

HALF-YEAR REPORT

FEBRUARY TO JULY 2020



a PHOENIX company

CONTENTS

2 THE FIRST HALF-YEAR AT A GLANCE

3 INTERIM GROUP MANAGEMENT REPORT

- 3 Business and economic environment
- 5 Risks and opportunities
- 5 Forecast

6 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- 7 Consolidated income statement
- 8 Consolidated statement
of comprehensive income
- 9 Consolidated statement of financial position
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of cash flows
- 14 Notes to the interim condensed
consolidated financial statements
- 23 Financial calendar 2020; Imprint

THE FIRST HALF-YEAR AT A GLANCE

- Increase in total operating performance and revenue as a result of the coronavirus pandemic
- Profit after tax higher than in previous year
- Further reduction in net debt compared to the first half-year 2019/20

| Key figures of PHOENIX Pharmahandel GmbH & Co KG | | 1st half-year 2019/20 | 1st half-year 2020/21 |
|--|----------|--------------------------|--------------------------|
| Total operating performance | in EUR m | 16,939.6 | 17,762.2 |
| Revenue | in EUR m | 13,323.4 | 13,972.8 |
| Total income | in EUR m | 1,433.8 | 1,507.3 |
| Adjusted EBITDA | in EUR m | 295.0 | 330.5 |
| EBITDA | in EUR m | 289.6 | 325.0 |
| EBIT | in EUR m | 155.1 | 183.0 |
| Profit before tax | in EUR m | 123.6 | 155.4 |
| Profit after tax | in EUR m | 89.5 | 110.3 |

| | | 31 July 2019 | 31 January 2020 | 31 July 2020 |
|--------------|----------|-----------------|--------------------|-----------------|
| Equity | in EUR m | 3,192.0 | 3,165.4 | 3,206.1 |
| Equity ratio | in % | 33.1 | 32.7 | 33.4 |
| Net debt | in EUR m | 2,529.7 | 2,153.2 | 2,263.8 |

INTERIM GROUP MANAGEMENT REPORT

BUSINESS AND ECONOMIC ENVIRONMENT

Development of the market

The European economy dropped substantially in the second quarter of 2020, which was still shaped by COVID-19 containment measures. In the eurozone, seasonally adjusted GDP decreased by 15.0% in the second quarter of 2020 compared to the prior year's second quarter. Also, in Germany, the seasonally and calendar adjusted GDP decreased significantly by 11.7% compared to the second quarter of 2019 due to the impact of the coronavirus pandemic.

Overall, the European pharmaceutical markets continued their moderate growth trend in the first half-year of 2020. The German pharmaceutical market also showed growth. The total turnover of the German wholesale pharmaceutical market grew by 5.2% from January to July 2020 compared to the same period of the prior year. The increase was mainly due to higher prescription pharmaceuticals revenues. Market growth were also noted in various foreign markets of PHOENIX.

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

Acquisitions

In the first half-year of 2020/21, business combinations led to a cash outflow of EUR 12.4m (comparative period: EUR 23.1m). The acquisitions mainly pertained to pharmacies in several countries.

Results of operations

The coronavirus pandemic led to an increased demand for medicines in March 2020. As a result, total operating performance, which comprises revenue and handled volume not recognised as revenue but instead charged as a service fee, increased by 4.9% to EUR 17,762.2m in the first half-year of 2020/21. Adjusted for foreign exchange rate effects, total operating performance grew by 5.8%. Revenue grew by EUR 649.4m (4.9%) to EUR 13,972.8m (comparative period: EUR 13,323.4m). Adjusted for foreign exchange rate effects, revenue grew by 5.8%. After declining sales in April and May, revenue in June and July was higher again than in the corresponding periods.

Gross profit increased by EUR 127.5m to EUR 1,490.6m. The gross profit margin came to 10.7% (comparative period: 10.2%).

Personnel expenses increased by 4.1% to EUR 771.7m (comparative period: EUR 741.3m). This is mainly due to the impact of collective salary increases, acquisitions, and growth in business.

Other expenses rose by EUR 7.9m to EUR 411.0m, mainly due to increased transport costs, IT expenses, and maintenance costs. In relation to revenue, other expenses came to 2.9% (comparative period: 3.0%).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by EUR 35.4m to EUR 325.0m.

An EBITDA figure adjusted for interest from customers, expenses related to ABS and factoring, and other non-recurring effects (adjusted EBITDA) came to EUR 330.5m and is calculated as follows:

| EUR k | 1st half-year 2019/20 | 1st half-year 2020/21 | Change | Change in % |
|-----------------------------|--------------------------|--------------------------|---------------|----------------|
| EBITDA | 289,611 | 325,011 | 35,400 | 12.2 |
| Interest from customers | 4,381 | 4,626 | 245 | 5.6 |
| Factoring fees | 753 | 862 | 109 | 14.5 |
| Other non-recurring effects | 245 | 0 | -245 | -100.0 |
| Adjusted EBITDA | 294,990 | 330,499 | 35,509 | 12.0 |

Depreciation and amortisation came to EUR 142.0m and were slightly above the prior year's level.

The financial result increased by EUR 3.8m from EUR –31.5m in the comparative period to EUR –27.6m.

The effective tax rate in the first half-year of 2020/21 came to 29.0% and was 27.6% in the comparative period.

