, RSD and EUR).

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

EUR 7,005k of the recognised goodwill from business combinations is expected to be tax deductible.

The fair value of current receivables contains trade receivables with a fair value of EUR 2,485k. The gross amount of the trade receivables past due amounts to EUR 2,540k, of which EUR 55k is expected to be uncollectible.

Business combinations were initially accounted for on the basis of a provisional purchase price allocation that was finalised in fiscal year 2015/16. This resulted in an increase in goodwill of the cash-generating unit Norway of EUR 1,452k, an increase in the deferred tax assets of EUR 537k and an increase in provisions for pensions of EUR 1,989k. The prior-year figures have been restated accordingly.

Divestitures

One entity was sold in fiscal year 2015/16. The sale had the following effects:

EUR k	31 Jan. 2015	31 Jan. 2016
Disposal of non-current assets	0	11,791
Disposal of current assets	0	21,048
Disposal of non-current liabilities	0	2,440
Disposal of current liabilities	0	5,372

There was an overall gain on deconsolidation of EUR 5,079k (prior year: EUR 0k), which was recognised in other operating income.

NOTES TO THE INCOME STATEMENT

1 Revenue

The Group's revenue mainly consists of the sale of pharmaceuticals and related goods (EUR 22,888,948k in fiscal year 2015/16 and EUR 22,229,368k in fiscal year 2014/15). The smaller portion of revenue is attributable to distribution fees and consignment warehouse fees, the sale of pharmacy IT systems, transport services and other services.

2 Other operating income

EUR k	FY 2014/15	FY 2015/16
Net gain on disposal of fixed assets	6,363	3,357
Income from services	41,056	38,927
Rental income	9,109	9,335
Marketing and other services	39,019	47,702
Allocation of freight costs	6,295	4,937
Other	41,335	45,130
Other operating income	**143,177**	**149,388**

The item "Other" contains a number of individual items, such as energy cost markups and own work capitalised. It also contains income from the deconsolidation of an entity of EUR 5,079k (prior year: EUR 0k).

3 Personnel expenses

EUR k	FY 2014/15	FY 2015/16
Wages and salaries	853,704	897,555
Social security contributions, retirement benefits and similar expenses	121,572	194,053
Other personnel expenses	59,077	67,106
	1,034,353	**1,158,714**

The average headcount measured in full-time equivalents (FTEs) increased by 689 to a total of 24,842. Other personnel expenses mainly include training expenses and costs for temporary personnel.

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

EUR k	FY 2014/15	FY 2015/16
Western Europe	13,297	13,499
Eastern Europe	5,489	5,791
Northern Europe	5,367	5,552
	24,153	**24,842**

The line item “Wages and salaries” includes an amount of EUR 6,553k (prior year: EUR 2,838k) for severance payments and similar costs.

4 Other operating expenses

EUR k	FY 2014/15	FY 2015/16
Transport costs	253,255	269,946
Lease and rental costs	122,298	133,188
Exchange rate gains/losses	– 1,146	583
Net impairment of receivables	5,489	5,260
Other building and equipment costs	55,979	56,324
Marketing and advertising expenses	49,045	53,575
Communication and IT expenses	47,810	60,895
Legal and consulting fees	46,345	55,501
Repair and maintenance costs	33,066	34,743
Net loss on the disposal of fixed assets	3,063	2,474
Other taxes	11,763	17,143
Office supplies	10,227	10,701
Insurance costs	8,498	8,492
Expenses related to ABS/factoring programmes	2,754	2,356
Other	54,486	56,074
Other operating expenses	**702,932**	**767,255**

The development of bad debt allowances is presented in Note 15.

In fiscal year 2015/16, the auditor of the financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, received audit fees of EUR 587k (prior year: EUR 667k), of which for the prior year EUR 43k (prior year: EUR 70k), other attestation fees of EUR 21k (prior year: EUR 189k), tax advisory fees of EUR 98k (prior year: EUR 57k) and EUR 96k (prior year: EUR 41k) for other services.

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

5 Result from associates and other investments

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

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

EUR k	FY 2014/15	FY 2015/16
Amortisation of intangible assets and depreciation of property, plant and equipment	108,619	114,832
Impairment of pharmacy licenses	1,695	0
Reversal of impairment losses	0	– 916
Impairment of goodwill	560	4,705
Other impairments	248	339
	111,122	**118,960**

7 Financial result

EUR k	FY 2014/15	FY 2015/16
Interest income	22,530	15,235
Interest expenses	– 92,447	– 69,615
Other financial result	– 4,289	– 3,079
Financial result	**– 74,206**	**– 57,459**

Interest income includes interest income from customers of EUR 11,444k (prior year: EUR 18,253k).

The other financial result contains exchange rate gains of EUR 38,049k (prior year: EUR 35,268k) as well as exchange rate losses of EUR 41,655k (prior year: EUR 16,042k), income of EUR 110,505k (prior year: EUR 66,388k) and expenses of EUR 108,898k (prior year: EUR 86,687k) from changes in the fair values of derivatives, earnings from the disposal of financial assets classified as available for sale of EUR 123k (prior year: EUR 0k), impairment of financial assets of EUR 1,650k (prior year: EUR 2,792k) as well as other financial income of EUR 981k (prior year: EUR 661k) and other financial expenses of EUR 534k (prior year: EUR 1,085k).

The financial result includes interest income and interest expenses of EUR – 40,414k on financial assets and liabilities that are not classified as “at fair value through profit or loss” (prior year: EUR – 61,166k).

8 Income tax

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

EUR k	FY 2014/15	FY 2015/16
Current taxes	61,358	77,521
Deferred taxes	41,908	16,453
	103,266	**93,974**

The current income taxes include income for prior periods of EUR 5,065k (prior year: EUR 14,493k) and expenses of EUR 2,694k (prior year: EUR 1,560k).

In fiscal year 2015/16, a net tax expense (after non-controlling interests) of EUR – 9,800k was recognised outside profit or loss (prior year: tax income of EUR 36,423k). This amount results from actuarial gains and losses from pension obligations (EUR – 17,663k; prior year: EUR 30,135k), net investments in foreign operations (EUR 7,809k; prior year: EUR 6,491k) as well as changes in the fair value of financial assets classified as available for sale (EUR 54k; prior year: EUR – 203k), which are recognised in other comprehensive income.

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

In the current fiscal year, the tax rate applicable decreased by 1.2 percentage points in the United Kingdom and by one percentage point in Denmark and Switzerland.

