SERVING HEALTH

Half-year report
February to July 2016

PHOENIX group

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 34,000 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 more than 2,000 of its own pharmacies – around 900 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 around 17,000 pharmacy employees have more than 120 million customer contacts each year. They dispense more than 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

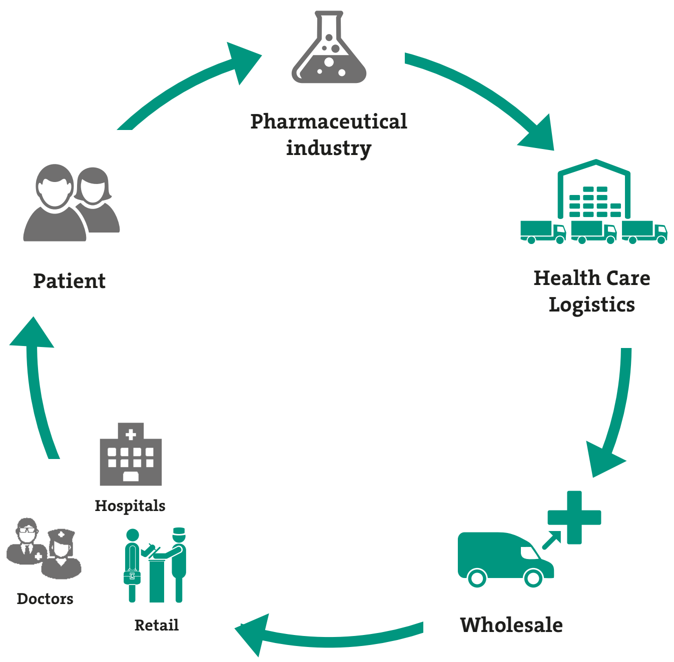
ENHANCING SKILLS

DEVELOPING MARKETS

CREATING ADDED VALUE

Contents

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.

The first half-year at a glance

- Total operating performance and revenue increased again
- Successful closing of Mediq acquisition as of 16 June 2016; integration process has started
- Gross profit increased compared to previous year
- Profit after tax (adjusted) on prior year's level
- Standard & Poor's increased the outlook for the PHOENIX group from stable to positive and affirmed the BB+ rating

Key figures of the PHOENIX group		1st half-year 2015	1st half-year 2016
Total operating performance	in €m	14,257.6	14,648.9
Revenue	in €m	11,674.5	11,897.2
Total income	in €m	1,187.5	1,220.8
EBITDA	in €m	218.5	201.9
EBIT	in €m	162.1	143.3
Profit after tax (adjusted for foreign exchange rate effects and integration costs Mediq)	in €m	96.3	97.5

		31 July 2015	31 Jan. 2016	31 July 2016
Equity	in €m	2,602.7	2,726.5	2,817.3
Equity ratio	in %	33.9	35.1	33.1
Net debt	in €m	1,438.2	1,121.6	1,653.8

Interim group management report

Business and economic environment

Development of the market
The European economy could continue its trend of growth in the second quarter of 2016. In the Eurozone, the seasonally adjusted GDP increased by 1.6 % in the second quarter of 2016 compared to prior year's second quarter. In Germany, the seasonally and calendar adjusted GDP increased by 1.8 % compared to the second quarter of 2015. On 23 June 2016, an EU referendum took place and the majority of the people of the United Kingdom voted to leave the EU. As a result, the value of the British Pound declined noticeably.

Overall, the European pharmaceutical markets continued their moderate growth in the second quarter of 2016. The German pharmaceutical market also showed a slight growth. The total turnover of the German wholesale pharmaceutical market grew by 1.0 % from January to July 2016 compared to the same period of prior year. The increase was mainly due to higher prescription pharmaceuticals revenues.

In total, the PHOENIX group continued its positive development in the European market environment. The increase in total operating performance was 2.7 % (adjusted for foreign exchange rate effects 3.8 %); revenue grew by 1.9 %.

Acquisitions
The PHOENIX group has acquired Mediq Apotheken Nederland B.V. via its subsidiary Brocacef Groep. The Netherlands Authority for Consumers and Markets conditionally approved the acqusition as of 13 June 2016. The acquisition contains pre-wholesale activities in addition to pharmacies and wholesale.

Results of operations
In the first six months of 2016/17, total operating performance, comprising revenue and handled volume which cannot be recognised as revenue, increased by 2.7 % to €14,648.9 million. Adjusted for foreign exchange rate effects, total operating performance grew by 3.8 %.

