SERVING HEALTH

Quarterly report
February to October 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.

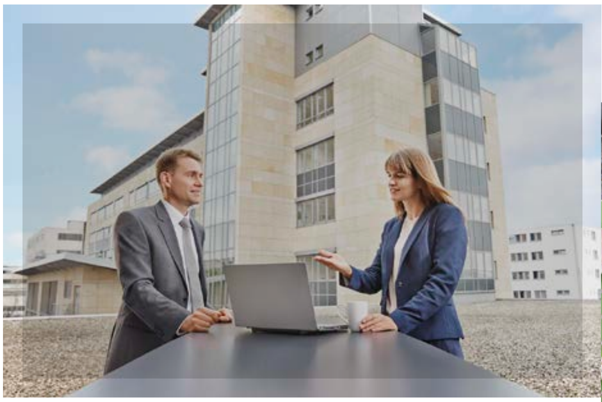
> **In pharmaceutical wholesale,** the PHOENIX group is active with 153 distribution centres in 26 European countries and supplies pharmacies and medical institutions with drugs and other health products. Numerous other products and services for pharmacy customers complete the portfolio – from support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

> **In pharmacy retail,** the PHOENIX group is active in 13 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

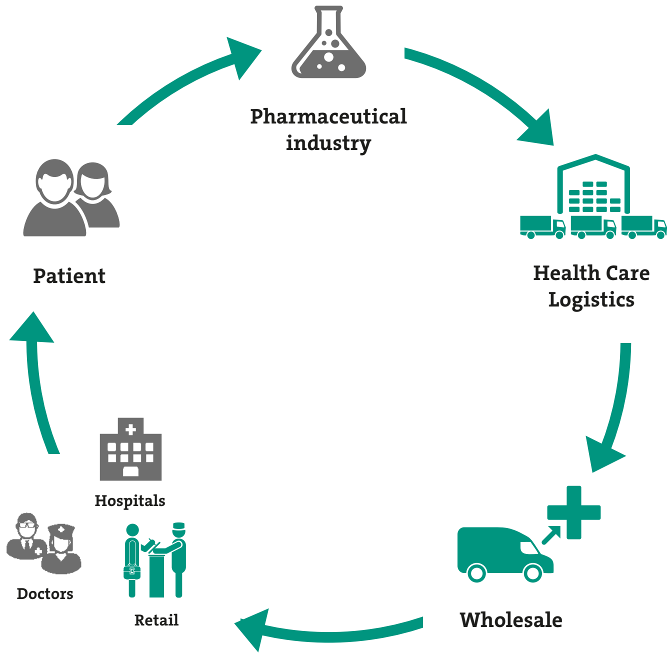


DEVELOPING MARKETS

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 nine months at a glance

- Ongoing growth with further increase of total operating performance and revenue
- Noticable margin pressure in several markets
- Adjusted profit after tax slightly below prior year's figure
- Mediq Apotheken Nederland B.V. integration process is on track
- Market entry in wholesale and retail in Montenegro
- Fitch increased the outlook for the PHOENIX group from stable to positive and affirmed the BB rating

Key figures of the PHOENIX group		1st nine months 2015	1st nine months 2016
Total operating performance	in €m	21,239.3	22,345.7
Revenue	in €m	17,372.7	18,034.6
Total income	in €m	1,775.6	1,866.0
EBITDA	in €m	340.1	294.6
EBIT	in €m	255.3	204.2
Profit after tax (adjusted for foreign exchange rate effects, integration costs Mediq and tax audit prior years)	in €m	154.8	143.4

		31 Oct. 2015	31 Jan. 2016	31 Oct. 2016
Equity	in €m	2,672.6	2,726.5	2,772.8
Equity ratio	in %	35.0	35.1	33.4
Net debt	in €m	1,492.3	1,121.6	1,864.2

Interim group management report

Business and economic environment

Development of the market

The European economy could continue its trend of growth in the third quarter of 2016. In the Eurozone, the seasonally adjusted GDP increased by 1.6 % in the third quarter of 2016 compared to prior year's third quarter. In Germany, the seasonally and calendar adjusted GDP increased by 1.7 % compared to the third quarter of 2015.

Overall, the European pharmaceutical markets continued their growth in the third quarter of 2016. The German pharmaceutical market also showed a growth. The total turnover of the German wholesale pharmaceutical market grew by 1.7 % from January to October 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 5.2 % (adjusted for foreign exchange rate effects 6.4 %); revenue grew by 3.8 %.