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

	FY 2014/15		FY 2015/16	
	EUR k	in %	EUR k	in %
Profit before tax	**361,278**	**100.0**	**318,985**	**100.0**
Expected income tax expense	**96,822**	**26.8**	**79,108**	**24.8**
Impact of changes to tax rates on deferred taxes	– 496	– 0.1	– 6,097	– 1.9
Tax effect of non-deductible expenses and tax-exempt income	7,540	2.1	10,650	3.3
Effect of taxes relating to prior years recognised in the fiscal year	– 5,420	– 1.5	– 924	– 0.3
Effect of differing national tax rates	– 5,850	– 1.6	– 4,521	– 1.4
Effect of impairments/adjustments to carrying amounts	12,412	3.4	13,995	4.4
Effect of impairment on goodwill	0	0.0	1,460	0.5
Other effects	– 1,743	– 0.5	303	0.1
Income taxes	**103,266**	**28.6**	**93,974**	**29.5**

Other effects comprise a deferred tax expense of EUR 1,848k (prior year: deferred tax income EUR 1,119k) relating to temporary differences associated with investments in subsidiaries.

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

	31 Jan. 2015		31 Jan. 2016	
EUR k	Deferred tax assets*	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	6,025	82,768	5,307	81,694
Property, plant and equipment	4,059	38,947	4,014	36,370
Financial and other assets	9,039	16,931	6,782	14,391
Inventories	6,800	4,746	4,690	4,349
Assets classified as held for sale	0	5	0	5
Provisions	62,238	1,473	38,605	1,577
Liabilities	13,486	9,191	10,768	8,278
Deferred taxes on temporary differences	**101,647**	**154,061**	**70,166**	**146,664**
Deferred taxes on unused tax losses	49,678	0	44,730	0
Netting	– 32,764	– 32,764	– 25,787	– 25,787
Total deferred taxes	**118,561**	**121,297**	**89,109**	**120,877**

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

Deferred tax assets are recognised on unused tax losses at the amount at which the associated tax benefits are likely to be realised through future taxable profit. The Group has not recognised deferred tax assets on unused tax losses and future interest benefits of EUR 315,384k (prior year: EUR 249,326k). Deferred taxes include income from previously unused tax losses of EUR 1,086k (prior year: EUR 3,391k). EUR 45k (prior year: EUR 0k) of the unused tax losses and interest carryforwards expire within one year, EUR 825k (prior year: EUR 0k) expire after two years, but within three years, EUR 314,514k (prior year: EUR 249,326k) can be carried forward indefinitely.

No deferred tax liabilities were recognised on distributable reserves of subsidiaries amounting to EUR 3,149,860k (prior year: EUR 2,785,854k) because these reserves are intended to be indefinitely reinvested in the operations of subsidiaries.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

9 Intangible assets

EUR k	Rights and licenses	Goodwill	Prepayments
Cost			
1 February 2014	**440,534**	**1,322,302**	**5,276**
Currency translation	28,858	41,251	– 12
Changes in the basis of consolidation	30	0	0
Additions	10,707	27,209*	4,199
Disposals	– 2,588	– 630	0
Reclassifications	5,274	0	– 4,922
31 January 2015	**482,815**	**1,390,132**	**4,541**
Currency translation	– 7,882	– 15,659	– 17
Changes in the basis of consolidation	– 8,120	0	0
Additions	21,874	47,740	4,551
Disposals	– 3,831	– 12,020	– 10
Reclassifications	3,141	608	– 2,659
31 January 2016	**487,997**	**1,410,801**	**6,406**
Accumulated amortisation			
1 February 2014	**90,864**	**222,126**	**23**
Currency translation	1,264	18,721	3
Changes in the basis of consolidation	– 1,077	– 629	0
Additions	11,666	15	0
Impairment losses	1,695	0	0
Disposals	– 980	0	0
Reclassifications	– 10	0	0
31 January 2015	**103,422**	**240,233**	**26**
Currency translation	– 1,087	– 7,899	1
Changes in the basis of consolidation	– 1,807	0	0
Additions	12,483	0	0
Impairment losses	0	4,705	0
Write-ups	– 759	0	0
Disposals	– 1,843	– 11,049	0
Reclassifications	– 716	608	0
31 January 2016	**109,693**	**226,598**	**27**
Net carrying amount 31 January 2015	**379,393**	**1,149,899**	**4,515**
Net carrying amount 31 January 2016	**378,304**	**1,184,203**	**6,379**

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

The item “Rights and licenses” mainly contains pharmacy licenses and trademarks with indefinite useful lives in the United Kingdom totalling EUR 336,014k (31 January 2015: EUR 330,256k). The useful life for such licenses has been assessed as indefinite due to the fact that such licenses are granted for an unlimited time period.

Goodwill

Goodwill carrying amounts in EUR k Country	Currency	31 Jan. 2015*	31 Jan. 2016
Germany	EUR	42,807	43,687
United Kingdom	GBP	309,859	316,873
Netherlands	EUR	144,631	148,531
Switzerland	CHF	143,850	140,906
Hungary	HUF	75,039	75,041
Czech Republic	CZK	36,495	41,176
Baltics	EUR	62,328	64,817
Denmark	DKK	44,797	44,797
Sweden	SEK	40,639	40,639
Norway	NOK	191,014	190,570
Other		58,440	77,166
Total		**1,149,899**	**1,184,203**

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

Impairment testing of goodwill

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

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

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

As a rule, a terminal growth rate of 0.5 % is used to extrapolate the EBITDA and cash flow from the change in working capital of the last planning period (prior year: 0.5 %). The EBITDA trend after the planning period is adjusted to what management estimates is a sustainable EBITDA in specific cases for individual cash-generating units, if the general growth rate does not tally with management’s medium-term expectations.

The perpetual cash flow from investing activities is calculated using historical data. This averages 0.6 % of revenue (prior year: 0.5 %).

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

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

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

in %	31 Jan. 2015	31 Jan. 2016
Discount rate (WACC before tax)		
Germany	9.20	8.97
United Kingdom	9.31	8.04
Netherlands	8.58	8.36
Switzerland	7.13	6.60
Hungary	11.77	11.18
Czech Republic	9.90	8.79
Baltics	9.28	8.73
Denmark	8.19	8.30
Sweden	9.06	8.69
Norway	10.06	9.43
Other	8.19 – 13.35	7.97 – 13.43

As of 31 January 2016, there was an impairment loss for the cash-generating units Italy and Bulgaria:

EUR k	31 Jan. 2015	31 Jan. 2016
Impairment of goodwill		
Italy	0	2,586
Bulgaria	0	2,119
	0	**4,705**

For the cash-generating units Italy and Bulgaria, the recoverable amount is lower than the carrying amount primarily because of the reduced medium-term earnings forecast due to the difficult market environment. The impairment loss is based on the value in use. There is no indication that the fair value less costs to sell would lead to a higher recoverable amount than the value in use.

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

A marginal change in the discount rate of the material cash-generating units United Kingdom and Switzerland would lead to the carrying amounts exceeding the value in use.