Profit after tax was EUR 110.3m (comparative period: EUR 89.5m) and increased by 23.3% versus the comparative period.

Net assets

The group's total assets decreased by 1.0% to EUR 9,595.5m compared to 31 January 2020. The currency translation difference on the total assets, which is presented in the statement of changes in equity, amounts to EUR –128.9m (31 January 2020: EUR –97.1m).

Non-current assets came to EUR 3,768.6m and were nearly unchanged compared to EUR 3,805.1m as of 31 January 2020. The intangible assets contain goodwill in the amount of EUR 1,411.3m (31 January 2020: EUR 1,411.4m).

Inventories increased compared to 31 January 2020 by EUR 171.3m to EUR 2,733.1m. The increase is mainly due to seasonal fluctuation.

Trade receivables decreased by 3.4% to EUR 2,536.1m. As of 31 July 2020, receivables of EUR 285.6m (31 January 2020: EUR 302.4m) 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 172.9m had been sold as of 31 July 2020 (31 January 2020: EUR 175.3m). The group's continuing involvement came to EUR 7.9m (31 January 2020: EUR 8.1m).

Other current financial assets decreased from EUR 270.2m as of 31 January 2020 to EUR 268.7m and mainly include a purchase price loan to PHOENIX Pharma SE of EUR 149.6m (31 January 2020: EUR 148.5m), loans granted to customers of EUR 23.8m (31 January 2020: EUR 27.4m), as well as receivables from factoring and ABS transactions of EUR 47.6m (31 January 2020: EUR 50.7m).

Other current assets increased from EUR 139.9m as of 31 January 2020 to EUR 162.6m, among others, due to higher prepayments.

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

Financial position

Equity increased by EUR 40.7m compared to 31 January 2020. The equity ratio as of 31 July 2020 came to 33.4% (31 January 2020: 32.7%).

Cash flow from operating activities came to EUR 27.3m (comparative period: EUR –294.3m) which was largely affected by a lower increase of EUR 267.3m in working capital versus the comparative period and a EUR 20.8m higher profit after tax. Cash flow from investing activities came to EUR –88.3m and was EUR 102.8m in the comparative period. In the comparative period, the partial repayment of a purchase price loan granted to PHOENIX Pharma SE of EUR 200.1m had a positive effect on the cash flow from investing activities. Cash flow from financing activities includes the repayment of a EUR 300.0m bond made by the end of May 2020.

Non-current financial liabilities came to EUR 840.2m (31 January 2020: EUR 1,070.5m). This item includes lease liabilities according to IFRS 16 of EUR 683.4m (31 January 2020: EUR 708.8m). Beyond that, non-current financial liabilities contain, among others, promissory notes of EUR 150.0m (31 January 2020: EUR 150.0m).

Current financial liabilities came to EUR 1,121.8m (31 January 2020: EUR 915.3m) and include lease liabilities according to IFRS 16 of EUR 130.7m (31 January 2020: EUR 128.8m). Beyond that, current financial liabilities contain, among others, bonds of EUR 199.5m (31 January 2020: EUR 299.7m), liabilities to banks of EUR 470.0m (31 January 2020: EUR 142.7m), liabilities from ABS and factoring agreements in the amount of EUR 163.1m (31 January 2020: EUR 186.2m), as well as other loans amounting to EUR 141.0m (31 January 2020: EUR 111.8m).

According to the calculation below, net debt increased by EUR 110.6m compared to 31 January 2020 to EUR 2,263.8m.

| EUR k | 31 Jan 2020 | 31 July 2020 | Change | Change in % |
|--|------------------|------------------|----------------|-------------|
| + Financial liabilities (non-current) | 1,070,520 | 840,194 | - 230,326 | - 21.5 |
| - Derivative financial instruments (non-current) | - 145 | - 113 | 32 | - 22.1 |
| + Financial liabilities (current) | 915,250 | 1,121,820 | 206,570 | 22.6 |
| - Derivative financial instruments (current) | - 5,324 | - 4,072 | 1,252 | - 23.5 |
| - Cash and cash equivalents | - 245,986 | - 96,907 | 149,079 | - 60.6 |
| + Receivables sold in the course of factoring and ABS transactions | 469,553 | 450,525 | - 19,028 | - 4.1 |
| - Factoring receivables | - 24,681 | - 24,302 | 379 | - 1.5 |
| - Receivables from ABS programmes | - 26,007 | - 23,339 | 2,668 | - 10.3 |
| Net debt | 2,153,180 | 2,263,806 | 110,626 | 5.1 |

Trade payables decreased by EUR 142.0m to EUR 3,643.4m.

Overall, PHOENIX was able to underline its position in the first half-year of 2020/21 as a leading healthcare provider in Europe.

RISKS AND OPPORTUNITIES

PHOENIX has comprehensive planning, approval and reporting structures, as well as 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 2019/20.

www.phoenixgroup.eu/en/investor-relations/annual-report-2019-20

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

FORECAST

For fiscal year 2020/21, PHOENIX expects to further expand its market position in Europe through organic growth and acquisitions and thereby increase revenue slightly above the level of growth in the European pharmaceutical markets.

