PHOENIX group

BEING THERE

QUARTERLY REPORT
FEBRUARY TO APRIL 2018

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

The PHOENIX group is a leading pharmaceutical trader in Europe, reliably supplying people with drugs and health products every day. The PHOENIX group originated from the merger of five regional pharmaceutical wholesale businesses in Germany in 1994. Today, with around 34,000 employees, the company offers unique geographical coverage throughout Europe, making a vital contribution to comprehensive healthcare. The PHOENIX group's vision is to be the best integrated healthcare provider – wherever it is active. This means providing each customer group with the best possible products and services along the entire pharmaceutical supply chain.

In pharmaceutical wholesale, the PHOENIX group has 154 distribution centres in 26 European countries from which it supplies drugs and other health products to pharmacies and medical institutions. Numerous other products and services for pharmacy customers complete the portfolio – from assistance in advising patients to modern goods management systems to pharmacy cooperation programmes. The PHOENIX group's pharmacy network, with around 13,000 independent pharmacies in the company's cooperation and partner programmes, is the largest of its kind in Europe. The PHOENIX Pharmacy Partnership acts as a European umbrella for the PHOENIX group's 12 pharmacy cooperation programmes in 15 countries.

In pharmacy retail, the PHOENIX group operates more than 2,200 of its own pharmacies in 13 countries – of which over 1,300 operate under the corporate brand BENU. In addition to Norway the United Kingdom, the Netherlands and Switzerland, the company is also heavily represented in Hungary, the Czech Republic, Slovakia, Serbia, Montenegro, and the Baltic markets. The approximately 17,000 pharmacy employees have around 140 million customer contacts each year. They dispense approximately 315 million drug packages to patients and advise them on issues concerning pharmaceuticals and general health.

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

BEING THERE

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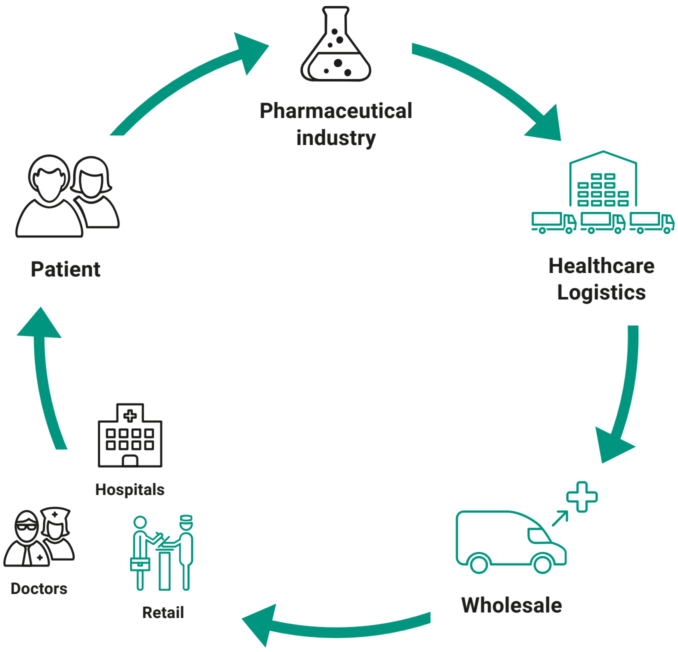
LINK BETWEEN MANUFACTURER AND PATIENT



WHOLESALE

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

PHARMA SERVICES

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

RETAIL

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

THE FIRST QUARTER AT A GLANCE

- Total operating performance and revenue increased again
- Stable development of adjusted EBITDA
- Further increase in the equity ratio
- Successful closing of the acquisition of Goodwill Apoteka (Serbia)
- Market entry in Romania

Key figures of the PHOENIX group		1st quarter 2017/18	1st quarter 2018/19
Total operating performance	in EUR m	7,587.4	7,989.2
Revenue	in EUR m	6,044.0	6,194.3
Total income	in EUR m	646.5	653.9
Adjusted EBITDA	in EUR m	101.4	99.6
EBITDA	in EUR m	98.2	92.9
EBIT	in EUR m	64.9	59.1
Profit after tax	in EUR m	38.2	32.7