The value in use of the cash-generating unit United Kingdom exceeded its carrying amount by EUR 123,952k. A 1.1 % rise in the discount rate would use up this excess amount.

The value in use of the cash-generating unit Switzerland exceeded its carrying amount by EUR 25,722k. A 0.8 % rise in the discount rate would use up this excess amount.

Impairment testing of intangible assets with indefinite useful lives
The trademarks "Numark" and "Pharmavie" were tested for impairment as of 31 January 2015 and 2016. The fair value of the trademarks is determined based on a relief from royalty approach using the recent business plans as of the testing date and an appropriate royalty rate of between 0.1 % and 2.0 % (prior year: between 0.1 % and 2.0 %). Costs to sell have been deducted in order to derive the fair value less costs to sell. It was not necessary to recognise any impairment losses on the trademarks as of 31 January 2015 and 2016.

The pharmacy licenses of L Rowland & Co. (Retail) Ltd., United Kingdom, were tested for impairment as of 31 January 2015 and 2016. The recoverable amount of the licenses in fiscal year 2015/16 was based on the fair value less costs to sell, which was determined using a market price model. The pre-tax discount rate is 8.7 % (prior year: 8.7 %). The terminal growth rate used to extrapolate the income of the last planning period is 0.5 % (prior year: 0.5 %).

The impairment tests resulted in the previous year in the recognition of an impairment loss on the licenses in the United Kingdom:

EUR k	31 Jan. 2015	31 Jan. 2016
Impairment of licenses		
Pharmacy licenses, United Kingdom	1,695	0

10 Property, plant and equipment

EUR k	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Assets under construction	Investment property
Cost					
1 February 2014	**833,228**	**245,866**	**565,971**	**9,198**	**3,191**
Currency translation	– 1,281	– 817	9,628	– 15	0
Changes in the basis of consolidation	774	905	264	2	0
Additions	22,130	11,212	60,600	24,418	0
Disposals	– 29,287	– 8,648	– 38,087	– 984	– 107
Reclassifications from non-current assets held for sale	943	– 794	794	0	0
Reclassifications	– 2,255	21,282	– 10,988	– 16,924	5,165
31 January 2015	**824,252**	**269,006**	**588,182**	**15,695**	**8,249**
Currency translation	– 6,304	481	– 12,576	– 34	0
Changes in the basis of consolidation	– 1,378	208	903	8	0
Additions	38,942	11,299	59,318	28,259	516
Disposals	– 13,518	– 3,296	– 41,858	– 315	0
Reclassifications from non-current assets held for sale	– 215	0	0	0	1,311
Reclassifications	15,954	4,469	2,733	– 24,239	0
31 January 2016	**857,733**	**282,167**	**596,702**	**19,374**	**10,076**
Accumulated depreciation					
1 February 2014	**299,717**	**173,455**	**389,922**	**0**	**698**
Currency translation	– 1,029	– 398	6,181	0	0
Additions	29,492	17,203	50,098	0	145
Impairment losses	229	0	19	0	0
Disposals	– 11,810	– 5,625	– 34,419	0	0
Reclassifications from non-current assets held for sale	– 231	0	0	0	0
Reclassifications	– 4,134	– 1	325	0	383
31 January 2015	**312,234**	**184,634**	**412,126**	**0**	**1,226**
Currency translation	– 3,833	382	– 9,232	0	0
Additions	30,956	17,872	53,301	0	220
Impairment losses	186	0	0	0	153
Disposals	– 7,801	– 3,012	– 38,106	0	0
Reclassifications from non-current assets held for sale	– 64	0	0	0	515
Reclassifications	179	2,441	– 2,579	0	60
Reversal of impairment losses			– 157		
31 January 2016	**331,857**	**202,317**	**415,353**	**0**	**2,174**
Net carrying amount 31 January 2015	**512,018**	**84,372**	**176,056**	**15,695**	**7,023**
Net carrying amount 31 January 2016	**525,876**	**79,850**	**181,349**	**19,374**	**7,902**

Items of property, plant and equipment with a carrying amount of EUR 5,728k (prior year: EUR 9,265k) have been pledged as collateral for liabilities. The collateral mainly relates to charges on land and buildings in Germany.

There are contractual commitments to acquire property, plant and equipment of EUR 3,879k (31 January 2015: EUR 6,966k).

Finance leases
The assets held under finance lease agreements are as follows:

EUR k	31 Jan. 2015	31 Jan. 2016
Land and land rights and buildings, including buildings on third-party land	10,820	7,136
Technical equipment and machinery	944	525
Other equipment, furniture and fixtures	822	691
Carrying amount	**12,586**	**8,352**

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

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

EUR k	31 Jan. 2015	31 Jan. 2016
Minimum lease payments		
due within one year	2,356	2,409
due after one year but not more than five years	6,095	8,453
due in more than five years	3,476	1,395
Interest	– 1,114	– 2,321
Present value of minimum lease payments	**10,813**	**9,936**

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

EUR k	31 Jan. 2015	31 Jan. 2016
Minimum lease payments		
due within one year	104,710	110,192
due after one year but not more than five years	276,067	274,897
due in more than five years	113,233	168,278
Total minimum lease payments	**494,010**	**553,367**

The expected income from sublet properties amounts to EUR 3,583k (prior year: EUR 3,207k). The lease expense from operating leases breaks down as follows:

EUR k	31 Jan. 2015	31 Jan. 2016
Lease expense		
Minimum lease payments	119,033	129,106
Contingent rents	2,105	2,919
Sublease payments received	1,160	1,163
Total lease expense	**122,298**	**133,188**

Leases where the Group acts as lessor

PHOENIX acts as lessor in several countries of operation. The most significant arrangements in which the Group acts as lessor are held by the German subsidiaries Transmed Transport GmbH and ADG. Transmed Transport GmbH acts as lessor for transport vehicles. ADG leases software and cash systems. Further lessor arrangements exist in the Netherlands, Finland, the Czech Republic and the United Kingdom. All lease agreements are operating leases. The future minimum lease payments are as follows:

EUR k	31 Jan. 2015	31 Jan. 2016
Minimum lease payments		
due within one year	14,447	14,679
due after one year but not more than five years	15,657	14,601
due in more than five years	931	1,096
Total minimum lease payments	**31,035**	**30,376**

11 Investment property

One property in the Netherlands was reclassified from “Land and buildings” to “Investment property” in fiscal year 2015/16 as it was no longer owner-occupied but instead held for capital appreciation. In addition, two buildings no longer meet the criteria of IFRS 5 and are now classified as “Investment property”.

The fair value of the investment property held as of 31 January 2016 determined by expert appraisers using market data (level 2) for comparable properties came to EUR 7,982k (31 January 2015: EUR 7,702k). Rental income in fiscal year 2015/16 came to EUR 222k (prior year: EUR 284k), while expenses totalled EUR 713k (prior year: EUR 353k).