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.

As of 25 October 2016, the PHOENIX group has acquired the pharmaceutical wholesaler Farmegra d.o.o. and the national pharmacy chain Apoteka Lijek PZU in Montenegro. The antitrust authorities had approved the transaction.

Results of operations

In the first nine months of 2016/17, total operating performance, comprising revenue and handled volume which cannot be recognised as revenue, increased by 5.2 % to €22,345.7 million. Adjusted for foreign exchange rate effects, total operating performance grew by 6.4 %.

Revenue grew by €661.9 million (3.8 %) to €18,034.6 million (comparative period: €17,372.7 million). Adjusted for foreign exchange rate effects, revenue grew by 5.1 %. 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 €96.0 million to €1,765.5 million. The gross profit margin increased to 9.8 % (comparative period: 9.6 %).

Other operating income came to €100.4 million and was slightly below prior year's amount (€106.1 million).

Personnel expenses increased by 9.2 % to €944.7 million. This is mainly due to acquisitions, the impact of collective salary increases, and the growth in business.

Other expenses rose by €56.2 million to €629.1 million. In addition to acquisition effects, this is mainly due to increased transportation costs, lease costs and other taxes. In relation to revenue, other expenses came to 3.5 % (comparative period: 3.3 %).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) decreased by €45.5 million to €294.6 million as total expenses grew at a higher rate than gross profit. €11.6 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. as well as the NHS funding cuts in the United Kingdom had a negative impact.

The PHOENIX group's indicator used for comparison with net debt (adjusted EBITDA) came to €303.9 million and is determined as follows:

EUR k	1st nine months 2015	1st nine months 2016
EBITDA	340,066	294,553
Interest from customers	8,623	7,408
Expenses related to ABS/factoring	2,251	1,921
Adjusted EBITDA	**350,940**	**303,882**

Depreciation and amortisation came to €90.3 million and were slightly above prior year's level.

The financial result improved compared to prior period's result by €4.5 million to €–33.3 million. The improvement is mainly due to a further decreased interest level.

The effective tax rate in the first nine months of 2016/17 came to 37.7 % and was 31.2 % in the comparative period.

Profit after tax was €106.5 million (comparative period: €149.7 million). Of this, €15.1 million is attributable to non-controlling interests (comparative period: €14.2 million). Profit after tax adjusted for one-time costs in connection with the acquisition of Mediq Apotheken Nederland B.V., foreign exchange rate effects and tax audit prior years, decreased by €11.4 million to €143.4 million compared to prior year.

Net assets

The Group's total assets increased by 6.9 % to €8,311.2 million compared to 31 January 2016. This is mainly due to the acquisition of Mediq Apotheken Nederland B.V. The currency translation difference on the total assets, which is presented in the statement of changes in equity, amounts to €–111.6 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 €393.2 million to €2,958.5 million. The increase is mainly related to intangible assets. Intangible assets contain goodwill with an amount of €1,587.4 million (31 January 2016: €1,184.2 million) which rose due to acquisitions.

Inventories increased compared to 31 January 2016 by €184.6 million to €2,165.9 million. This increase is mainly due to seasonal fluctuation.

Trade receivables increased slightly by 4.7 % to €2,660.0 million. As of 31 October 2016, receivables of €23.5 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 €173.9 million had been sold as of 31 October 2016 (31 January 2016: €164.2 million). The Group's continuing involvement came to €7.6 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 €190.4 million and mainly include receivables from factoring and ABS transactions of €43.3 million (31 January 2016: €30.6 million) as well as receivables from rebates and bonuses of €75.9 million (31 January 2016: €55.4 million).

Other current assets increased from €108.8 million as of 31 January 2016 to €136.9 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 €35.8 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 €293.8 million and was €39.2 million below prior year's level. The increase in working capital of €448.2 million was €163.4 million lower than in the comparative period. Cash flow from operating activities increased by €124.2 million to €−154.5 million.

Cash flow from investing activities came to €−419.2 million and was €−114.9 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 €755.0 million (31 January 2016: 604.3 million). As at 31 October 2016, non-current financial liabilities contain, among others, bonds of €593.8 million (31 January 2016: €592.7 million) and promissory note bonds issued in August 2016 with a total nominal amount of €150.0 million, a term of up to seven years and a carrying amount of €149.6 million (31 January 2016: €0.0 million).