		30 April 2017	31 January 2018	30 April 2018
Equity	in EUR m	2,525.3	2,646.6	2,647.8
Equity ratio	in %	29.6	31.7	31.8
Net debt	in EUR m	1,898.9	1,783.0	2,016.8

INTERIM GROUP MANAGEMENT REPORT

BUSINESS AND ECONOMIC ENVIRONMENT

Development of the market

The European economy could continue its growth trend in the first quarter of 2018. In the eurozone, seasonally adjusted GDP increased by 2.5% in the first quarter of 2018 compared to prior year's first quarter. In Germany, seasonally and calendar adjusted GDP increased by 2.3% compared to the first quarter of 2017.

Overall, the European pharmaceutical markets continued their moderate growth trend in the first quarter of 2018. The German pharmaceutical market also showed growth. The total turnover of the German wholesale pharmaceutical market grew by 4.7% from January to April 2018 compared to the same period of prior year. The increase was mainly due to higher prescription and OTC pharmaceuticals revenues. Market growth was also noted in various foreign markets of the PHOENIX group.

In total, the PHOENIX group continued its positive development in the European market environment. The increase in total operating performance was 5.3% (6.1% when adjusted for foreign exchange rate effects) and revenue grew by 2.5%.

Acquisitions

In the first three months of 2018/19, business combinations led to a cash outflow of EUR 11.2m (comparative period: EUR 38.8m). The acquisitions pertained to pharmacies in several countries.

Results of operations

In the first three months of 2018/19, total operating performance, comprising revenue and handled volume that cannot be recognised as revenue, increased by 5.3% to EUR 7,989.2m. Adjusted for foreign exchange rate effects, total operating performance grew by 6.1%.

Revenue grew by EUR 150.3m (2.5%) to EUR 6,194.3m (comparative period: EUR 6,044.0m). The increase is mainly due to higher revenue in Eastern Europe and Germany. Adjusted for foreign exchange rate effects, revenue grew by 3.2%.

Gross profit increased by EUR 12.5m to EUR 618.6m. The gross profit margin came to 10.0% (comparative period: 10.0%).

Other operating income declined by EUR 5.1m to EUR 35.4m.

Personnel expenses increased by 2.1% to EUR 343.7m. This rise is mainly due to the impact of collective salary increases, acquisitions and the growth in business.

Other expenses rose by EUR 5.6m to EUR 217.7m, mainly due to increased communication and IT costs, lease costs and consultancy costs. In relation to revenue, other expenses came to 3.5% (comparative period: 3.5%).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) declined by EUR 5.3m to EUR 92.9m.

An EBITDA figure adjusted for interest from customers, expenses related to ABS and factoring and other non-recurring effects (adjusted EBITDA) came to EUR 99.6m and is determined as follows:

EUR k	1st quarter 2017/18	1st quarter 2018/19	Change EUR k	Change %
EBITDA	98,221	92,946	– 5,275	– 5.4
Interest from customers	2,569	2,152	– 417	– 16.2
Expenses related to ABS/factoring	359	351	– 8	– 2.2
Other non-recurring effects	275	4,126	3,851	1,400.4
Adjusted EBITDA	**101,424**	**99,575**	**– 1,849**	**– 1.8**

Depreciation and amortisation came to EUR 33.8m and were at the prior year's level.

The financial result came to EUR – 11.4m and was EUR – 11.7m in the comparative period.

The effective tax rate in the first three months of 2018/19 came to 31.5% and was 28.1% in the comparative period.

Profit after tax was EUR 32.7m (comparative period: EUR 38.2m). Of this, EUR 6.8m was attributable to non-controlling interests (comparative period: EUR 5.2m).

Net assets

The Group's total assets decreased slightly by 0.4% to EUR 8,321.0m compared to 31 January 2018. The currency translation difference on the total assets, which is presented in the statement of changes in equity, amounts to EUR – 99.8m (31 January 2018: EUR – 98.6m).

Compared to 31 January 2018, non-current assets increased by EUR 20.1m to EUR 3,130.5m. The increase is particularly related to intangible assets. Intangible assets contain goodwill of EUR 1,620.4m (31 January 2018: EUR 1,600.0m), which had increased as a result of acquisitions.