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

We also expect a slight increase in the equity ratio.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| | |
|----|---|
| 7 | CONSOLIDATED INCOME STATEMENT |
| 8 | CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME |
| 9 | CONSOLIDATED STATEMENT OF FINANCIAL POSITION |
| 11 | CONSOLIDATED STATEMENT OF CHANGES IN EQUITY |
| 12 | CONSOLIDATED STATEMENT OF CASH FLOWS |
| 14 | NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS |

CONSOLIDATED INCOME STATEMENT

for the first half-year of 2020/21

| EUR k | 2nd quarter 2019/20 | 2nd quarter 2020/21 | 1st half-year 2019/20 | 1st half-year 2020/21 |
|---|------------------------|------------------------|--------------------------|--------------------------|
| Revenue | 6,765,233 | 6,728,447 | 13,323,386 | 13,972,786 |
| Cost of purchased goods and services | -6,073,313 | -6,004,423 | -11,960,260 | -12,482,173 |
| Gross profit | 691,920 | 724,024 | 1,363,126 | 1,490,613 |
| Other operating income | 33,754 | 9,905 | 70,625 | 16,678 |
| Personnel expenses | -372,946 | -379,055 | -741,323 | -771,690 |
| Other operating expenses | -204,885 | -199,561 | -403,037 | -410,979 |
| Result from associates and joint ventures | 263 | 87 | 162 | 263 |
| Results from other investments | 0 | 89 | 58 | 126 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 148,106 | 155,489 | 289,611 | 325,011 |
| Amortisation of intangible assets and depreciation of property, plant and equipment | -67,852 | -70,899 | -134,512 | -142,006 |
| Earnings before interest and taxes (EBIT) | 80,254 | 84,590 | 155,099 | 183,005 |
| Interest income | 3,673 | 3,403 | 8,265 | 7,462 |
| Interest expense | -19,065 | -15,630 | -37,777 | -32,607 |
| Other financial result | -374 | 1,684 | -1,970 | -2,482 |
| Financial result | -15,766 | -10,543 | -31,482 | -27,627 |
| Profit before income tax | 64,488 | 74,047 | 123,617 | 155,378 |
| Income tax | -17,798 | -21,067 | -34,118 | -45,060 |
| Profit for the period | 46,690 | 52,980 | 89,499 | 110,318 |
| thereof attributable to non-controlling interests | 9,898 | 8,239 | 18,221 | 16,807 |
| thereof attributable to equity holders of the parent company | 36,792 | 44,741 | 71,278 | 93,511 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the first half-year of 2020/21

| EUR k | 2nd quarter 2019/20 | 2nd quarter 2020/21 | 1st half-year 2019/20 | 1st half-year 2020/21 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Profit after tax | 46,690 | 52,980 | 89,499 | 110,318 |
| Items not reclassified to profit or loss | | | | |
| Remeasurement of defined benefit plans | -7,242 | -1,651 | -12,913 | -20,226 |
| Items that may subsequently be reclassified to profit or loss as a result | | | | |
| Currency translation differences | -14,109 | 4,145 | -12,444 | -32,010 |
| Components of other comprehensive income, net of tax | -21,351 | 2,494 | -25,357 | -52,236 |
| Total comprehensive income | 25,339 | 55,474 | 64,142 | 58,082 |
| thereof attributable to non-controlling interests | 9,750 | 8,345 | 17,973 | 16,553 |
| thereof attributable to owners of the parent company | 15,589 | 47,129 | 46,169 | 41,529 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 July 2020

ASSETS

| EUR k | 31 Jan 2020 | 31 July 2020 |
|--|------------------|------------------|
| Non-current assets | | |
| Intangible assets | 1,813,605 | 1,816,185 |
| Property, plant and equipment | 1,782,480 | 1,738,610 |
| Investment property | 11,744 | 10,832 |
| Investments in associates and joint ventures | 6,272 | 5,999 |
| Trade receivables | 589 | 339 |
| Other financial assets | 113,054 | 111,847 |
| Deferred tax assets | 77,371 | 84,826 |
| | 3,805,115 | 3,768,638 |
| Current assets | | |
| Inventories | 2,561,829 | 2,733,139 |
| Trade receivables | 2,624,812 | 2,535,728 |
| Income tax receivables | 21,182 | 17,912 |
| Other financial assets | 270,216 | 268,743 |
| Other assets | 139,886 | 162,611 |
| Cash and cash equivalents | 245,986 | 96,907 |
| | 5,863,911 | 5,815,040 |
| Non-current assets held for sale | 19,786 | 11,795 |
| Total assets | 9,688,812 | 9,595,473 |

EQUITY AND LIABILITIES

| EUR k | 31 Jan 2020 | 31 July 2020 |
|---|------------------|------------------|
| Equity | | |
| Unlimited and limited partners' capital | 1,000,000 | 1,000,000 |
| Reserves | 2,126,012 | 2,218,810 |
| Accumulated other comprehensive income | - 243,429 | - 295,411 |
| Equity attributable to partners | 2,882,583 | 2,923,399 |
| Non-controlling interests | 282,836 | 282,717 |
| | 3,165,419 | 3,206,116 |
| Non-current liabilities | | |
| Financial liabilities | 1,070,520 | 840,194 |
| Trade payables | 435 | 302 |
| Provisions for pensions and similar obligations | 216,265 | 234,094 |
| Other non-current provisions | 3,479 | 3,503 |
| Deferred tax liabilities | 125,400 | 130,461 |
| Other non-current liabilities | 1,142 | 1,525 |
| | 1,417,241 | 1,210,079 |
| Current liabilities | | |
| Financial liabilities | 915,250 | 1,121,820 |
| Trade payables | 3,785,029 | 3,643,118 |
| Other provisions | 48,465 | 42,311 |
| Income tax liabilities | 35,338 | 38,297 |
| Other liabilities | 322,070 | 333,732 |
| | 5,106,152 | 5,179,278 |
| Liabilities directly associated with assets held for sale | 0 | 0 |
| Total equity and liabilities | 9,688,812 | 9,595,473 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the first half-year of 2020/21