Current financial liabilities increased by €367.8 million to €1,102.6 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 €341.6 million (31 January 2016: €115.1 million), liabilities from ABS and factoring agreements with an amount of €511.0 million (31 January 2016: €387.8 million) as well as other loans amounting to €138.3 million (31 January 2016: €126.2 million).

Trade payables decreased by €89.1 million to €2,958.3 million.

Other liabilities declined from €258.5 million as of 31 January 2016 to €248.6 million mainly due to lower liabilities from VAT and other taxes.

Overall, the PHOENIX group was able to underline its position in the first nine 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 a decline of the adjusted EBITDA for 2016/17.

The equity ratio is expected to decrease slightly, mainly due to actuarial losses related to pension obligations, foreign exchange rate effects and an increase in total assets owing to the Mediq acquisition.

Interim condensed consolidated financial statements

Consolidated income statement

for the first nine months of 2016/17

EUR k	3rd quarter 2015	3rd quarter 2016	1st nine months 2015	1st nine months 2016
Revenue	**5,698,179**	**6,137,375**	**17,372,699**	**18,034,596**
Cost of purchased goods and services	−5,148,612	−5,528,211	−15,703,177	−16,269,084
Gross profit	**549,567**	**609,164**	**1,669,522**	**1,765,512**
Other operating income	38,503	36,008	106,075	100,448
Personnel expenses	−280,430	−324,942	−864,994	−944,722
Other operating expenses	−187,226	−228,373	−572,909	−629,149
Results from associates and joint ventures	1,146	638	2,259	2,021
Result from other investments	50	114	113	443
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**121,610**	**92,609**	**340,066**	**294,553**
Amortisation of intangible assets and depreciation of property, plant and equipment	−28,369	−31,629	−84,718	−90,307
Earnings before interest and taxes (EBIT)	**93,241**	**60,980**	**255,348**	**204,246**
Interest income	3,825	3,079	11,398	9,547
Interest expenses	−16,287	−14,492	−47,714	−40,769
Other financial result	−238	672	−1,517	−2,104
Financial result	**−12,700**	**−10,741**	**−37,833**	**−33,326**
Profit before tax	**80,541**	**50,239**	**217,515**	**170,920**
Income taxes	−23,075	−27,991	−67,865	−64,437
Profit for the period	**57,466**	**22,248**	**149,650**	**106,483**
thereof attributable to non-controlling interests	4,705	5,358	14,243	15,146
thereof attributable to owners of the parent company	52,761	16,890	135,407	91,337

Consolidated statement of comprehensive income

for the first nine months of 2016/17

EUR k	3rd quarter 2015	3rd quarter 2016	1st nine months 2015	1st nine months 2016
Profit after tax	**57,466**	**22,248**	**149,650**	**106,483**
Items not reclassified to the income statement				
Remeasurement of defined benefit plans	25,600	−33,102	22,993	−53,578
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	−1	0	0
Reclassification adjustments	−99	0	−99	0
Currency translation differences	−9,195	−23,010	27,691	−62,404
Other comprehensive income, net of taxes	**16,306**	**−56,113**	**50,585**	**−115,982**
Total comprehensive income	**73,772**	**−33,865**	**200,235**	**−9,499**
thereof attributable to non-controlling interests	5,000	6,414	15,692	14,655
thereof attributable to owners of the parent company	68,772	−40,279	184,543	−24,154

Consolidated statement of financial position

as of 31 October 2016

ASSETS

EUR k	31 Jan. 2016	31 Oct. 2016
Non-current assets		
Intangible assets	1,568,886	1,929,112
Property, plant and equipment	806,449	836,850
Investment property	7,902	8,417
Investments in associates and joint ventures	15,757	17,482
Trade receivables	35	175
Other financial assets	73,121	74,273
Other assets	0	81
Deferred tax assets	89,109	92,149
Income tax receivables	4,046	0
	2,565,305	**2,958,539**
Current assets		
Inventories	1,981,327	2,165,908
Trade receivables	2,539,905	2,659,851
Income tax receivables	40,549	24,759
Other receivables and other current financial assets	168,171	190,400
Other assets	108,765	136,925
Cash and cash equivalents	367,881	139,034
	5,206,598	**5,316,877**
Non-current assets held for sale	655	35,775
Total assets	**7,772,558**	**8,311,191**