Inventories increased compared to 31 January 2018 by EUR 104.5m to EUR 2,235.2m. This increase is mainly due to seasonal fluctuations.

Trade receivables decreased slightly by 4.7% to EUR 2,566.4m. As of 30 April 2018, receivables of EUR 58.8m (31 January 2018: EUR 61.2m) had been sold under ABS and factoring programmes that are not accounted for in the statement of financial position. Under ABS and factoring programmes that are accounted for only to the extent of the continuing involvement, receivables of EUR 179.1m had been sold as of 30 April 2018 (31 January 2018: EUR 177.1m). The Group's continuing involvement came to EUR 8.3m (31 January 2018: EUR 8.2m).

Other current receivables and other current financial assets decreased from EUR 167.2m as of 31 January 2018 to EUR 116.9m and mainly include loans granted to customers of EUR 45.0m (31 January 2018: EUR 32.5m) as well as receivables from factoring and ABS transactions of EUR 30.7m (31 January 2018: EUR 30.8m).

Other current assets increased from EUR 112.1m as of 31 January 2018 to EUR 130.5m, among others, due to higher prepayments.

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

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

Financial position

Equity was nearly unchanged compared to 31 January 2018. The equity ratio as of 30 April 2018 came to 31.8% (31 January 2018: 31.7%).

Cashflow from operating activities came to EUR – 191.7m (comparative period: EUR – 43.4m) and was largely affected by a higher increase of EUR 115.8m in working capital compared to the comparative period. Cashflow from investing activities came to EUR – 57.1m and was EUR – 46.9m in the comparative period. Investing activities mainly pertained to the acquisition of property, plant and equipment.

Non-current financial liabilities came to EUR 657.7m (31 January 2018: 655.8m). As at 30 April 2018, non-current financial liabilities contain, among others, bonds of EUR 496.6m (31 January 2018: EUR 496.3m) and promissory note bonds of EUR 149.6m (31 January 2018: EUR 149.5m).

Current financial liabilities came to EUR 1,268.0m (31 January 2018: EUR 1,036.7m) and include, among others, liabilities to banks of EUR 407.1m (31 January 2018: EUR 179.3m), liabilities to related parties of EUR 252.9m (31 January 2018: EUR 264.5m), liabilities from ABS and factoring agreements with an amount of EUR 444.9m (31 January 2018: EUR 415.0m) as well as other loans amounting to EUR 126.3m (31 January 2018: EUR 116.0m).

Trade payables decreased by EUR 230.3m to EUR 3,024.7m.

Overall, the PHOENIX group was able to underline its position in the first three months of 2018/19 as a leading pharmaceuticals trader in Europe.

RISKS AND OPPORTUNITIES

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

www.phoenixgroup.eu/en/investor-relations/publications/annual-report-201718

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

FORECAST

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

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

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

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

We expect a mostly stable development for the equity ratio.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the first quarter of 2018/19

EUR k	1st quarter 2017/18	1st quarter 2018/19
Revenue	**6,043,972**	**6,194,284**
Cost of purchased goods and services	– 5,437,924	– 5,575,717
Gross income	**606,048**	**618,567**
Other operating income	40,480	35,375
Personnel expenses	– 336,656	– 343,651
Other operating expenses	– 212,170	– 217,722
Result from associates and joint ventures	519	377
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**98,221**	**92,946**
Amortisation of intangible assets and depreciation of property, plant and equipment	– 33,318	– 33,837
Earnings before interest and taxes (EBIT)	**64,904**	**59,109**
Interest income	3,215	2,673
Interest expense	– 14,468	– 12,731
Other financial result	– 472	– 1,304
Financial result	**– 11,725**	**– 11,362**
Profit before income tax	**53,179**	**47,747**
Income tax	– 14,956	– 15,040
Profit for the period	**38,224**	**32,707**
thereof attributable to non-controlling interests	5,196	6,774
thereof attributable to equity holders of the parent company	33,028	25,933