| EUR k | Unlimited and limited partners' capital | Reserves | Currency translation differences | Remeasurement of defined benefit plans | Equity attributable to shareholders of the parent | Non-controlling interests | Total equity |
|---|---|------------------|----------------------------------|--|---|---------------------------|------------------|
| 1 February 2019 | 1,000,000 | 2,136,450 | -100,617 | -159,831 | 2,876,002 | 268,750 | 3,144,752 |
| Initial application of IFRS 16 | | 1,426 | | | 1,426 | -408 | 1,018 |
| 1 February 2019 adjusted | 1,000,000 | 2,137,876 | -100,617 | -159,831 | 2,877,428 | 268,342 | 3,145,770 |
| Profit after tax | | 71,278 | | | 71,278 | 18,221 | 89,499 |
| Accumulated other comprehensive income | | | -12,196 | -12,913 | -25,109 | -248 | -25,357 |
| Total comprehensive income after taxes | | 71,278 | -12,196 | -12,913 | 46,169 | 17,973 | 64,142 |
| Changes in the interest of consolidated companies | | -445 | 0 | 0 | -445 | -855 | -1,300 |
| Dividends | | | | | 0 | -18,266 | -18,266 |
| Other changes in equity | | 427 | | | 427 | 1,225 | 1,652 |
| 31 July 2019 | 1,000,000 | 2,209,136 | -112,813 | -172,744 | 2,923,579 | 268,419 | 3,191,998 |
| 1 February 2020 | 1,000,000 | 2,126,012 | -97,137 | -146,292 | 2,882,583 | 282,836 | 3,165,419 |
| Profit after tax | | 93,511 | | | 93,511 | 16,807 | 110,318 |
| Accumulated other comprehensive income | | | -31,756 | -20,226 | -51,982 | -254 | -52,236 |
| Total comprehensive income, net of tax | | 93,511 | -31,756 | -20,226 | 41,529 | 16,553 | 58,082 |
| Changes in the basis of consolidation | | -701 | | | -701 | 432 | -269 |
| Changes in the interest of consolidated companies | | 38 | | | 38 | -396 | -358 |
| Dividends | | | | | 0 | -16,732 | -16,732 |
| Other changes in equity | | -50 | | | -50 | 24 | -26 |
| 31 July 2020 | 1,000,000 | 2,218,810 | -128,893 | -166,518 | 2,923,399 | 282,717 | 3,206,116 |

CONSOLIDATED STATEMENT OF CASH FLOWS

for the first half-year of 2020/21

| EUR k | 31 July 2019 | 31 July 2020 |
|---|-----------------|-----------------|
| Profit after tax | 89,499 | 110,318 |
| Income taxes | 34,118 | 45,060 |
| Profit before income taxes | 123,617 | 155,378 |
| Adjustments for: | | |
| Interest expenses and interest income | 29,512 | 25,145 |
| Amortisation/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and investment property | 134,512 | 142,006 |
| Result from associates and other investments | -220 | -389 |
| Net result from the disposal of assets related to investing activities | -1,840 | 70 |
| Other non-cash expense and income | 51,058 | 57,949 |
| | 336,639 | 380,159 |
| Interest paid | -40,774 | -38,932 |
| Interest received | 5,639 | 6,021 |
| Income taxes paid | -35,521 | -27,574 |
| Dividends received | 183 | 200 |
| Result before change in assets and liabilities | 266,166 | 319,874 |
| 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 | -16,286 | -15,629 |
| Result before change in operating assets and liabilities | 249,880 | 304,245 |
| Change in inventories | -294,972 | -195,961 |
| Change in trade receivables | -77,130 | 54,015 |
| Change in trade payables | -62,675 | -97,764 |
| | -434,777 | -239,710 |
| Change in other assets and liabilities not related to investing or financing activities | -109,408 | -37,202 |
| Change in operating assets and liabilities | -544,185 | -276,912 |
| Cash flow from operating activities | -294,305 | 27,333 |
| Acquisition of consolidated companies and business units, net of cash acquired | -23,079 | -12,391 |
| Capital expenditures for intangible assets, property, plant and equipment, and investment property | -85,810 | -82,236 |
| Investment in other financial assets and non-current assets | -2,500 | -298 |
| Cash outflows for investments | -111,389 | -94,925 |