Revenue grew by €222.7 million (1.9 %) to €11,897.2 million (comparative period: €11,674.5 million). Adjusted for foreign exchange rate effects, revenue grew by 3.2 %. The increase in revenue is mainly due to the acquisition of Mediq Apotheken Nederland B.V. as well as revenue growths in Northern and Eastern Europe.

Gross profit increased by €36.4 million to €1,156.3 million. The gross profit margin increased to 9.7 % (comparative period: 9.6 %).

Other operating income came to €64.4 million and was slightly below prior year's amount (€67.6 million).

Personnel expenses increased by 6.0 % to €619.8 million. This is mainly due to acquisitions, the impact of collective salary increases, and the growth in business.

Other expenses rose by €15.1 million to €400.8 million. This is mainly due to increased transportation costs and lease costs. In relation to revenue, other expenses came to 3.4 % (comparative period: 3.3 %).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) decreased by €16.5 million to €201.9 million as total expenses grew at a higher rate than gross profit. €8.6 million of the variance are due to a negative exchange rate effect, mainly as a result of a weaker British Pound. In addition, one-time costs in connection with the acquisition of Mediq Apotheken Nederland B.V. had a negative impact.

The PHOENIX group's indicator used for comparison with net debt (adjusted EBITDA) came to €208.2 million and is determined as follows:

EUR k	1st half-year 2015	1st half-year 2016
EBITDA	218,456	201,944
Interest from customers	6,100	4,977
Expenses related to ABS/factoring	1,507	1,273
Adjusted EBITDA	**226,063**	**208,194**

Depreciation and amortisation came to €58.7 million and were slightly above prior year's level.

The financial result improved compared to prior period's result by €2.5 million to € –22.6 million. The improvement is mainly due to a further decreased interest level.

The effective tax rate in the first six months of 2016/17 came to 30.2 % and was 32.7 % in the comparative period.

Profit after tax was €84.2 million (comparative period: €92.2 million). Of this, €9.8 million is attributable to non-controlling interests (comparative period: €9.5 million). Profit after tax adjusted for one-time costs in connection with the acquisition of Mediq Apotheken Nederland B.V. and foreign exchange rate effects increased by €1.2 million to €97.5 million compared to prior year.

Net assets

The Group's total assets increased by 9.7 % to €8,524.2 million compared to 31 January 2016. This is mainly due to the acquisition of Mediq Aportheken Nederland B.V. The currency translation difference on the total assets, which is presented in the statement of changes in equity, amounts to € −86.8 million (31 January 2016: € −48.5 million), particularly caused by the devaluation of the British Pound.

Compared to 31 January 2016, non-current assets increased by €421.2 million to €2,986.6 million. The increase is mainly related to intangible assets. Intangible assets contain goodwill with an amount of €1,587.9 million (31 January 2016: €1,184.2 million) which rose due to acquisitions.

Inventories increased compared to 31 January 2016 by €239.1 million to €2,220.4 million. This increase is mainly due to seasonal fluctuation.

Trade receivables increased slightly by 5.5 % to €2,679.3 million. As of 31 July 2016, receivables of €28.2 million (31 January 2016: €24.8 million) 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 €176.4 million had been sold as of 31 July 2016 (31 January 2016: €164.2 million). The Group's continuing involvement came to €7.7 million (31 January 2016: €7.3 million).

Other current receivables and other current financial assets increased from €168.2 million as of 31 January 2016 to €180.1 million and mainly include receivables from factoring and ABS transactions of €43.2 million (31 January 2016: €30.6 million) as well as receivables from rebates and bonuses of €64.6 million (31 January 2016: €55.4 million).

Other current assets increased from €108.8 million as of 31 January 2016 to €134.5 million among others due to higher prepayments.

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

Non-current assets held for sale of €35.6 million (31 January 2016: €0.7 million) mainly include pharmacies that need to be sold in connection with the Mediq acquisition.

Financial position
Equity increased mainly due to the earned profit.

The result before changes in working capital came to €193.0 million and was slightly below prior year's level. The increase in working capital of €191.8 million was €281.3 million lower than in the comparative period. Cash flow from operating activities increased by €272.4 million to €1.2 million.

Cash flow from investing activities came to € −371.8 million and was € −75.3 million in the comparative period. The increase is mainly due to the acquisition of Mediq Apotheken Nederland B.V.