12 Interests in other entities

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

EUR k	FY 2014/15 Brocacef Group	FY 2014/15 Comifar Group	FY 2014/15 PHOENIX Int. Beteiligungs GmbH	FY 2015/16 Brocacef Group	FY 2015/16 Comifar Group	FY 2015/16 PHOENIX Int. Beteiligungs GmbH
Current assets	211,219	776,458	983,744	228,713	707,948	979,794
Non-current assets	226,370	136,090	2,697,644	221,075	121,246	2,964,019
Current liabilities	156,859	582,792	2,290,960	169,484	499,484	2,220,419
Non-current liabilities	45,682	31,301	1,940	31,991	26,963	3,908
Revenue	1,184,596	2,254,307	0	1,254,470	2,173,352	0
Gain/loss from continuing operations	48,592	16,437	42,177	19,964	18,248	330,997
Total comprehensive income	30,768	15,924	42,177	19,964	18,604	330,997
Cash inflow/outflow from:						
– operating activities	43,014	67,860	50,715	41,584	51,418	100,725
– investing activities	– 16,712	– 5,405	– 145,275	– 7,667	– 2,341	– 123,843
– financing activities	– 45,262	– 63,048	9,445	– 22,680	– 50,000	– 128,198
Gain/loss attributable to non-controlling interests	21,867	1,456	7,439	8,984	1,649	6,377
Accumulated non-controlling interests at the end of the reporting period	101,795	25,088	87,491	107,764	21,118	94,554
Dividends paid to non-controlling interests	2,891	513	0	3,858	454	0

As an intermediate holding company, PHOENIX International Beteiligungs GmbH holds the interests in foreign subsidiaries. Of the interests in PHOENIX International Beteiligungs GmbH, 2.33 % are non-controlling interests. The non-controlling interests disclosed in the consolidated financial statements are as follows:

EUR k	31 Jan. 2015	31 Jan. 2016
Brocacef Group	101,795	107,764
Comifar Group	25,088	21,118
PHOENIX Int. Beteiligungs GmbH	87,491	94,554
Other	19,936	22,152
	234,310	**245,588**

PHOENIX holds investments in 21 (prior year: 21) associates and two (prior year: two) joint ventures. The aggregate amounts are presented below:

EUR k	FY 2014/15	FY 2015/16
Net carrying amount	18,646	15,757
Group share in gain/loss from continuing operations	4,559	3,082
Group share in total comprehensive income	4,559	3,082

Most associates and joint ventures have diverging fiscal years from PHOENIX, typically the calendar year.

13 Other financial assets

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

EUR k	31 Jan. 2015	31 Jan. 2016
Trade receivables, non-current	1,072	35
Other financial assets		
Available-for-sale financial assets	35,689	34,656
Loans to and receivables from associates	5,296	5,022
Other loans	28,353	32,380
Other non-current financial assets	1,055	1,063
	70,393	**73,121**

14 Inventories

EUR k	31 Jan. 2015	31 Jan. 2016
Raw materials and supplies	11,390	14,620
Finished goods and merchandise	1,811,016	1,953,835
Prepayments	18,695	12,872
	1,841,101	**1,981,327**

During the fiscal year, inventories were written down by EUR 8,847k (prior year: EUR 7,962k). Impairment losses of EUR 5,651k (prior year: EUR 6,667k) were reversed during the period mainly due to the unexpected sale of written-down inventories. Inventories with a carrying amount of EUR 139,103k (31 January 2015: EUR 115,699k) is valued at net realisable value at the reporting date.

15 Trade receivables and other current financial assets

EUR k	31 Jan. 2015	31 Jan. 2016
Trade receivables	2,435,111	2,539,905
Other financial assets		
Loans to and receivables from associates or related parties	5,540	6,498
Other loans	17,548	28,702
Derivative financial instruments	670	8,128
Other current financial assets	163,383	124,843
	187,141	**168,171**

Trade receivables and other assets with a carrying amount of EUR 86,780k (prior year: EUR 85,578k) have been pledged as collateral for liabilities.

The trade receivables transferred under factoring and ABS transactions as of 31 January 2016 are presented below:

EUR k	31 Jan. 2015	31 Jan. 2016
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IAS 39		
Volume of receivables	325,294	415,163
Financial liability	300,477	380,500
Continuing involvement		
Volume of receivables	255,259	164,233
Continuing involvement	20,853	7,292
Financial liability	21,106	7,340
Transferred and fully derecognised receivables		
Volume of receivables	121,627	24,831
Retentions of title	71,654	30,620

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

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

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

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

EUR k	Trade receivables	Other loans
Allowances as of 1 February 2014	**92,370**	**10,099**
Additions	10,261	3,115
Utilisation	– 30,261	– 950
Reversal	– 6,621	– 860
Currency and other changes	410	131
Allowances as of 31 January 2015	**66,159**	**11,535**
Additions	9,844	2,488
Utilisation	– 6,644	– 1,320
Reversal	– 6,202	– 554
Currency and other changes	335	– 395
Allowances as of 31 January 2016	**63,492**	**11,754**

As of 31 January 2016 and 31 January 2015, the ageing analysis of trade receivables and customer loans that are past due but not impaired is as follows:

EUR k	Total carrying amount	thereof Neither past due nor impaired	Impaired	Past due but not impaired < 30 days	31–60 days	61–90 days	91–150 days	151–240 days	241–330 days	> 330 days
31 January 2015										
Trade receivables	**2,436,183**	2,223,447	59,629	81,336	20,409	12,483	13,719	11,599	5,205	8,356
Other loans	**45,901**	42,353	3,541	3	2	2	0	0	0	0
31 January 2016										
Trade receivables	**2,539,940**	2,277,111	42,556	139,075	21,702	10,670	14,307	15,022	6,993	12,504
Other loans	**61,082**	58,427	2,646	9	0	0	0	0	0	0

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

16 Other assets

EUR k	31 Jan. 2015	31 Jan. 2016
Prepayments	56,213	60,463
Tax claims – VAT and other taxes	15,527	24,005
Sundry other assets	31,347	24,297
Other assets	**103,087**	**108,765**

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

17 Cash and cash equivalents

EUR k	31 Jan. 2015	31 Jan. 2016
Bank balances	563,626	364,334
Cash on hand	3,811	3,489
Cash equivalents	12	58
	567,449	**367,881**

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

18 Equity

Unlimited and limited partners' capital

In fiscal year 2014/15, the limited partners increased their capital in the parent company by contribution in cash of EUR 135,000k to EUR 1,185,000k. A partial sum of EUR 10,935k was contributed by the fully consolidated entities and offset against reserves. In 2010/11, the limited partners increased their capital in the parent company by contribution in cash of EUR 550,000k to EUR 1,050,000k. A partial sum of EUR 44,500k was contributed by the fully consolidated entities and offset against reserves. The unlimited partners' capital is still EUR 0k.