| EUR k | 31 July 2019 | 31 July 2020 |
|---|-----------------|-----------------|
| Cash received from the sale of consolidated companies and business units, net of cash disposed | 2,278 | 587 |
| Cash received from disposal of intangible assets, property, plant and equipment and investment property | 8,551 | 5,126 |
| Proceeds from other financial assets and non-current assets | 203,363 | 867 |
| Cash inflows from realised investments and divestments | 214,192 | 6,580 |
| Cash flow from investing activities | 102,803 | -88,345 |
| Cash available for financing activities | -191,502 | -61,012 |
| Capital contribution from/repayment to non-controlling interests | 642 | 0 |
| Acquisition of additional shares in already consolidated subsidiaries | -1,252 | -366 |
| Proceeds from disposal of interests in subsidiaries without loss of control | 324 | 0 |
| Dividends paid to non-controlling interests | -15,239 | -14,027 |
| Proceeds from bond issuance and bank loans | 162,958 | 26,461 |
| Repayment of bonds and bank loans | -41,917 | -331,028 |
| Change in bank loans which have a maturity period of 3 months or less | 65,482 | 331,798 |
| Proceeds from the issue of loans from shareholders in the parent company | 0 | 16,200 |
| Repayment of loans from shareholders in the parent company | 0 | -500 |
| Proceeds from the issue of loans from related parties | 111,241 | 0 |
| Repayment of loans from related parties | -100,220 | 0 |
| Change in ABS/Factoring | -2,879 | -17,056 |
| Change in finance lease | -58,891 | -76,588 |
| Change in other financial liabilities | -264 | -21,701 |
| Cash flow from financing activities | 119,985 | -86,807 |
| Changes in cash and cash equivalents | -71,517 | -147,819 |
| Effect of exchange rate changes on cash and cash equivalents | 572 | -1,260 |
| Cash and cash equivalents at the beginning of the period | 152,845 | 245,986 |
| Cash and cash equivalents at the end of the period | 81,900 | 96,907 |
| Cash and cash equivalents presented in the balance sheet at the end of the period | 81,900 | 96,907 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

as of 31 July 2020

The company

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

Basis of presentation

The interim condensed consolidated financial statements of PHOENIX as of 31 July 2020 are prepared on the basis of IAS 34 "Interim Financial Reporting", observing all International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, and mandatory in the EU as of 31 July 2020, as well as all mandatory interpretations of the International Financial Reporting Standards Interpretation Committee (IFRS IC).

The interim condensed consolidated financial statements as of 31 July 2020 of PHOENIX were released for publication by the management of PHOENIX Pharmahandel GmbH & Co KG on 9 September 2020.

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 2020/21 – essentially consistent with those used in the consolidated financial statements as of 31 January 2020. Standards and interpretations that have been applicable since 1 February 2020 for the first time had the following impacts on the interim financial statements:

The amendments to References to the Conceptual Framework in IFRS Standards update references to and quotes from the Conceptual Framework. The main changes primarily relate to the definition, recognition and measurement of assets and liabilities, as well as the differentiation between income and expense and other comprehensive income. There is no effect on PHOENIX's consolidated financial statements.

The amendments to IAS 1 and IAS 8: Definition of Material relate to the standardisation of the definition of "materiality" in all IFRSs and the framework. Furthermore, the definition of "obscuring" information was newly added. They have no effect on the reporting of PHOENIX.

The amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform led in particular to the continuation of certain hedging relationships, which would have otherwise had to be terminated because of the uncertainty stemming from the IBOR reform. The amendments had no impact on the consolidated financial statements of PHOENIX.

The amendments to IFRS 3 Business Combinations clarify that a business is a set of activities and assets with at least one input and one substantive process that together significantly contribute to the ability to create outputs. Outputs are defined as the provision of goods and services to customers. The existing reference to cost reduction was removed. In addition, the new provisions also contain an optional concentration test designed to simplify identification of a business. The amendments have no material effect on PHOENIX's consolidated financial statements.

Business combinations

The business combinations carried out in the first six months of 2020/21 are explained below. Purchase accounting is performed in accordance with the acquisition method pursuant to IFRS 3 "Business Combinations".

In fiscal year 2020/21, the cumulative profit after tax of the acquirees came to EUR –40k and revenue to EUR 5,495k. 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 11,915k. 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 100k.

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

Fair value recognised upon acquisition

| EUR k | Other |
|--|--------------|
| Cash and cash equivalents | 9,627 |
| Equity instruments | 0 |
| Acquisition-date fair value of previously held equity interest | 0 |
| Total cost | 9,627 |
| Intangible assets | 4,249 |
| Other non-current assets | 666 |
| Inventories | 3,155 |
| Trade receivables | 2,448 |
| Cash and cash equivalents | 227 |
| Other current assets | 121 |
| Non-current liabilities | 5,589 |
| Current liabilities | 4,137 |
| Net assets | 1,140 |
| Non-controlling interests | 0 |
| Net assets acquired | 1,140 |
| Bargain purchase | 0 |
| Goodwill | 8,487 |

Other business combinations

In the first six months of 2020/21, the group acquired further pharmacies that are individually immaterial.

The goodwill arising on those acquisitions was allocated to the cash-generating units Romania (EUR 4,456k), Slovakia (EUR 1,627k), Austria (EUR 1,131k), Czech Republic (EUR 773k) and the Netherlands (EUR 500k) and is managed in the local functional currencies (RON, EUR and CZK).

Other business combinations include contingent consideration of EUR 749k (maximum amount expected).

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

The purchase price allocation takes into account all the information about facts and circumstances as of the acquisition date that was available until the preparation of these financial statements. If further facts or circumstances become known within the 12-month measurement period in accordance with IFRS 3, the purchase price allocation is adjusted accordingly.