	1st quarter 2017/18	1st quarter 2018/19
Profit for the period attributable to equity holders of PHOENIX Pharma SE in EUR k	33,028	25,933
Number of shares	2,515,200	2,515,200
Earnings per share in EUR	13.13	10.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the first quarter of 2018/19

EUR k	1st quarter 2017/18	1st quarter 2018/19
Profit after tax	**38,224**	**32,707**
Items not reclassified to the income statement		
Remeasurement of defined benefit plans	1,793	−814
Items that may subsequently be reclassified to the income statement		
Gains/losses from changes in the fair value of available-for-sale financial assets	1	0
Currency translation differences	6,247	−1,348
Other comprehensive income, net of taxes	**8,041**	**−2,162**
Total comprehensive income	**46,265**	**30,545**
thereof attributable to non-controlling interests	5,207	6,701
thereof attributable to owners of the parent company	41,058	23,844

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 30 April 2018

ASSETS

EUR k	31 Jan. 2018	30 Apr. 2018
Non-current assets		
Intangible assets	1,975,561	1,993,436
Property, plant and equipment	934,816	933,117
Investment property	10,596	10,482
Investments in associates and joint ventures	14,726	15,147
Trade receivables	16	162
Other financial assets	95,008	96,465
Deferred tax assets	79,689	81,667
Income tax receivables	0	4
	3,110,412	**3,130,480**
Current assets		
Inventories	2,130,706	2,235,220
Trade receivables	2,693,262	2,566,196
Income tax receivables	31,609	30,214
Other financial assets	167,236	116,854
Other assets	112,185	130,467
Cash and cash equivalents	106,223	106,050
	5,241,221	**5,185,001**
Non-current assets held for sale	5,507	5,507
Total assets	**8,357,140**	**8,320,988**

EQUITY AND LIABILITIES

EUR k	31 Jan. 2018	30 Apr. 2018
Equity		
Issued capital	2,515	2,515
Capital reserves	626,375	626,375
Revenue reserves	2,002,650	2,015,608
Accumulated other comprehensive income	–228,002	–242,900
Equity attributable to the shareholders of the parent company	**2,403,538**	**2,401,598**
Non-controlling interests	243,029	246,175
	2,646,567	**2,647,773**
Non-current liabilities		
Financial liabilities	655,783	657,690
Trade payables	2	2
Provisions for pensions and similar obligations	242,686	239,323
Other non-current provisions	1,401	1,767
Deferred tax liabilities	122,482	118,716
Other non-current liabilities	2,115	1,884
	1,024,469	**1,019,382**
Current liabilities		
Financial liabilities	1,036,655	1,268,036
Trade payables	3,255,025	3,024,747
Other provisions	51,729	52,793
Income tax liabilities	36,769	33,537
Other liabilities	305,926	274,720
	4,686,104	**4,653,833**
Liabilities directly associated with assets held for sale	0	0
Total equity and liabilities	**8,357,140**	**8,320,988**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the first quarter of 2018/19

EUR k	30 Apr. 2017	30 Apr. 2018
Profit after tax	**38,224**	**32,707**
Income taxes	14,956	15,040
Profit before income taxes	**53,180**	**47,747**
Adjustments for:		
Interest expenses and interest income	11,253	10,058
Amortisation/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and investment property	33,318	33,837
Result from associates and other investments	– 519	– 377
Net result from the disposal of assets related to investing activities	– 2,110	212
Other non-cash expense and income	38,404	26,407
	133,526	**117,884**
Interest paid	– 6,312	– 9,642
Interest received	3,066	2,383
Income taxes paid	– 8,104	– 18,640
Result before change in assets and liabilities	**122,176**	**91,985**
Changes in assets and liabilities, net of effects of changes in the scope of consolidation and other non-cash transactions:		
Change in non-current provisions	– 5,373	– 7,617
Result before change in operating assets and liabilities	**116,803**	**84,368**
Change in inventories	– 47,539	– 114,328
Change in trade receivables	52,215	35,596
Change in trade payables	– 135,234	– 129,352
	– 130,558	**– 208,084**
Change in other assets and liabilities not related to investing or financing activities	– 29,687	– 67,944
Change in operating assets and liabilities	**– 160,245**	**– 276,028**
Cash flow from operating activities	**– 43,442**	**– 191,660**
Acquisition of consolidated companies and business units, net of cash acquired	– 16,292	– 11,174
Capital expenditures for intangible assets, property, plant and equipment, and investment property	– 41,468	– 35,084
Investment in other financial assets and non-current assets	– 10,283	– 300
Cash outflows for investments	**– 68,043**	**– 46,558**