No cash outflows stemming from a redemption or repurchase of these financial instruments are expected for the foreseeable future.

Reserves

Reserves primarily comprise retained earnings.

Treasury shares

In 2006/07, PHOENIX International Beteiligungs GmbH acquired the companies Otto Stumpf GmbH, Berlin, and Otto Stumpf GmbH, Gotha. These companies together hold 8.1 % of the limited partners' capital of PHOENIX Pharmahandel GmbH & Co KG. The acquisition cost of the treasury shares (EUR 298,737k; prior year: EUR 298,737k) is offset against reserves.

Accumulated other comprehensive income

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

Non-controlling interests

The profit for the period attributable to non-controlling interests came to EUR 22,173k (prior year: EUR 35,150k).

Capital management

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

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

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

		31 Jan. 2015*	31 Jan. 2016
Equity	EUR k	2,481,491	2,726,468
Total equity and liabilities	EUR k	7,721,378	7,772,558
Equity ratio	in %	32.1	35.1

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

EUR k	31 Jan. 2015	31 Jan. 2016
+ Financial liabilities (non-current)	603,683	604,262
./. Supplementary partner contribution	0	0
./. Derivative financial instruments (non-current)	– 431	– 370
+ Financial liabilities (current)	760,288	734,796
./. Derivative financial instruments (current)	– 11,721	– 398
./. Cash and cash equivalents	– 567,449	– 367,881
./. Held-to-maturity financial assets	0	0
+ Receivables sold in the course of factoring and ABS transactions	356,033	181,772
./. Factoring receivables	– 37,191	– 26,461
./. Receivables from ABS programmes	– 34,463	– 4,159
Net financial liabilities	**1,068,749**	**1,121,561**

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

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

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

19 Provisions for pensions and similar obligations

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

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

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

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

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

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

The sum of all pension expenses in connection with defined contribution plans amounted to EUR 53,459k (prior year: EUR 49,538k). This amount includes the contributions the Group made to statutory pension insurance funds which fall under the definition of defined contribution plans.

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

EUR k	31 Jan. 2015*	31 Jan. 2016
Calculation of net defined benefit liability		
Present value of funded obligations	– 601,771	– 508,893
Plan assets at fair value	401,311	385,816
Defined benefit obligations in excess of plan assets	**– 200,460**	**– 123,077**
Present value of non-funded obligations	– 91,907	– 88,182
Net defined benefit liability	**– 292,367**	**– 211,259**

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

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

	Defined benefit obligation		Fair value of plan assets		Net carrying amount from defined benefit plans	
EUR k	31 Jan. 2015*	31 Jan. 2016	31 Jan. 2015*	31 Jan. 2016	31 Jan. 2015*	31 Jan. 2016
Norway	465,125	378,610	292,555	279,007	– 172,570	– 99,603
Switzerland	77,190	77,499	62,028	61,109	– 15,162	– 16,390
United Kingdom	58,134	51,579	45,667	44,737	– 12,467	– 6,842
Other	93,229	89,387	1,061	963	– 92,168	– 88,424
Total	**693,678**	**597,075**	**401,311**	**385,816**	**– 292,367**	**– 211,259**

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

The net defined benefit liability developed as follows:

EUR k	Present value of the defined benefit obligation	Fair value of plan assets	Total
1 February 2014	**764,261**	**– 528,164**	**236,097**
Service cost	27,580		27,580
Interest expenses/income	27,637	– 17,750	9,887
Other	800		800
	56,017	**– 17,750**	**38,267**
Remeasurements			
Return on plan assets excluding amounts contained in interest expenses/income		– 43,345	– 43,345
Gain/loss from changes in demographic assumptions	7,704		7,704
Gain/loss from changes in financial assumptions	167,403		167,403
	175,107	**– 43,345**	**131,762**
Employer contributions		– 36,484	– 36,484
Employee contributions	2,913	– 2,913	0
Benefits paid	– 30,424	23,703	– 6,721
Plan settlements	– 281,122	211,104	– 70,018
Other changes recognised in equity	11,249	– 6,529	4,720
Exchange differences	– 4,323	– 933	– 5,256
31 January 2015*	**693,678**	**– 401,311**	**292,367**

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

EUR k	Present value of the defined benefit obligation	Fair value of plan assets	Total
1 February 2015*	**693,678**	**– 401,311**	**292,367**
Service cost	27,939		27,939
Interest expenses/income	15,315	– 7,663	7,652
Other	– 53		– 53
	43,201	**– 7,663**	**35,538**
Remeasurements			
Return on plan assets excluding amounts contained in interest expenses/income		855	855
Gain/loss from changes in demographic assumptions	6,365		6,365
Gain/loss from changes in financial assumptions	– 67,986		– 67,986
	– 61,621	**855**	**– 60,766**
Employer contributions		– 32,712	– 32,712
Employee contributions	2,290	– 2,290	0
Benefits paid	– 19,438	13,752	– 5,686
Plan settlements	– 25,789	19,407	– 6,382
Other changes recognised in equity	– 695	– 941	– 1,636
Exchange differences	– 34,551	25,087	– 9,464
31 January 2016	**597,075**	**– 385,816**	**211,259**

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

Net interest expenses are recognised within the financial result.

Plan settlements in fiscal year 2015/16 are due to the conversion of a defined benefit plan in Norway to a defined contribution plan as well as due to a reduction in the pension conversion rate in Switzerland.

Plan assets break down as follows:

EUR k	31 Jan. 2015*	31 Jan. 2016
Plan assets with underlying active market		
Cash and cash equivalents	1,309	2,913
Equity instruments	209,190	47,989
Debt instruments	45,778	177,379
Property	27,921	32,923
Investment funds	49,508	60,243
Insurance assets	58,166	56,153
Structured debt instruments	0	7,254
Other	1,062	962
	392,934	**385,816**
Plan assets without underlying active market		
Structured debt instruments	7,459	0
Other	918	0
	8,377	**0**
	401,311	**385,816**

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

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

The Group expects to contribute EUR 27,637k to its defined benefit plans in fiscal year 2016/17.