Revenue

The table below shows a breakdown of revenue according to IFRS 15 based on the type of goods and services:

| 1st half-year 2020/21 | Trade revenue | Revenue from commissions | Distribution fees and consignment warehouse fees | Other logistic services | Other services | Other revenue | Total revenue according to IFRS 15 |
|--|-------------------|--------------------------|--|-------------------------|----------------|----------------|------------------------------------|
| EUR k | | | | | | | |
| Gross revenue | 14,140,312 | 57,467 | 48,696 | 23,821 | 212,214 | 120,046 | 14,602,556 |
| Sales deductions | - 638,874 | 0 | - 11 | 0 | 0 | - 5 | - 638,890 |
| Revenue | 13,501,438 | 57,467 | 48,685 | 23,821 | 212,214 | 120,041 | 13,963,666 |
| thereof: Satisfaction of performance obligation at a point in time | 13,501,438 | 53,736 | 44,184 | 22,948 | 201,272 | 87,506 | 13,911,084 |
| thereof: Satisfaction of performance obligation over time | 0 | 3,731 | 4,501 | 873 | 10,942 | 32,535 | 52,582 |

Total revenue for the first six months 2020/21 amounts to EUR 13,972,786k and includes revenue from leasing business according to IFRS 16 of EUR 9,120k.

| 1st half-year 2019/20 | Trade revenue | Revenue from commissions | Distribution fees and consignment warehouse fees | Other logistic services | Other services | Other revenue | Total revenue according to IFRS 15 |
|--|-------------------|--------------------------|--|-------------------------|----------------|---------------|------------------------------------|
| EUR k | | | | | | | |
| Gross revenue | 13,768,847 | 50,207 | 40,333 | 17,954 | 64,214 | 63,030 | 14,004,585 |
| Sales deductions | - 690,439 | 0 | - 9 | 0 | 0 | - 6 | - 690,454 |
| Revenue | 13,078,408 | 50,207 | 40,324 | 17,954 | 64,214 | 63,024 | 13,314,131 |
| thereof: Satisfaction of performance obligation at a point in time | 13,078,408 | 46,608 | 35,725 | 16,609 | 64,214 | 46,425 | 13,287,989 |
| thereof: Satisfaction of performance obligation over time | 0 | 3,599 | 4,599 | 1,345 | 0 | 16,599 | 26,142 |

Other operating expenses

Other operating expenses contain expenses in connection with ABS and factoring programmes of EUR 862k (comparative period: EUR 753k).

Financial result

| EUR k | 1st half-year 2019/20 | 1st half-year 2020/21 |
|-------------------------|--------------------------|--------------------------|
| Interest income | 8,265 | 7,462 |
| Interest expenses | -37,777 | -32,607 |
| Other financial result | -1,970 | -2,482 |
| Financial result | -31,482 | -27,627 |

Interest income includes interest from customers of EUR 4,626k (comparative period: EUR 4,381k).

The other financial result includes exchange rate gains of EUR 14,881k (comparative period: EUR 20,733k) and exchange rate losses of EUR 20,603k (comparative period: EUR 26,248k). Changes in the market value of derivatives gave rise to income of EUR 58,369k (comparative period: EUR 33,471k) and expenses of EUR 55,447k (comparative period: EUR 30,027k).

Other assets and other liabilities

| EUR k | 31 Jan 2020 | 31 July 2020 |
|-------------------------------------|----------------|----------------|
| Prepayments | 58,226 | 76,179 |
| Tax claims – VAT and other taxes | 60,036 | 59,495 |
| Sundry other assets | 21,624 | 26,937 |
| Other assets | 139,886 | 162,611 |

| EUR k | 31 Jan 2020 | 31 July 2020 |
|--|----------------|----------------|
| VAT and other tax liabilities | 101,441 | 112,892 |
| Personnel liabilities | 155,796 | 149,483 |
| Liabilities relating to social security/similar charges | 36,453 | 38,665 |
| Contract Liabilities (IFRS 15) | 19,566 | 17,910 |
| Sundry other liabilities | 8,814 | 14,782 |
| Other liabilities | 322,070 | 333,732 |

Other financial assets and other financial liabilities

The table below presents the non-current financial assets:

| EUR k | 31 Jan 2020 | 31 July 2020 |
|------------------------------------|----------------|----------------|
| Trade receivables, non-current | 589 | 339 |
| Other financial assets | | |
| Equity and debt instruments | 52,403 | 51,193 |
| Other loans | 26,449 | 27,136 |
| Lease receivables | 33,852 | 33,161 |
| Other non-current financial assets | 350 | 357 |
| | 113,054 | 111,847 |

The table below presents the current financial assets:

| EUR k | 31 Jan 2020 | 31 July 2020 |
|---|----------------|----------------|
| Trade receivables | 2,624,812 | 2,535,728 |
| Other financial assets | | |
| Loans to and receivables from associates | 643 | 114 |
| Other loans | 187,125 | 181,034 |
| Derivative financial instruments | 1,092 | 399 |
| Lease receivables | 9,078 | 9,952 |
| Other current financial assets | 72,278 | 77,244 |
| | 270,216 | 268,743 |