Non-current financial liabilities came to €606.1 million (31 January 2016: 604.3 million). As at 31 July 2016, non-current financial liabilities contain, among others, bonds of €593.4 million (31 January 2016: €592.7 million).

Current financial liabilities increased by €428.8 million to €1,163.6 million mainly due to higher current bank liabilities as a result of acqusitions and higher liabilities from ABS and factoring agreements.

Current financial liabilities include, among others, liabilities to banks of €377.0 million (31 January 2016: €115.1 million), liabilities from ABS and factoring agreements with an amount of €530.2 million (31 January 2016: €387.8 million) as well as other loans amounting to €141.4 million (31 January 2016: €126.2 million).

Trade payables increased by €220.0 million to €3,267.4 million.

Other liabilities declined from €258.5 million as of 31 January 2016 to €235.6 million mainly due to lower liabilities from VAT and other taxes.

Overall, the PHOENIX group was able to underline its position in the first six months of 2016/17 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 2015/16.

The risks presented there are still essentially relevant.

We do not expect a significant influence of the British people's vote to leave the EU on our business model.

Forecast

We anticipate a stable economic environment in 2016, with GDP in Germany expected to grow by 1–2%. 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 still expect the European pharmaceutical markets to record a positive market growth in 2016.

For the fiscal year 2016/17, we expect to further expand our 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 Eastern Europe, Northern Europe and Western Europe due to the Mediq acquisition.

We expect adjusted EBITDA for 2016/17 to be slightly below prior-year's level.

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

Interim condensed consolidated financial statements

Consolidated income statement

for the first half-year of 2016/17

EUR k	2nd quarter 2015	2nd quarter 2016	1st half-year 2015	1st half-year 2016
Revenue	**5,838,382**	**6,020,061**	**11,674,520**	**11,897,221**
Cost of purchased goods and services	−5,273,516	−5,419,711	−10,554,565	−10,740,873
Gross profit	**564,866**	**600,350**	**1,119,955**	**1,156,348**
Other operating income	33,967	32,225	67,572	64,440
Personnel expenses	−292,994	−323,832	−584,564	−619,780
Other operating expenses	−194,263	−207,260	−385,683	−400,776
Results from associates and joint ventures	667	928	1,113	1,383
Result from other investments	−5	111	63	329
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**112,238**	**102,522**	**218,456**	**201,944**
Amortisation of intangible assets and depreciation of property, plant and equipment	−28,308	−30,406	−56,349	−58,678
Earnings before interest and taxes (EBIT)	**83,930**	**72,116**	**162,107**	**143,266**
Interest income	3,547	3,163	7,573	6,468
Interest expenses	−15,690	−13,335	−31,427	−26,277
Other financial result	−1,262	−2,747	−1,279	−2,776
Financial result	**−13,405**	**−12,919**	**−25,133**	**−22,585**
Profit before tax	**70,525**	**59,197**	**136,974**	**120,681**
Income taxes	−22,596	−18,370	−44,790	−36,446
Profit for the period	**47,929**	**40,827**	**92,184**	**84,235**
thereof attributable to non-controlling interests	4,992	4,608	9,538	9,788
thereof attributable to owners of the parent company	42,937	36,219	82,646	74,447

Consolidated statement of comprehensive income

for the first half-year of 2016/17

EUR k	2nd quarter 2015	2nd quarter 2016	1st half-year 2015	1st half-year 2016
Profit after tax	**47,929**	**40,827**	**92,184**	**84,235**
Items not reclassified to the income statement				
Remeasurement of defined benefit plans	−3,834	−10,212	−2,607	−20,476
Items that may subsequently be reclassified to the income statement				
Gains/losses from changes in the fair value of available-for-sale financial assets	0	0	0	1
Reclassification adjustments	0	0	0	0
Currency translation differences	20,140	−31,067	36,886	−39,394
Other comprehensive income, net of taxes	**16,306**	**−41,279**	**34,279**	**−59,869**
Total comprehensive income	**64,235**	**−452**	**126,463**	**24,366**
thereof attributable to non-controlling interests	5,315	3,549	10,692	8,241
thereof attributable to owners of the parent company	58,920	−4,001	115,771	16,125