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

in %	FY 2014/15	FY 2015/16
Discount rate by currency region		
NOK	2.3	2.7
GBP	3.1	3.8
EUR	1.4 – 2.2	1.5 – 2.4
CHF	1.1	0.9
SEK	3.0	3.0
Future salary increases	1.2 – 4.0	1.2 – 4.3
Future pension increases	1.75 – 3.0	1.5 – 3.3

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

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

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

31 January 2015*	Change in actuarial assumption in %	Increase in assumption EUR k	Decrease in assumption EUR k
Interest rate	0.5	67,422	–76,374
Future salary increases	0.5	–36,103	32,175
Future pension increases	0.5	–33,081	28,055
Life expectancy	10.0	–31,793	29,918

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

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

In Norway and the Netherlands, the PHOENIX group has pension plans which are operated together with non-affiliated companies (multi-employer plans). In principle, these are both defined benefit and defined contribution plans. If the required information is available in connection with jointly operated defined benefit plans, these plans are accounted for like any other defined benefit plan; otherwise, they are accounted for as defined contribution plans. In the Netherlands, there are jointly operated defined benefit plans that are accounted for as defined contribution plans, as it is not possible to allocate the pension obligations and plan assets to the participating entities on account of the lack of information available. For these plans, the PHOENIX group expects contribution payments of EUR 4,600k for fiscal year 2016/17. The coverage ratio of these plans (ratio of plan assets to obligation) is between 97.0 % and 101.3 % (prior year: between 106.0 % and 111.4 %). In Norway, there is a jointly operated government plan that qualifies as a defined benefit plan and is also accounted for as such. Furthermore, as of 31 January 2016 the PHOENIX group does not expect any major burdens to arise from the multi-employer plans; there is no intention to exit one of these plans.

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

20 Other provisions

EUR k	Restructuring	Personnel	Other	Total
1 February 2015	**8,021**	**14,224**	**8,920**	**31,165**
Currency translation	– 45	– 49	5	– 89
Addition	1,608	3,133	11,336	16,077
Utilisation	– 8,048	– 2,642	– 3,222	– 13,912
Reversal	– 44	– 1,438	– 283	– 1,765
Interest	0	128	0	128
31 January 2016	**1,492**	**13,356**	**16,756**	**31,604**

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

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

Other provisions include among others litigation provisions of EUR 3,812k (prior year: EUR 3,293k). The outflow of these funds is expected within the coming year(s) depending on the occurrence of the respective events or the end of court proceedings. PHOENIX does not expect reimbursements.

21 Financial liabilities

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

EUR k	31 Jan. 2015	31 Jan. 2016
Financial liabilities (non-current)		
Liabilities to banks	1	1,179
Bonds	591,440	592,696
Loans	114	65
Other financial liabilities	12,128	10,322
	603,683	**604,262**

EUR k	31 Jan. 2015	31 Jan. 2016
Financial liabilities (current)		
Liabilities to banks	184,016	115,050
Loans	109,287	126,247
Liabilities to associates and related parties	63,919	49,434
Liabilities for customer rebates and bonuses	42,037	35,766
ABS and factoring liabilities	321,583	387,840
Other financial liabilities	39,446	20,459
	760,288	**734,796**

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

At the end of July 2014, the PHOENIX group issued a corporate bond with a volume of EUR 300m, a term of seven years and an interest coupon of 3.625 %.

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

22 Trade payables

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

23 Other liabilities

EUR k	31 Jan. 2015	31 Jan. 2016
VAT and other tax liabilities	88,895	85,477
Personnel liabilities	121,872	120,897
Liabilities relating to social security/similar charges	23,398	25,280
Prepayments	18,355	11,516
Sundry other liabilities	11,202	15,345
Other liabilities	**263,722**	**258,515**

24 Non-current assets held for sale

Non-current assets of EUR 655k (prior year: EUR 856k) are classified as held for sale. They mainly stem from an entity in Bulgaria.

In fiscal year 2015/16, assets classified as available for sale in the prior year were reclassified as the requirements for classification as available for sale were no longer satisfied in full. The reclassification expense for the fiscal year amounted to EUR 153k.

OTHER NOTES

Contingent liabilities

Contingent liabilities comprise EUR 89,413k (31 January 2015: EUR 100,060k) and exclusively relate to guarantees.

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

Additional information on financial instruments

The items in the statement of financial position for financial instruments are assigned to classes and categories. The carrying amounts for each category and class and the fair values for each class are presented in the following table for fiscal year 2015/16:

	Category pursuant to IAS 39						
31 Jan. 2016 EUR k	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Financial assets held for trading	Outside the scope of IFRS 7	Carrying amount	Fair value
Assets							
Available-for-sale financial assets	0	34,656	0	0	0	34,656	34,656
Trade receivables	2,539,940	0	0	0	0	2,539,940	2,539,940
Loans to and receivables from associates or related parties	11,520	0	0	0	0	1.1520	11,520
Other loans	61,082	0	0	0	0	61,082	61,118
Derivative financial assets without hedge accounting	0	0	0	8,128	0	8,128	8,128
Other financial assets	125,906	0	0	0	0	125,906	125,978
Cash and cash equivalents	367,881	0	0	0	0	367,881	367,881

The carrying amounts for each category and class and the fair values for each class are presented in the following table for fiscal year 2014/15:

31 Jan. 2015 EUR k	Category pursuant to IAS 39						
	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Financial assets held for trading	Outside the scope of IFRS 7	Carrying amount	Fair value
Assets							
Available-for-sale financial assets	0	35,689	0	0	0	35,689	35,689
Trade receivables	2,436,183	0	0	0	0	2,436,183	2,436,183
Loans to and receivables from associates or related parties	10,836	0	0	0	0	10,836	10,836
Other loans	45,901	0	0	0	0	45,901	45,922
Derivative financial assets without hedge accounting	0	0	0	670	0	670	670
Other financial assets	164,438	0	0	0	0	164,438	164,438
Cash and cash equivalents	567,449	0	0	0	0	567,449	567,449

Available-for-sale financial assets primarily contain shares in unlisted entities. Where no fair value can be determined, they are recorded at acquisition cost. Shares in listed entities are measured at the quoted price determined as of the reporting date. For other available-for-sale financial assets, the fair value is determined using a multiplier method (revenue multiple, level 3). This uses individually derived multipliers between 0.62 and 1.2 (prior year: between 0.62 and 1.2). A 10 % increase in the multipliers would increase the value by EUR 4,234k (prior year: EUR 4,426k); a 10 % decrease in the multipliers would decrease the value by EUR 4,227k (prior year: EUR 4,252k).

Derivatives are carried at fair value.