EUR k	30 Apr. 2017	30 Apr. 2018
Cash received from the sale of consolidated companies and business units, net of cash disposed	9,661	– 1,331
Cash received from disposal of intangible assets, property, plant and equipment and investment property	703	780
Proceeds from other financial assets and non-current assets	615	244
Cash inflows from realised investments and divestments	**10,979**	**– 307**
Cash flow from investing activities	**– 57,064**	**– 46,865**
Cash available for financing activities	– 100,506	– 238,525
Capital increase/repayment	– 156,494	0
Capital contribution from/repayment to non-controlling interests	– 73	0
Acquisition of additional shares in already consolidated subsidiaries	– 1,193	– 588
Dividends paid to non-controlling interests	– 2,865	– 2,292
Proceeds from bond issuance and bank loans	102,806	126,576
Repayment of bonds and bank loans	– 119,535	– 5,570
Change in bank loans which have a maturity period of 3 months or less	– 59	104,116
Proceeds from the issue of loans from shareholders in the parent company	38,000	97,070
Repayment of loans from shareholders in the parent company	0	– 60,680
Proceeds from the issue of loans from related parties	172,000	107,585
Repayment of loans from related parties	– 41,368	– 155,620
Change in ABS/Factoring	– 20,868	31,050
Change in finance lease	– 141	– 146
Change in other financial liabilities	0	– 2,676
Cash flow from financing activities	**– 29,790**	**238,825**
Changes in cash and cash equivalents	**– 130,296**	**300**
Effect of exchange rate changes on cash and cash equivalents	– 154	– 473
Cash and cash equivalents at the beginning of the period	489,337	106,223
Cash and cash at the end of the period	358,887	106,050
Less cash and cash equivalents included in assets held for sale	0	0
Cash and cash equivalents presented in the balance sheet at the end of the period	**358,887**	**106,050**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the first quarter of 2018 / 19

EUR k	Issued capital	Capital reserves	Revenue reserves	Net assets of group entities before contribution to PHOENIX Pharma SE	Currency translation differences	IAS 39 available-for sale financial assets	Remeasurement of defined benefit plans	Equity attributable to shareholders of the parent	Non-controlling interests	Total equity
1 February 2017				**2,637,145**	**−94,803**	**10,004**	**−143,030**	**2,409,316**	**230,568**	**2,639,884**
Transfer of the net assets to PHOENIX Pharma SE on 30 April 2017[1)]	2,515	626,375	2,008,255	−2,637,145				0	0	0
Profit after tax			33,028					33,028	5,196	38,224
Accumulated other comprehensive income					6,236	1	1,793	8,030	11	8,041
Total comprehensive income, net of tax			**33,028**	**0**	**6,236**	**1**	**1,793**	**41,058**	**5,207**	**46,265**
Changes in the interest of consolidated companies			−653					−653	−515	−1,168
Dividends									−2,865	−2,865
Other transactions with owners			−156,494					−156,494		−156,494
Other changes in equity			−227					−227	−83	−310
30 April 2017	**2,515**	**626,375**	**1,883,909**	**0**	**−88,567**	**10,005**	**−141,237**	**2,293,000**	**232,312**	**2,525,312**
1 February 2018	**2,515**	**626,375**	**2,002,650**	**0**	**−98,569**	**12,809**	**−142,242**	**2,403,538**	**243,029**	**2,646,567**
Initial application of IFRS 9			−12,309			−12,809		−25,118	−888	−26,006
1 February 2018 adjusted	**2,515**	**626,375**	**1,990,341**	**0**	**−98,569**	**0**	**−142,242**	**2,378,420**	**242,141**	**2,620,561**
Profit after tax			25,933					25,933	6,774	32,707
Accumulated other comprehensive income					−1,275		−814	−2,089	−73	−2,162
Total comprehensive income, net of tax			**25,933**		**−1,275**	**0**	**−814**	**23,844**	**6,701**	**30,545**
Changes in the interest of consolidated companies			−588					−588	−91	−679
Dividends									−2,575	−2,575
Other changes in equity			−78					−78	−1	−79
30 April 2018	**2,515**	**626,375**	**2,015,608**	**0**	**−99,844**	**0**	**−143,056**	**2,401,598**	**246,175**	**2,647,773**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