Consolidated statement of financial position

as of 31 July 2016

ASSETS

EUR k	31 Jan. 2016	31 July 2016
Non-current assets		
Intangible assets	1,568,886	1,948,217
Property, plant and equipment	806,449	832,168
Investment property	7,902	9,047
Investments in associates and joint ventures	15,757	17,204
Trade receivables	35	104
Other financial assets	73,121	75,404
Other assets	0	80
Deferred tax assets	89,109	103,188
Income tax receivables	4,046	1,141
	2,565,305	**2,986,553**
Current assets		
Inventories	1,981,327	2,220,448
Trade receivables	2,539,905	2,679,171
Income tax receivables	40,549	25,223
Other receivables and other current financial assets	168,171	180,126
Other assets	108,765	134,473
Cash and cash equivalents	367,881	262,563
	5,206,598	**5,502,004**
Non-current assets held for sale	655	35,635
Total assets	**7,772,558**	**8,524,192**

EQUITY AND LIABILITIES

EUR k	31 Jan. 2016	31 July 2016
Equity		
Unlimited and limited partners' capital	1,185,000	1,185,000
Reserves	1,444,420	1,517,666
Accumulated other comprehensive income	−148,540	−206,862
Equity attributable to partners	**2,480,880**	**2,495,804**
Non-controlling interests	245,588	321,469
	2,726,468	**2,817,273**
Non-current liabilities		
Financial liabilities	604,262	606,127
Trade payables	1,243	150
Provisions for pensions and similar obligations	211,259	232,080
Other non-current provisions	2,681	1,223
Deferred tax liabilities	120,877	128,327
Other non-current liabilities	2,552	2,694
	942,874	**970,601**
Current liabilities		
Financial liabilities	734,796	1,163,636
Trade payables	3,046,137	3,267,252
Other provisions	28,923	39,214
Income tax liabilities	34,845	30,598
Other liabilities	258,515	235,618
	4,103,216	**4,736,318**
Liabilities directly associated with assets held for sale	0	0
Total equity and liabilities	**7,772,558**	**8,524,192**

Consolidated statement of changes in equity

for the first half-year of 2016/17

EUR k	Unlimited and limited partners' capital	Reserves
1 February 2015	**1,185,000**	**1,247,377**
Profit after tax		82,646
Accumulated other comprehensive income		0
Total comprehensive income, net of tax	**0**	**82,646**
Capital increase/reduction		−1,449
Changes in basis of consolidation		−761
Dividends		0
Other changes in equity		−134
31 July 2015	**1,185,000**	**1,327,679**
1 February 2016	**1,185,000**	**1,444,420**
Profit after tax		74,447
Accumulated other comprehensive income		0
Total comprehensive income, net of tax	**0**	**74,447**
Capital increase/reduction		0
Changes in basis of consolidation		0
Changes in the interest of consolidated companies		94
Dividends		0
Other changes in equity		−1,295
31 July 2016	**1,185,000**	**1,517,666**

	Currency translation differences	IAS 39 Available-for-sale financial assets	Remeasurement of defined benefit plans	Equity attributable to partners	Non-controlling interests	Total equity
	−41,409	**8,590**	**−152,377**	**2,247,181**	**234,310**	**2,481,491**
				82,646	9,538	92,184
	35,628		−2,503	33,125	1,154	34,279
	35,628	**0**	**−2,503**	**115,771**	**10,692**	**126,463**
				−1,449	1,449	0
				−761	−514	−1,275
				0	−4,044	−4,044
				−134	208	74
	−5,781	**8,590**	**−154,880**	**2,360,608**	**242,101**	**2,602,709**
	−48,480	**8,416**	**−108,476**	**2,480,880**	**245,588**	**2,726,468**
				74,447	9,788	84,235
	−38,350	1	−19,973	−58,322	−1,547	−59,869
	−38,350	**1**	**−19,973**	**16,125**	**8,241**	**24,366**
				0	67,500	67,500
				0	4,546	4,546
				94	−185	−91
				0	−7,478	−7,478
				−1,295	3,257	1,962
	−86,830	**8,417**	**−128,449**	**2,495,804**	**321,469**	**2,817,273**