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

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

The carrying amounts for each category and class of financial liabilities and the fair values for each class are presented in the following table for fiscal year 2015/16:

31 Jan. 2016 EUR k	Category pursuant to IAS 39					
	Other financial liabilities	Financial liabilities held for trading	No category according to IAS 39.9	Outside the scope of IFRS 7	Carrying amount	Fair value
Financial liabilities						
Liabilities to banks	116,229	0	0	0	116,229	116,229
Bonds	592,696	0	0	0	592,696	617,120
Loans	126,312	0	0	0	126,312	126,312
Trade payables	3,047,380	0	0	0	3,047,380	3,047,380
Liabilities to associates and related parties	49,434	0	0	0	49,434	49,434
Liabilities and provisions for customer rebates and bonuses	35,766	0	0	0	35,766	35,766
ABS and factoring liabilities	387,840	0	0	0	387,840	387,840
Other financial liabilities	14,426	0	15,587	0	30,013	30,013
Derivative financial liabilities without hedge accounting	0	768	0	0	768	768

The carrying amounts for each category and class of financial liabilities and the fair values for each class are presented in the following table for fiscal year 2014/15:

31 Jan. 2015 EUR k	Category pursuant to IAS 39					
	Other financial liabilities	Financial liabilities held for trading	No category according to IAS 39.9	Outside the scope of IFRS 7	Carrying amount	Fair value
Financial liabilities						
Liabilities to banks	184,017	0	0	0	184,017	184,017
Bonds	591,440	0	0	0	591,440	621,663
Loans	109,401	0	0	0	109,401	109,401
Trade payables	3,130,482	0	0	0	3,130,482	3,130,482
Liabilities to associates and related parties	63,919	0	0	0	63,919	63,919
Liabilities and provisions for customer rebates and bonuses	42,037	0	0	0	42,037	42,037
ABS and factoring liabilities	321,583	0	0	0	321,583	321,583
Other financial liabilities	22,681	0	16,741	0	39,422	39,422
Derivative financial liabilities without hedge accounting	0	12,152	0	0	12,152	12,152

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

Derivatives are carried at fair value (level 2).

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

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

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

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

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

	Financial instruments measured at fair value			
EUR k	Level 1	Level 2	Level 3	Total
31 January 2016				
Available-for-sale financial assets	0	0	31,165	31,165
Derivative financial assets without hedge accounting	0	8,128	0	8,128
Derivative financial liabilities without hedge accounting	0	768	0	768
31 January 2015				
Available-for-sale financial assets	0	0	31,630	31,630
Derivative financial assets without hedge accounting	0	670	0	670
Derivative financial liabilities without hedge accounting	0	12,152	0	12,152

The fair value of available-for-sale assets measured at cost of EUR 3,491k (prior year: EUR 4,059k) has not been disclosed because the fair value cannot be measured reliably. A sale is not currently planned.

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

EUR k	Available-for-sale assets
1 February 2014	**29,424**
Total gains and losses recognised in accumulated other comprehensive income	830
Purchase	1,537
Sale of shares	0
thereof recognised in the income statement	0
Other	– 161
31 January 2015	**31,630**
Total gains and losses recognised in accumulated other comprehensive income	– 111
Purchase	450
Sale of shares	– 804
thereof recognised in the income statement	123
Other	0
31 January 2016	**31,165**

Net gains or losses on each category of financial instruments

EUR k	FY 2014/15	FY 2015/16
Loans and receivables	12,356	– 12,401
Available-for-sale financial assets	994	1,109
thereof recognised in accumulated other comprehensive income	830	– 111
thereof recognised in the income statement	164	1,220
Financial liabilities measured at amortised cost	– 719	339
Financial instruments held for trading	– 20,366	992
	– 7,735	**– 9,961**

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

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

EUR k	FY 2014/15	FY 2015/16
Trade receivables	12,142	11,986
Loans to and receivables from associates	981	125
Other loans	3,261	2,488
Other financial assets	45	71
Bonds and other financial assets (available for sale)	1,000	828
	17,429	**15,498**

The following financial assets are subject to offsetting:

EUR k	Gross amount of financial assets	Gross amount of financial liabilities	Net amount of financial assets reported in the statement of financial position
31 January 2016			
Other financial assets	0	0	0
31 January 2015			
Other financial assets	325,736	– 138,595	187,141

The following financial liabilities are subject to offsetting:

EUR k	Gross amount of financial assets	Gross amount of financial liabilities	Net amount of financial assets reported in the statement of financial position
31 January 2016			
Trade payables	3,071,493	– 24,113	3,047,380
Financial liabilities	870,203	– 135,407	734,796
31 January 2015			
Trade payables	3,146,951	– 16,469	3,130,482
Financial liabilities	0	0	0

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

EUR k	31 Jan. 2015 Nominal amount	31 Jan. 2015 Market value	31 Jan. 2016 Nominal amount	31 Jan. 2016 Market value
Assets				
Derivatives held for trading				
Foreign currency contracts	260,851	670	337,182	8,128
Interest rate transactions	0	0	0	0
Liabilities				
Derivatives held for trading				
Foreign currency contracts	276,125	11,721	114,359	398
Interest rate transactions	3,470	431	3,146	370

Financial risk management and derivative financial instruments

Objectives and principles of the financial risk management

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

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

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

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

Under the financing arrangement, PHOENIX has undertaken a commitment to comply with covenants. These were complied with in fiscal year 2015/16.

Market risk

Currency risk

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

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

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

Finally, the hypothetical effect on profit or accumulated other comprehensive income of the sensitivity analysis was calculated by netting the effects of the assumed 10 % increase (decrease) in the value of the euro against all other currencies as per 31 January 2016 for both the underlying and derivative financial instruments. The material results of the sensitivity analysis are as follows:

If the EUR depreciates (appreciates) by 10 % against the HRK, profit before tax would be EUR 2,813k (prior year: EUR 3,076k) higher (lower). This is primarily due to trade payables.

If the EUR depreciates (appreciates) by 10 % against the MKD, profit before tax would be EUR 1,274k (prior year: EUR 960k) higher (lower). This effect results from internal loans.

If the EUR depreciates (appreciates) by 10 % against the NOK, accumulated other comprehensive income would be EUR 44,740k (prior year: EUR 54,740k) higher (lower). This effect stems from internal loans classified as a net investment in a foreign operation.

If the EUR depreciates (appreciates) by 10 % against the RSD, profit before tax would be EUR 1,448k (prior year: EUR 984k) and accumulated other comprehensive income would be EUR 5,456k (prior year: EUR 4,302k) higher (lower). This results from the trade payables and the internal loans that are classified as a net investment in a foreign operation.

If the SEK depreciates (appreciates) by 10 % against the EUR, accumulated other comprehensive income would be EUR 11,208k (prior year: EUR 11,193k) lower (higher). This effect resulted from an internally issued hybrid loan.

Interest rate risk

Interest rate risks exist as a result of potential changes in the market interest rate and may lead to a change in fair value in the case of fixed interest bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. As of 31 January 2016, there was only one interest option (collar) to hedge against increasing reference interest rates at an agreed minimum interest rate from 2010/11. This was accounted for as a derivative held for trading.

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

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

PHOENIX's fixed-interest period is primarily of a long-term nature. Therefore, a positive (negative) parallel shift of the EUR market yield curve by 100 basis points as of the reporting date would lead to a negative (positive) impact of EUR 1,151k (prior year: EUR – 332k) on the profit before tax.