as of 30 April 2018

The company

PHOENIX Pharma SE, Mannheim, ("PHOENIX group") is a European healthcare provider and pharmaceuticals distribution group. The PHOENIX group has business activities in 26 European countries. In several countries, the PHOENIX group also operates its own pharmacy chains. The registered office is located in Mannheim, Germany.

Basis of presentation

The interim condensed consolidated financial statements of the PHOENIX group as of 30 April 2018 are prepared on the basis of IAS 34 "Interim Financial Reporting", observing all International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, and mandatory in the EU as of 30 April 2018, as well as all mandatory interpretations of the International Financial Reporting Standards Interpretation Committee (IFRS IC).

The interim condensed consolidated financial statements as of 30 April 2018 of the PHOENIX group were released for publication by the Executive Board of PHOENIX Pharma SE on 25 June 2018.

Significant accounting policies

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

IFRS 9 Financial instruments: classification and measurement

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

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

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

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

IFRS 15 Revenue from contracts with customers

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

IFRIC 22 Foreign currency transactions and advance considerations

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

Business combinations

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

In fiscal year 2018/19, the cumulative profit after tax of the acquirees came to EUR 112k and revenue to EUR 4,883k. Assuming that the acquisition date coincides with the beginning of the reporting period for all business combinations, accumulated revenue for the period came to EUR 10,387k. Assuming that the acquisition date coincides with the beginning of the reporting period for all business combinations, the accumulated profit after tax came to EUR – 887k.

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

Fair value recognised on acquisition

EUR k	Other
Cash and cash equivalents	21,859
Equity instruments	0
Acquisition-date fair value of previously held equity interest	0
Total cost	**21,859**
Intangible assets	35
Other non-current assets	1,302
Inventories	4,225
Trade receivables	2,511
Cash and cash equivalents	559
Other current assets	1,221
Non-current liabilities	2,501
Current liabilities	9,622
Net assets	**–2,270**
Non-controlling interests	0
Net assets acquired	**–2,270**
Bargain purchase	**0**
Goodwill	**24,129**

Other business combinations

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

Other business combinations include contingent consideration of EUR 2,612k (maximum amount expected).

The goodwill arising on those acquisitions was allocated to the cash-generating units Serbia (EUR 15,362k), Netherlands (EUR 5,082k), Norway (EUR 1,712k), Slovakia (EUR 1,082k), Czech Republic (EUR 588k) and the Baltics (EUR 303k) and is managed in the local functional currencies (RSD, EUR, NOK and CZK).

EUR 2,000k of the goodwill recognised from business combinations is expected to be tax deductible.

Because of preliminary data, some assets and liabilities could not be finally valued at the balance sheet date.

Other operating expenses

Other operating expenses contain expenses in connection with ABS and factoring programmes of EUR 351k (comparative period: EUR 359k).

Financial result

EUR k	1st quarter 2017/18	1st quarter 2018/19
Interest income	3,215	2,673
Interest expenses	– 14,468	– 12,731
Other financial result	– 472	– 1,304
Financial result	**– 11,725**	**– 11,362**

Interest income includes interest from customers of EUR 2,152k (comparative period: EUR 2,569k).

The other financial result includes exchange rate gains of EUR 10,029k (comparative period: EUR 12,150k) and exchange rate losses of EUR 16,578k (comparative period: EUR 7,545k). Changes in the market value of derivatives gave rise to income of EUR 18,755k (comparative period: EUR 16,908k) and expenses of EUR 13,566k (comparative period: EUR 22,101k).