Consolidated statement of cash flows

for the first half-year of 2016/17

EUR k	31 July 2015	31 July 2016
Profit after tax	**92,184**	**84,235**
Write-downs/write-ups of fixed assets	56,349	58,678
Gain/loss from the disposal of fixed assets	127	794
Increase/decrease in non-current provisions	−1,385	−5,900
Result from associates and other investments	−1,176	−1,712
Other non-cash expenses/income	40,627	45,480
Net interest	23,854	19,809
Taxes	44,790	36,446
Interest paid	−37,896	−21,419
Interest received	8,011	6,227
Income taxes paid	−23,777	−30,443
Dividends received	204	827
Result before changes in working capital	**201,912**	**193,022**
Changes in working capital	**−473,138**	**−191,822**
Cash inflow (+)/outflow (–) from operating activities	**−271,226**	**1,200**
Cash paid for the purchase of consolidated companies and business units	−10,599	−306,475
Cash received from the sale of consolidated companies and business units	1,510	1,833
Cash received from the sale of fixed assets	1,883	3,021
Cash paid for investments in non-current assets	−68,055	−70,151
Cash inflow (+)/outflow (–) from investing acitivities	**−75,261**	**−371,772**

EUR k	31 July 2015	31 July 2016
Cash available for financing activities	**−346,487**	**−370,572**
Capital contribution from non-controlling interests	0	67,488
Payments to non-controlling interests (dividends)	−2,713	−6,120
Cash received from the issue of loans from related parties	145,000	40,000
Repayment of borrowings from related parties	−145,000	−40,000
Acquisition of additional shares in already consolidated companies	−1,144	−76
Increase/decrease in ABS/factoring liabilities	−28,257	138,073
Cash received from the issue of bonds and loans	181,509	320,587
Cash repayments of bonds and loans	−132,645	−254,444
Increase/decrease in finance lease liabilities	−645	−367
Cash inflow (+)/outflow (–) from financing activities	**16,105**	**265,141**
Change in cash and cash equivalents	**−330,382**	**−105,431**
Cash and cash equivalents at the beginning of the period	**576,449**	**367,881**
Exchange rate effect on cash and cash equivalents	725	113
Cash and cash equivalents at the end of the period	**237,792**	**262,563**

Notes to the interim condensed consolidated financial statements

as of 31 July 2016

The company

PHOENIX Pharmahandel GmbH & Co KG, Mannheim, ("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 its own pharmacy chains. The registered office is located in Mannheim, Germany.

Basis of presentation

The interim condensed consolidated financial statements of PHOENIX group as of 31 July 2016 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 2016, 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 2016 of PHOENIX were released for publication by the management of PHOENIX Pharmahandel GmbH & Co KG on 6 September 2016.

Significant accounting policies

The accounting policies used to prepare the interim condensed consolidated financial statements are essentially consistent with those used in the consolidated financial statements as of 31 January 2016. Standards and Interpretations that are applicable since 1 February 2016 for the first time had the following impacts on the interim financial statements:

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that a depreciation method based on revenue is not appropriate. The changes did not have any impact on the interim financial statements.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendment to IFRS 11 regulates the accounting for the acquisition of an interest in a joint operation that constitutes a business. According to this, the principles of IFRS 3 Business Combinations shall be applied. The amendment did not have any impact on the interim financial statements.

Annual Improvements to IFRS 2012 – 2014 Cycle

The amendments address details of the recognition, measurement and disclosure of business transactions and serve to standardise terminology. They consist mainly of editorial changes to existing standards. The amendment did not have any impact on the interim financial statements.

Business combinations in the first quarter of 2016/17
The business combinations carried out in the first six months of 2016/17 are explained below. Purchase accounting is performed in accordance with the acquisition method pursuant to IFRS 3 “Business Combinations”.

In fiscal year 2016/17, the cumulative profit after tax of the acquirees came to EUR 4,339k and revenue to EUR 174,645k. 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 466,809k. 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 15,442k.

The table below shows a summary of their fair values:

Fair value recognised on acquisition

EUR k	Mediq Apotheken Nederland B.V.	Other	Total
Cash and cash equivalents	363,215	17,967	381,182
Equity instruments	0	0	0
Acquisition-date fair value of previously held equity interest	0	0	0
Total cost	**363,215**	**17,967**	**381,182**
Intangible assets	1,748	4,362	6,110
Other non-current assets	32,846	748	33,594
Inventories	45,447	1,030	46,477
Trade receivables	71,457	3,270	74,727
Cash and cash equivalents	71,209	3,128	74,337
Other current assets	28,497	211	28,708
Disposal group classified as held for sale	26,127	0	26,127
Non-current liabilities	14,352	1,045	15,397
Current liabilities	309,888	3,062	312,950
Net assets	**−46,909**	**8,642**	**−38,267**
Non-controlling interests	4,122	408	4,530
Net assets acquired	**−51,031**	**8,234**	**−42,797**
Bargain purchase	**0**	**0**	**0**
Goodwill	**414,246**	**9,733**	**423,979**

Mediq Apotheken Nederland B.V.