A positive (negative) parallel shift of 100 basis points for the EUR interest rate curves, assuming other interest rate curves and exchange rates remain constant, would have a negative (positive) effect of EUR 347k (EUR 349k) on profit before tax on account of the interest derivatives in the portfolio as of the reporting date. In the prior year, the positive (negative) shift for the EUR yield curve would have resulted in a negative (positive) effect of EUR 596k (EUR 600k).

For the interest rate collar in the portfolio, a positive (negative) parallel shift of 100 basis points for the EUR interest rate curves would have a positive (negative) effect of EUR 127k (prior year: EUR 101k) on profit before tax. In the prior year, the positive (negative) shift for the EUR yield curve would have resulted in a positive (negative) effect of EUR 217k (EUR 30k).

Credit risk

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

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

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

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

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

The following table shows the contractually agreed undiscounted interest payments and repayments of non-derivative financial liabilities and derivative financial assets and liabilities as of 31 January 2016.

EUR k	Cash flows 2016/17	Cash flows 2017/18	Cash flows 2018/19 – 2020/21	Cash flows 2021/22 – 2025/26	Cash flows > 2026/27
Liabilities to banks	121,729	4,266	10,553		
Bonds	20,278	20,222	360,778	310,862	
Loans	130,209	27	13		
Trade payables	3,046,137	1,243			
Liabilities to associates and related parties	425			49,009	
Liabilities and provisions for customer rebates and bonuses	35,766				
ABS and factoring liabilities	391,455				
Other financial liabilities	4,016		1,500	3,157	
Finance lease liabilities	2,409	2,113	6,340	1,395	
Financial guarantee contracts	85,319				
Derivative financial liabilities without hedge accounting					
Cash outflow	114,481	90	163	51	
Cash inflow	–113,944				
Total	537	90	163	51	

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

The contractually agreed undiscounted payments as of 31 January 2015 are presented in the following table:

EUR k	Cash flows 2015/16	Cash flows 2016/17	Cash flows 2017/18 – 2019/20	Cash flows 2020/21 – 2024/25	Cash flows > 2025/26
Liabilities to banks	175,176	4,972	11,532		
Bonds	20,250	20,250	60,750	631,125	
Loans	112,747	49	41		
Trade payables	3,126,932	736			
Liabilities to associates and related parties	14,511			49,007	
Liabilities and provisions for customer rebates and bonuses	42,049				
ABS and factoring liabilities	350,990				
Other financial liabilities	9,136	1,116	3,939		
Finance lease liabilities	2,647	2,437	4,414	1,864	
Financial guarantee contracts	95,612				
Derivative financial liabilities without hedge accounting					
Cash outflow	290,245	89	181	87	
Cash inflow	– 278,085				
Total	12,160	89	181	87	

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

Notes to the cash flow statement

Cash and cash equivalents amounted to EUR 367,881k at the end of the reporting period (prior year: EUR 567,449k) and comprised cash of EUR 367,823k (prior year: EUR 567,437k) as well as cash equivalents of EUR 58k (prior year: EUR 12k). Restricted cash at the end of the period amounts to EUR 8,229k (prior year: EUR 7,244k) and corresponds to security deposits for revolving credit lines (e.g., ABS and factoring). There are also restrictions on cash and cash equivalents of EUR 11,812k (prior year: EUR 15,342k) of foreign subsidiaries at the end of the period, since local covenants or other agreements do not allow the subgroups to transfer those amounts directly or indirectly via other subsidiaries to the parent company.

Payments made for acquisitions of consolidated entities and business units correspond to the purchase price of EUR 53,629k (prior year: EUR 23,582k) less any cash and cash equivalents acquired of EUR 1,327k (prior year: EUR 4,214k). Cash received from the sale of consolidated entities and business units correspond to the sale proceeds received of EUR 27,052k (prior year: EUR 899k) less cash and cash equivalents disposed of EUR 16,102k (prior year: EUR 1k).

Related party disclosures

General

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

Transaction volume

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

	Goods and services sold as well as other income in the fiscal year		Goods and services received as well as other expenses in the fiscal year	
EUR k	2014/15	2015/16	2014/15	2015/16
Partners	**31**	**15**	**17,040**	**13,194**
from financing	0	0	3,982	0
from leases, other services	31	15	13,058	13,194
Associates	**31,255**	**36,681**	**8,513**	**10,334**
from financing	269	189	0	125
from leases, other services	131	123	7,054	9,083
from goods sold	30,855	36,369	1,459	1,126
Other related parties	**10**	**6**	**1,064**	**643**
from financing	0	0	0	26
from leases, other services	10	6	1,064	617
from goods sold	0	0	0	0

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

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

Outstanding balances

EUR k	Receivables as of 31 Jan. 2015	Receivables as of 31 Jan. 2016	Liabilities as of 31 Jan. 2015	Liabilities as of 31 Jan. 2016
Partners	**335**	**128**	**63,768**	**63,805**
from financing	0	0	49,007	49,007
from leases, other services	335	128	14,761	14,798
Associates	**8,073**	**8,942**	**1,301**	**1,058**
from financing	5,349	5,213	0	0
from leases, other services	17	7	1,115	1,029
from goods sold	2,707	3,722	186	29
Other related parties	**106**	**16**	**0**	**1,114**
from financing	0	0	0	0
from leases, other services	106	16	0	1,114
from goods sold	0	0	0	0
Impairment losses	**–1,032**	**–151**	**0**	**0**

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

Terms and conditions

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

Remuneration of the members of management board

The total remuneration of the management board in the reporting period was EUR 7,007k (prior year: EUR 5,876k) and is classified as short-term employee benefits, of this EUR 785k relate to prior year.

The current service cost for benefits earned by management in the reporting period was EUR 262k (prior year: EUR 245k).

Former members of management received remuneration (including severance payments and non-competition payments) of EUR 1,402k in the reporting year (prior year: EUR 1,181k). Pension provisions of EUR 27,353k (prior year: EUR 27,683k) were recognised.

Remuneration of the advisory board

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

Mannheim, 7 April 2016

Management of the unlimited partner
PHOENIX Verwaltungs GmbH

Oliver Windholz   Helmut Fischer   Frank Große-Natrop   Stefan Herfeld

Audit opinion

We have audited the consolidated financial statements prepared by PHOENIX Pharmahandel GmbH & Co KG, Mannheim, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the financial statements, together with the group management report for the fiscal year from 1 February 2015 to 31 January 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU as well as the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, 7 April 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Foreign shareholdings and domestic subsidiaries

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Please consult our calendar for the most important announcement dates:

27 June	Quarterly report February to April 2016
20 September	Half-year report February to July 2016
19 December	Quarterly report February to October 2016

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