Other assets and other liabilities

EUR k	31 Jan. 2018	30 Apr. 2018
Prepayments	62,675	75,011
Tax claims – VAT and other taxes	32,724	30,117
Sundry other assets	16,786	25,339
Other assets	**112,185**	**130,467**

EUR k	31 Jan. 2018	30 Apr. 2018
VAT and other tax liabilities	111,265	68,521
Personnel liabilities	140,225	137,741
Liabilities relating to social security/similar charges	27,763	38,312
Contract liabilities (IFRS 15)	14,864	18,504
Sundry other liabilities	11,809	11,642
Other liabilities	**305,926**	**274,720**

Other financial assets and other financial liabilities

The table below presents the non-current financial assets:

EUR k	31 Jan. 2018	30 Apr. 2018
Trade receivables, non-current	16	162
Other financial assets		
Equity and debt instruments	40,787	40,843
Loans to and receivables from associates	2,086	1,110
Other loans	47,482	48,984
Other non-current financial assets	4,653	5,528
	95,008	**96,465**

The table below presents the current financial assets:

EUR k	31 Jan. 2018	30 Apr. 2018
Trade receivables	2,693,262	2,566,196
Other financial assets		
Loans to and receivables from associates or related parties	6,926	5,588
Other loans	32,544	44,996
Derivative financial instruments	1,648	7,992
Other current financial assets	126,118	58,278
	167,236	**116,854**

The receivables from factoring and ABS transactions as of 30 April 2018 are presented below:

EUR k	31 Jan. 2018	30 Apr. 2018
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IAS 39		
Volume of receivables	456,747	483,251
Financial liability	405,924	435,823
Continuing involvement		
Volume of receivables	177,119	179,139
Continuing involvement	8,232	8,327
Financial liability	9,030	9,119
Transferred and fully derecognised receivables		
Volume of receivables	61,224	58,839
Retentions of title	30,834	30,692

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

EUR k	31 Jan. 2018	30 Apr. 2018
Financial liabilities (non-current)		
Liabilities to banks	149,635	149,742
Bonds	496,319	496,635
Loans	356	304
Other financial liabilities	9,473	11,009
	655,783	**657,690**

EUR k	31 Jan. 2018	30 Apr. 2018
Financial liabilities (current)		
Liabilities to banks	179,251	407,111
Loans	115,981	126,335
Liabilities to associates and related parties	264,903	253,802
Liabilities for customer rebates and bonuses	33,119	0
ABS and factoring liabilities	414,954	444,942
Other financial liabilities	28,447	35,846
	1,036,655	**1,268,036**

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

Other financial liabilities (non-current) contain non-current derivative financial instruments of EUR 220k (31 January 2018: EUR 229k).

Other financial liabilities (current) contain current derivative financial instruments of EUR 1,617k (31 January 2018: EUR 2,292k).

Information on financial instruments

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

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

30 April 2018	Category pursuant to IFRS 9					
EUR k	At amortised costs	At fair value through profit and loss	No category according to IFRS 9	Outside the scope of IFRS 7	Carrying amount	Fair value
Assets						
Equity and debt instruments	0	40,843	0	0	40,843	40,843
Trade receivables	2,566,358	0	0	0	2,566,358	2,566,358
Loans to and receivables from associates or related parties	6,698	0	0	0	6,698	6,653
Other loans	93,980	0	0	0	93,980	95,370
Derivative financial assets without hedge accounting	7,992	0	0	0	7,992	7,992
Other financial assets	57,146	0	0	0	57,146	57,146
Lease receivables	0	0	6,660	0	6,660	n/a
Cash and cash equivalents	106,050	0	0	0	106,050	106,050

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

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

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

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

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

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

30 April 2018	Category pursuant to IFRS 9					
EUR k	At amortised costs	At fair value through profit and loss	No category according to IFRS 9	Outside the scope of IFRS 7	Carrying amount	Fair value
Financial liabilities						
Liabilities to banks	556,853	0	0	0	556,853	557,270
Bonds	496,635	0	0	0	496,635	533,214
Loans	126,639	0	0	0	126,639	126,639
Trade payables	3,024,749	0	0	0	3,024,749	3,024,749
Liabilities to associates and related parties	302,844	0	0	0	302,844	302,844
ABS and factoring liabilities	444,942	0	0	0	444,942	444,942
Other financial liabilities at cost	26,322	0	0	0	26,322	26,322
Other financial liabilities at fair value	10,059	0	0	0	10,059	10,059
Lease liabilities	0	0	8,637	0	8,637	n/a
Derivative financial liabilities without hedge accounting	0	1,837	0	0	1,837	1,837