The receivables from factoring and ABS transactions as of 31 July 2020 are presented below:

| EUR k | 31 Jan 2020 | 31 July 2020 |
|---|-------------|--------------|
| Transferred but only partly derecognised receivables | | |
| Receivables not derecognised in accordance with IFRS 9 | | |
| Volume of receivables | 214,387 | 207,890 |
| Financial liabilities | 177,651 | 155,168 |
| Continuing involvement | | |
| Volume of receivables | 175,314 | 172,853 |
| Continuing involvement | 8,119 | 7,944 |
| Financial liabilities | 8,505 | 7,955 |
| Transferred and fully derecognised receivables | | |
| Volume of receivables | 302,358 | 285,616 |
| Retentions of title | 50,688 | 47,641 |

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

| EUR k | 31 Jan 2020 | 31 July 2020 |
|--|------------------|----------------|
| Financial liabilities (non-current) | | |
| Liabilities to banks | 149,955 | 149,993 |
| Bonds | 199,296 | 0 |
| Loans | 110 | 99 |
| Lease liabilities | 708,803 | 683,425 |
| Other financial liabilities | 12,356 | 6,677 |
| | 1,070,520 | 840,194 |

| EUR k | 31 Jan 2020 | 31 July 2020 |
|--|----------------|------------------|
| Financial liabilities (current) | | |
| Liabilities to banks | 142,668 | 470,045 |
| Bonds | 299,696 | 199,510 |
| Loans | 111,758 | 140,985 |
| Liabilities to associates | 0 | 32 |
| ABS and factoring liabilities | 186,156 | 163,123 |
| Lease liabilities | 128,916 | 130,757 |
| Other financial liabilities | 46,056 | 17,368 |
| | 915,250 | 1,121,820 |

In connection with the loan agreements, it was agreed to comply with certain financial covenants, all of which were met in the first six months of 2020/21.

The corporate bond issued in May 2013 with a volume of EUR 300m was repaid.

Other financial liabilities (non-current) contain non-current derivative financial instruments of EUR 113k (31 January 2020: EUR 145k).

Other financial liabilities (current) contain current derivative financial instruments of EUR 4,072k (31 January 2020: EUR 5,324k).

Information on financial instruments

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

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

| 31 July 2020 | Category pursuant to IFRS 9 | | | | | |
|--|-----------------------------|---------------------------------------|---------------------------------|-----------------------------|-----------------|------------|
| | At amortised costs | At fair value through profit and loss | No category according to IFRS 9 | Outside the scope of IFRS 7 | Carrying amount | Fair value |
| EUR k | | | | | | |
| Assets | | | | | | |
| Equity and debt instruments | 0 | 51,193 | 0 | 0 | 51,193 | 51,193 |
| Trade receivables | 2,328,177 | 207,890 | 0 | 0 | 2,536,067 | 2,536,067 |
| Loans to and receivables from associates | 114 | 0 | 0 | 0 | 114 | 114 |
| Other loans | 208,170 | 0 | 0 | 0 | 208,170 | 208,995 |
| Derivative financial assets without hedge accounting | 0 | 399 | 0 | 0 | 399 | 399 |
| Other financial assets | 77,601 | 0 | 0 | 0 | 77,601 | 77,601 |
| Lease receivables | 0 | 0 | 43,113 | 0 | 43,113 | 43,113 |
| Cash and cash equivalents | 96,907 | 0 | 0 | 0 | 96,907 | 96,907 |

| 31 January 2020 | Category pursuant to IFRS 9 | | | | | |
|--|-----------------------------|---------------------------------------|---------------------------------|-----------------------------|-----------------|------------|
| | At amortised costs | At fair value through profit and loss | No category according to IFRS 9 | Outside the scope of IFRS 7 | Carrying amount | Fair value |
| EUR k | | | | | | |
| Assets | | | | | | |
| Equity and debt instruments | 0 | 52,403 | 0 | 0 | 52,403 | 52,403 |
| Trade receivables | 2,411,014 | 214,387 | 0 | 0 | 2,625,401 | 2,625,401 |
| Loans to and receivables from associates | 643 | 0 | 0 | 0 | 643 | 643 |
| Other loans | 213,574 | 0 | 0 | 0 | 213,574 | 214,500 |
| Derivative financial assets without hedge accounting | 0 | 1,092 | 0 | 0 | 1,092 | 1,092 |
| Other financial assets | 72,628 | 0 | 0 | 0 | 72,628 | 72,628 |
| Lease receivables | 0 | 0 | 42,930 | 0 | 42,930 | 42,930 |
| Cash and cash equivalents | 245,986 | 0 | 0 | 0 | 245,986 | 245,986 |

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 1.34 (31 January 2020: between 0.54 and 1.34). A 10% increase in the multipliers would increase the value by EUR 6,305k (31 January 2020: EUR 6,305k); a 10%

decrease in the multipliers would decrease the value by EUR 6,302k (31 January 2020: EUR 6,302k).