EQUITY AND LIABILITIES

EUR k	31 Jan. 2016	31 Oct. 2016
Equity		
Unlimited and limited partners' capital	1,185,000	1,185,000
Reserves	1,444,420	1,534,999
Accumulated other comprehensive income	−148,540	−264,031
Equity attributable to partners	**2,480,880**	**2,455,968**
Non-controlling interests	245,588	316,833
	2,726,468	**2,772,801**
Non-current liabilities		
Financial liabilities	604,262	754,995
Trade payables	1,243	20
Provisions for pensions and similar obligations	211,259	278,739
Other non-current provisions	2,681	1,816
Deferred tax liabilities	120,877	125,680
Other non-current liabilities	2,552	2,748
	942,874	**1,163,998**
Current liabilities		
Financial liabilities	734,796	1,102,615
Trade payables	3,046,137	2,958,240
Other provisions	28,923	35,530
Income tax liabilities	34,845	29,369
Other liabilities	258,515	248,638
	4,103,216	**4,374,392**
Liabilities directly associated with assets held for sale	0	0
Total equity and liabilities	**7,772,558**	**8,311,191**

Consolidated statement of changes in equity

for the first nine months of 2016/17

EUR k	Unlimited and limited partners' capital	Reserves
1 February 2015	**1,185,000**	**1,247,377**
Profit after tax		135,407
Accumulated other comprehensive income		0
Total comprehensive income, net of tax	**0**	**135,407**
Capital increase/reduction		–1,449
Changes in basis of consolidation		–729
Dividends		0
Other changes in equity		–150
31 October 2015	**1,185,000**	**1,380,456**
1 February 2016	**1,185,000**	**1,444,420**
Profit after tax		91,337
Accumulated other comprehensive income		0
Total comprehensive income, net of tax	**0**	**91,337**
Capital increase/reduction		0
Changes in basis of consolidation		0
Changes in the interest of consolidated companies		571
Dividends		0
Other changes in equity		–1,329
31 October 2016	**1,185,000**	**1,534,999**

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**
			135,407	14,243	149,650
26,716	−97	22,517	49,136	1,449	50,585
26,716	**−97**	**22,517**	**184,543**	**15,692**	**200,235**
			−1,449	1,449	0
			−729	−537	−1,266
			0	−7,889	−7,889
			−150	173	23
−14,693	**8,493**	**−129,860**	**2,429,396**	**243,198**	**2,672,594**
−48,480	**8,416**	**−108,476**	**2,480,880**	**245,588**	**2,726,468**
			91,337	15,146	106,483
−63,080		−52,411	−115,491	−491	−115,982
−63,080	**0**	**−52,411**	**−24,154**	**14,655**	**−9,499**
			0	67,500	67,500
			0	4,141	4,141
			571	−10,745	−10,174
			0	−7,641	−7,641
			−1,329	3,335	2,006
−111,560	**8,416**	**−160,887**	**2,455,968**	**316,833**	**2,772,801**

Consolidated statement of cash flows

for the first nine months of 2016/17

EUR k	31 Oct. 2015	31 Oct. 2016
Profit after tax	**149,650**	**106,483**
Write-downs/write-ups of fixed assets	84,718	90,307
Gain/loss from the disposal of fixed assets	−1,260	1,239
Increase/decrease in non-current provisions	−3,318	−7,891
Result from associates and other investments	−2,372	−2,464
Other non-cash expenses/income	80,047	80,295
Net interest	36,316	31,222
Taxes	67,865	64,437
Interest paid	−47,208	−38,768
Interest received	11,387	9,280
Income taxes paid	−43,103	−41,334
Dividends received	250	953
Result before changes in working capital	**332,972**	**293,759**
Changes in working capital	**−611,592**	**−448,209**
Cash inflow (+)/outflow (–) from operating activities	**−278,620**	**−154,450**
Cash paid for the purchase of consolidated companies and business units	−20,695	−315,459
Cash received from the sale of consolidated companies and business units	1,532	1,833
Cash received from the sale of fixed assets	8,292	2,630
Cash paid for investments in non-current assets	−103,997	−108,183
Cash inflow (+)/outflow (–) from investing acitivities	**−114,868**	**−419,179**