On 16 June 2016, Brocacef Groep acquired 100 % of the voting shares in Mediq Apotheken Nederland B.V., which contains beside pharmacies, wholesale and prewholesale activities. It is expected that PHOENIX will decisively strengthen its market position in the region through the acquisition.

Anticipated synergies essentially account for the goodwill. The goodwill from this business combination was allocated to the cash-generating unit Netherlands.

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

The fair value of current receivables contains trade receivables with a fair value of EUR 71,457k. The gross amount of the trade receivables past due amounts to EUR 72,277k, of which EUR 820k 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.

Other business combinations

In the first six months of 2016/17, the Group acquired further pharmacies and service companies that are individually immaterial.

Other business combinations include contingent consideration of EUR 1,514k (maximum amount expected).

The goodwill arising on those acquisitions was allocated to the cash-generating units United Kingdom (EUR 4,123k), Serbia (EUR 2,387k), Macedonia (EUR 1,680k), Czech Republic (EUR 832k), Hungary (EUR 412k) and Germany (EUR 299) and is managed in the local functional currencies (GBP, RSD, MKD, CZK, HUF and EUR).

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

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 1,273 k (comparative period: EUR 1,507k).

Financial result

EUR k	1st half-year 2015	1st half-year 2016
Interest income	7,573	6,468
Interest expenses	−31,427	−26,277
Other financial result	−1,279	−2,776
Financial result	**−25,133**	**−22,585**

Interest income includes interest from customers of EUR 4,977 k (comparative period: EUR 6,100k).

The other financial result includes exchange rate gains of EUR 20,386k (comparative period: EUR 34,704k) and exchange rate losses of EUR 39,930k (comparative period: EUR 19,985k). Changes in the market value of derivatives gave rise to income of EUR 46,271k (comparative period: EUR 64,605k) and expenses of EUR 28,759k (comparative period: EUR 80,908k).

Other assets and other liabilities

EUR k	31 Jan. 2016	31 July 2016
Prepayments	60,463	71,882
Tax claims – VAT and other taxes	24,005	24,626
Sundry other assets	24,297	37,965
Other assets	**108,765**	**134,473**

EUR k	31 Jan. 2016	31 July 2016
VAT and other tax liabilities	85,477	63,593
Personnel liabilities	120,897	121,647
Liabilities relating to social security/similar charges	25,280	25,144
Prepayments	11,516	12,178
Sundry other liabilities	15,345	13,056
Other liabilities	**258,515**	**235,618**

Other financial assets and other financial liabilities

The table below presents the non-current financial assets:

EUR k	31 Jan. 2016	31 July 2016
Trade receivables, non-current	35	104
Other financial assets		
Available-for-sale financial assets	34,656	34,578
Loans to and receivables from associates	5,022	5,022
Other loans	32,380	34,937
Other non-current financial assets	1,063	867
	73,121	**75,404**

The table below presents the current financial assets:

EUR k	31 Jan. 2016	31 July 2016
Trade receivables	2,539,905	2,679,171
Other financial assets		
Loans to and receivables from associates or related parties	6,498	7,103
Other loans	28,702	26,297
Derivative financial instruments	8,128	11,540
Other current financial assets	124,843	135,186
	168,171	**180,126**

The receivables from factoring and ABS transactions as of 31 July 2016 are presented below:

EUR k	31 Jan. 2016	31 July 2016
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IAS 39		
Volume of receivables	415,163	581,438
Financial liability	380,500	488,639
Continuing involvement		
Volume of receivables	164,233	176,417
Continuing involvement	7,292	7,672
Financial liability	7,340	7,719
Transferred and fully derecognised receivables		
Volume of receivables	24,831	28,217
Retentions of title	30,620	43,082

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

EUR k	31 Jan. 2016	31 July 2016
Financial liabilities (non-current)		
Liabilities to banks	1,179	1,806
Bonds	592,696	593,394
Loans	65	114
Other financial liabilities	10,322	10,813
	604,262	**606,127**

EUR k	31 Jan. 2016	31 July 2016
Financial liabilities (current)		
Liabilities to banks	115,050	377,014
Loans	126,247	141,401
Liabilities to associates and related parties	49,434	49,549
Liabilities for customer rebates and bonuses	35,766	36,935
ABS and factoring liabilities	387,840	530,248
Other financial liabilities	20,459	28,489
	734,796	**1,163,636**

In connection with the loan agreements, it was agreed to comply with certain financial covenants, all of which were met in the first half-year of 2016/17.