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

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

| 31 July 2020 | Category pursuant to IFRS 9 | | | | | |
|---|-----------------------------|---------------------------------------|---------------------------------|-----------------------------|-----------------|------------|
| | At amortised costs | At fair value through profit and loss | No category according to IFRS 9 | Outside the scope of IFRS 7 | Carrying amount | Fair value |
| EUR k | | | | | | |
| Financial liabilities | | | | | | |
| Liabilities to banks | 620,038 | 0 | 0 | 0 | 620,038 | 620,121 |
| Bonds | 199,510 | 0 | 0 | 0 | 199,510 | 202,012 |
| Loans | 141,084 | 0 | 0 | 0 | 141,084 | 141,084 |
| Trade payables | 3,643,420 | 0 | 0 | 0 | 3,643,420 | 3,643,420 |
| Liabilities to associates | 32 | 0 | 0 | 0 | 32 | 32 |
| ABS and factoring liabilities | 163,123 | 0 | 0 | 0 | 163,123 | 163,123 |
| Other financial liabilities at cost | 15,252 | 0 | 0 | 0 | 15,252 | 15,252 |
| Other financial liabilities at fair value | 0 | 4,608 | 0 | 0 | 4,608 | 4,608 |
| Lease liabilities | 0 | 0 | 814,182 | 0 | 814,182 | n/a |
| Derivative financial liabilities without hedge accounting | 0 | 4,185 | 0 | 0 | 4,185 | 4,185 |

| 31 January 2020 | Category pursuant to IFRS 9 | | | | | |
|---|-----------------------------|---------------------------------------|---------------------------------|-----------------------------|-----------------|------------|
| | At amortised costs | At fair value through profit and loss | No category according to IFRS 9 | Outside the scope of IFRS 7 | Carrying amount | Fair value |
| EUR k | | | | | | |
| Financial liabilities | | | | | | |
| Liabilities to banks | 292,623 | 0 | 0 | 0 | 292,623 | 292,748 |
| Bonds | 498,992 | 0 | 0 | 0 | 498,992 | 516,924 |
| Loans | 111,868 | 0 | 0 | 0 | 111,868 | 111,868 |
| Trade payables | 3,785,464 | 0 | 0 | 0 | 3,785,464 | 3,785,464 |
| ABS and factoring liabilities | 186,156 | 0 | 0 | 0 | 186,156 | 186,156 |
| Other financial liabilities at cost | 48,829 | 0 | 0 | 0 | 48,829 | 48,829 |
| Other financial liabilities at fair value | 0 | 4,114 | 0 | 0 | 4,114 | 4,114 |
| Lease liabilities | 0 | 0 | 837,719 | 0 | 837,719 | n/a |
| Derivative financial liabilities without hedge accounting | 0 | 5,469 | 0 | 0 | 5,469 | 5,469 |

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

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.

| EUR k | Financial instruments measured at fair value | | | |
|---|--|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| 31 July 2020 | | | | |
| Equity and debt instruments | 0 | 0 | 51,193 | 51,193 |
| Derivative financial assets without hedge accounting | 0 | 399 | 0 | 399 |
| Derivative financial liabilities without hedge accounting | 0 | 4,185 | 0 | 4,185 |
| Other financial liabilities | 0 | 0 | 4,608 | 4,608 |

| EUR k | Financial instruments measured at fair value | | | |
|---|--|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| 31 January 2020 | | | | |
| Equity and debt instruments | 0 | 0 | 52,403 | 52,403 |
| Derivative financial assets without hedge accounting | 0 | 1,092 | 0 | 1,092 |
| Derivative financial liabilities without hedge accounting | 0 | 5,469 | 0 | 5,469 |
| Other financial liabilities | 0 | 0 | 4,114 | 4,114 |

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 2020 | 52,403 | 4,114 |
| Purchase | 308 | 0 |
| Sale of shares | 0 | 0 |
| New measurements (through profit or loss) | 0 | 0 |
| Issues | 0 | 0 |
| Acquisitions | 0 | 749 |
| Remeasurement of contingent purchase price obligations (through profit or loss) | 0 | 0 |
| Payments due to acquisitions | 0 | - 255 |
| Other | - 1,518 | 0 |
| 31 July 2020 | 51,193 | 4,608 |

Notes to the statement of cash flows

| EUR k | 31 Jan 2020 | 31 July 2020 |
|--|-------------|--------------|
| Restricted cash | | |
| Cash and cash equivalents at the end of the period | 245,986 | 96,907 |
| thereof restricted | | |
| due to security deposits | 7,876 | 3,039 |
| due to restrictions placed upon foreign subsidiaries | 28,441 | 32,092 |

Related party disclosures

In connection with the bond issued in 2013, related parties held bond certificates with a nominal volume of EUR 30,200k. To the extent that these bond certificates were still held, they were repaid during the reporting period.

Furthermore, the business relationships with related parties presented in the consolidated financial statements as of 31 January 2020 remained essentially unchanged in the first half-year of 2020/21.

Subsequent events

In August 2020, PHOENIX issued a corporate bond with a volume of EUR 400m, a term of five years, and an interest coupon of 2.375%.

Mr Frank Große-Natrop, member of the Management Board of PHOENIX Verwaltungs GmbH, retired with effect of 31 August 2020. As of 1 September 2020, Mr Stephen Anderson succeeded Mr Große-Natrop as member of the Management Board of PHOENIX Verwaltungs GmbH responsible for operations and logistics.

Mannheim, 9 September 2020

The Management Board of the unlimited partner
PHOENIX Verwaltungs GmbH

FINANCIAL CALENDAR 2020

Please consult our calendar for the most important announcement dates:

17 December Quarterly statement February to October 2020

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