EUR k	31 Oct. 2015	31 Oct. 2016
Cash available for financing activities	**−393,488**	**−573,629**
Capital contribution from non-controlling interests	0	67,466
Payments to non-controlling interests (dividends)	−7,557	−7,026
Cash received from the issue of loans from related parties	145,000	75,000
Repayment of borrowings from related parties	−145,000	−75,000
Acquisition of additional shares in already consolidated companies	−1,132	−8,215
Increase/decrease in ABS/factoring liabilities	−19,794	113,513
Cash received from the issue of bonds and loans	190,780	429,698
Cash repayments of bonds and loans	−139,287	−249,863
Increase/decrease in finance lease liabilities	−981	−575
Cash inflow (+)/outflow (–) from financing activities	**22,029**	**344,998**
Change in cash and cash equivalents	**−371,459**	**−228,631**
Cash and cash equivalents at the beginning of the period	**567,449**	**367,881**
Exchange rate effect on cash and cash equivalents	33	−216
Cash and cash equivalents at the end of the period	**196,023**	**139,034**

Notes to the interim condensed consolidated financial statements

as of 31 October 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 October 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 October 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 October 2016 of PHOENIX were released for publication by the management of PHOENIX Pharmahandel GmbH & Co KG on 6 December 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 nine months of 2016/17
The business combinations carried out in the first nine 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 10,528k and revenue to EUR 436,460k. 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 731,397k. 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 23,425k.

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	25,705	388,920
Equity instruments	0	0	0
Acquisition-date fair value of previously held equity interest	0	0	0
Total cost	**363,215**	**25,705**	**388,920**
Intangible assets	1,748	4,091	5,839
Other non-current assets	32,846	895	33,741
Inventories	45,447	1,353	46,800
Trade receivables	71,457	3,626	75,083
Cash and cash equivalents	71,209	3,482	74,691
Other current assets	28,497	342	28,839
Disposal group classified as held for sale	26,127	0	26,127
Non-current liabilities	14,352	1,172	15,524
Current liabilities	309,888	3,845	313,733
Net assets	**−46,909**	**8,772**	**−38,137**
Non-controlling interests	4,122	0	4,122
Net assets acquired	**−51,031**	**8,772**	**−42,259**
Bargain purchase	**0**	**0**	**0**
Goodwill	**414,246**	**16,933**	**431,179**

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

Other business combinations include contingent consideration of EUR 1,369k (maximum amount expected).

The goodwill arising on those acquisitions was allocated to the cash-generating units Germany (EUR 4,262k), United Kingdom (EUR 3,862k), Norway (EUR 3.330k), Serbia (EUR 2,630k), Macedonia (EUR 1,533k), Czech Republic (EUR 898k) and Hungary (EUR 418k) and is managed in the local functional currencies (EUR, GBP, RSD, MKD, CZK and HUF).

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 1,921k (comparative period: EUR 2,251k).

Financial result

EUR k	1st nine months 2015	1st nine months 2016
Interest income	11,398	9,547
Interest expenses	−47,714	−40,769
Other financial result	−1,517	−2,104
Financial result	**−37,833**	**−33,326**

Interest income includes interest from customers of EUR 7,408 k (comparative period: EUR 8,623k).

The other financial result includes exchange rate gains of EUR 31,503k (comparative period: EUR 36,768k) and exchange rate losses of EUR 68,272k (comparative period: EUR 28,464k). Changes in the market value of derivatives gave rise to income of EUR 75,524k (comparative period: EUR 84,260k) and expenses of EUR 40,322k (comparative period: EUR 94,267k).

Other assets and other liabilities

EUR k	31 Jan. 2016	31 Oct. 2016
Prepayments	60,463	75,123
Tax claims – VAT and other taxes	24,005	19,383
Sundry other assets	24,297	42,419
Other assets	**108,765**	**136,925**

EUR k	31 Jan. 2016	31 Oct. 2016
VAT and other tax liabilities	85,477	49,002
Personnel liabilities	120,897	139,796
Liabilities relating to social security/similar charges	25,280	34,660
Prepayments	11,516	11,398
Sundry other liabilities	15,345	13,782
Other liabilities	**258,515**	**248,638**

Other financial assets and other financial liabilities

The table below presents the non-current financial assets:

EUR k	31 Jan. 2016	31 Oct. 2016
Trade receivables, non-current	35	175
Other financial assets		
Available-for-sale financial assets	34,656	35,372
Loans to and receivables from associates	5,022	5,022
Other loans	32,380	33,000
Other non-current financial assets	1,063	879
	73,121	**74,273**