Liabilities to associates and related parties include current loan liabilities to partners of EUR 49,410k (31 January 2016: EUR 49,412k), resulting mainly from interest on the supplementary partner contribution.

Other financial liabilities (non-current) contain non-current derivative financial instruments of EUR 308k (31 January 2016: EUR 370k).

Other financial liabilities (current) contain current derivative financial instruments of EUR 495k (31 January 2016: EUR 398k).

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 2016 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	34,578	0	0	0	34,578	34,578
Trade receivables	2,679,275	0	0	0	0	2,679,275	2,679,275
Loans to and receivables from associates or related parties	12,125	0	0	0	0	12,125	12,125
Other loans	61,234	0	0	0	0	61,234	61,274
Derivative financial assets without hedge accounting	0	0	0	11,540	0	11,540	11,540
Other financial assets	136,053	0	0	0	0	136,053	136,147
Cash and cash equivalents	262,563	0	0	0	0	262,563	262,563

31 January 2016 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	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	11,520	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

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 (31 January 2016: between 0.62 and 1.2). A 10 % increase in the multipliers would increase the value by EUR 4,234k (31 January 2016: EUR 4,234k); a 10 % decrease in the multipliers would decrease the value by EUR 4,227k (31 January 2016: EUR 4,227k).

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

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

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

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

31 July 2016	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	378,820	0	0	0	378,820	378,820
Bonds	593,394	0	0	0	593,394	658,353
Loans	141,515	0	0	0	141,515	141,515
Trade payables	3,267,402	0	0	0	3,267,402	3,267,402
Liabilities to associates and related parties	49,549	0	0	0	49,549	49,549
Liabilities and provisions for customer rebates and bonuses	36,935	0	0	0	36,935	36,935
ABS and factoring liabilities	530,248	0	0	0	530,248	530,248
Other financial liabilities	23,169	0	15,330	0	38,499	38,499
Derivative financial liabilities without hedge accounting	0	716	0	0	716	716
Derivative financial liabilities with hedge accounting	0	0	87	0	87	87

31 January 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
Derivative financial liabilities with hedge accounting	0	0	0	0	0	0

The fair value of bonds is determined by multiplying the face value of the bond with the quoted market price at 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.

	Financial instruments measured at fair value			
EUR k	Level 1	Level 2	Level 3	Total
31 July 2016				
Available-for-sale financial assets	0	0	31,894	31,894
Derivative financial assets without hedge accounting	0	11,540	0	11,540
Derivative financial liabilities without hedge accounting	0	716	0	716
Derivative financial liabilities with hedge accounting	0	87	0	87
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
Derivative financial liabilities with hedge accounting	0	0	0	0

The fair value of available-for-sale assets measured at cost of EUR 2,684k (31 January 2016: EUR 3,491k) has not been disclosed because the fair value cannot be measured reliably.

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

EUR k	Available-for-sale financial assets
1 February 2016	**31,165**
Total gains and losses recognised in accumulated other comprehensive income	0
Purchase	729
Sale of shares	0
thereof recognised in the income statement	0
31 July 2016	**31,894**

Contingent liabilities
As of 31 July 2016, PHOENIX recorded contingent liabilities for guarantees of EUR 91,240k (31 January 2016: EUR 89,413k).

Notes to the statement of cash flows

EUR k	31 Jan. 2016	31 July 2016
Restricted cash		
Cash and cash equivalents at the end of the period	367,881	262,563
thereof restricted		
due to security deposits	8,299	7,610
due to restrictions placed upon foreign subsidiaries	11,812	11,052

Related party disclosures
A related party granted PHOENIX a loan in the first half-year of 2016/17. The loans amounted to EUR 40,000k, were fully repaid during the reporting period and interest expenses of EUR 14k were incurred on them.

Beyond that, the business relationships with related parties presented in the consolidated financial statements as of 31 January 2016 remained essentially unchanged in the first half year of 2016/17.

Mannheim, 6 September 2016

The Management Board of the unlimited partner
PHOENIX Verwaltungs GmbH

Financial calendar 2016

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

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