31 January 2018	Category pursuant to IAS 39					
EUR k	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	328,886	0	0	0	328,886	329,344
Bonds	496,319	0	0	0	496,319	534,497
Loans	116,337	0	0	0	116,337	116,337
Trade payables	3,255,027	0	0	0	3,255,027	3,255,027
Liabilities to associates and related parties	264,903	0	0	0	264,903	264,903
Liabilities and provisions for customer rebates and bonuses	33,119	0	0	0	33,119	33,119
ABS and factoring liabilities	414,954	0	0	0	414,954	414,954
Other financial liabilities at cost	18,488	0	0	0	18,488	18,488
Other financial liabilities at fair value	8,073	0	0	0	8,073	8,073
Lease liabilities	0	0	8,838	0	8,838	n/a
Derivative financial liabilities without hedge accounting	0	2,521	0	0	2,521	2,521

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

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

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

Fair value hierarchy of financial instruments

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

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

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

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

	Financial instruments measured at fair value			
EUR k	**Level 1**	**Level 2**	**Level 3**	**Total**
30 April 2018				
Equity and debt instruments	0	0	40,843	40,843
Derivative financial assets without hedge accounting	0	7,992	0	7,992
Derivative financial liabilities without hedge accounting	0	1,837	0	1,837
Other financial liabilities	0	0	10,059	10,059

	Financial instruments measured at fair value			
EUR k	**Level 1**	**Level 2**	**Level 3**	**Total**
31 January 2018				
Available-for-sale financial assets	0	0	38,070	38,070
Derivative financial assets without hedge accounting	0	1,648	0	1,648
Derivative financial liabilities without hedge accounting	0	2,521	0	2,521
Other financial liabilities	0	0	8,073	8,073

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

EUR k	Equity and debt instruments	Other financial liabilities
1 February 2018	**40,543**	**8,073**
Total gains and losses recognised in accumulated other comprehensive income	0	0
Purchase	300	0
Sale of shares	0	0
thereof recognised in the income statement	0	0
Acquisitions	0	2,612
Remeasurement of contingent purchase price obligations (through profit or loss)	0	0
Payments due to acquisitions	0	– 750
Other	0	124
30 April 2018	**40,843**	**10,059**

Contingent liabilities

As of 30 April 2018, the PHOENIX group recorded contingent liabilities for guarantees of EUR 76,004k (31 January 2018: EUR 76,674k).

Notes to the statement of cash flows

EUR k	31 Jan. 2018	30 Apr. 2018
Restricted cash		
Cash and cash equivalents at the end of the period	106,223	106,050
thereof restricted		
due to security deposits	12,368	9,239
due to restrictions placed upon foreign subsidiaries	15,162	17,690

Related party disclosures

A related party granted PHOENIX group a loan in the first three months of 2018/19. The loan amounted to EUR 100,000k, was fully repaid during the reporting period and interest expenses of EUR 124k were incurred. Additional loans from related parties amounting to EUR 27,000k were granted on which EUR 112k interest expenses were incurred.

Furthermore, a shareholder loan amounting to EUR 60,000k was granted on which interest expenses of EUR 32k were incurred. The loan was fully repaid during the reporting period.

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

Subsequent events

In early April 2018, the PHOENIX group has signed a purchase agreement for the pharmaceutical wholesaler Farmexim S.A., and the pharmacy chain Help Net Farma S.A. in Romania.

Mannheim, 25 June 2018

The Executive Board of PHOENIX Pharma SE

FINANCIAL CALENDAR 2018

Please consult our calendar for the most important announcement dates:

21 September	Half-year report February to July 2018
18 December	Quarterly report February to October 2018

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