The table below presents the current financial assets:

EUR k	31 Jan. 2016	31 Oct. 2016
Trade receivables	2,539,905	2,659,851
Other financial assets		
Loans to and receivables from associates or related parties	6,498	7,894
Other loans	28,702	25,088
Derivative financial instruments	8,128	9,979
Other current financial assets	124,843	147,439
	168,171	**190,400**

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

EUR k	31 Jan. 2016	31 Oct. 2016
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IAS 39		
Volume of receivables	415,163	566,150
Financial liability	380,500	503,376
Continuing involvement		
Volume of receivables	164,233	173,882
Continuing involvement	7,292	7,590
Financial liability	7,340	7,638
Transferred and fully derecognised receivables		
Volume of receivables	24,831	23,451
Retentions of title	30,620	43,276

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

EUR k	31 Jan. 2016	31 Oct. 2016
Financial liabilities (non-current)		
Liabilities to banks	1,179	150,562
Bonds	592,696	593,751
Loans	65	105
Other financial liabilities	10,322	10,577
	604,262	**754,995**

EUR k	31 Jan. 2016	31 Oct. 2016
Financial liabilities (current)		
Liabilities to banks	115,050	341,587
Loans	126,247	138,272
Liabilities to associates and related parties	49,434	49,620
Liabilities for customer rebates and bonuses	35,766	38,919
ABS and factoring liabilities	387,840	511,014
Other financial liabilities	20,459	23,203
	734,796	**1,102,615**

In connection with the loan agreements, it was agreed to comply with certain financial covenants, all of which were met in the first nine months 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 279k (31 January 2016: EUR 370k).

Other financial liabilities (current) contain current derivative financial instruments of EUR 543k (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 October 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	35,372	0	0	0	35,372	35,372
Trade receivables	2,660,026	0	0	0	0	2,660,026	2,660,026
Loans to and receivables from associates or related parties	12,916	0	0	0	0	12,916	12,916
Other loans	58,088	0	0	0	0	58,088	58,128
Derivative financial assets without hedge accounting	0	0	0	9,979	0	9,979	9,979
Other financial assets	148,318	0	0	0	0	148,318	148,413
Cash and cash equivalents	139,034	0	0	0	0	139,034	139,034

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 October 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	492,149	0	0	0	492,149	492,527
Bonds	593,751	0	0	0	593,751	656,784
Loans	138,377	0	0	0	138,377	138,377
Trade payables	2,958,260	0	0	0	2,958,260	2,958,260
Liabilities to associates and related parties	49,620	0	0	0	49,620	49,620
Liabilities and provisions for customer rebates and bonuses	38,919	0	0	0	38,919	38,919
ABS and factoring liabilities	511,014	0	0	0	511,014	511,014
Other financial liabilities	17,444	0	15,514	0	32,958	32,958
Derivative financial liabilities without hedge accounting	0	745	0	0	745	745
Derivative financial liabilities with hedge accounting	0	0	77	0	77	77

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 October 2016				
Available-for-sale financial assets	0	0	32,670	32,670
Derivative financial assets without hedge accounting	0	9,979	0	9,979
Derivative financial liabilities without hedge accounting	0	745	0	745
Derivative financial liabilities with hedge accounting	0	77	0	77
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 2,702k (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	1,505
Sale of shares	0
thereof recognised in the income statement	0
31 October 2016	**32,670**

Contingent liabilities

As of 31 October 2016, PHOENIX recorded contingent liabilities for guarantees of EUR 87,375k (31 January 2016: EUR 89,413k).

Notes to the statement of cash flows

EUR k	31 Jan. 2016	31 Oct. 2016
Restricted cash		
Cash and cash equivalents at the end of the period	367,881	139,034
thereof restricted		
due to security deposits	8,299	6,358
due to restrictions placed upon foreign subsidiaries	11,812	11,916

Related party disclosures

A related party granted PHOENIX loans in the nine months of 2016/17. The loans amounted to EUR 75,000k, were fully repaid during the reporting period and interest expenses of EUR 23k 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 nine months of 2016/17.

Mannheim, 6 December 2016

The Management Board of the unlimited partner
PHOENIX Verwaltungs GmbH

Financial calendar 2017

23 May 2017	Annual report 2016/17
27 June 2017	Quarterly report February to April 2017
27 September 2017	Half-year report February to July 2017
21 December 2017	Quarterly report February to October 2017

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