

# LETTER FROM THE CHIEF EXECUTIVE OFFICER OF THE PHOENIX GROUP

**Dear Ladies and Gentlemen,**

Since November 2019, I have led the company together with my colleagues on the Executive Board. I am delighted that the Supervisory Board and the shareholders of the PHOENIX group have placed their trust in me. Over the years, I have become familiar with the trade business from a range of different perspectives and would like to use my experience to benefit the PHOENIX group.

In my first few months as Chief Executive Officer, I visited numerous PHOENIX group countries in Europe. During these visits, I held open and intensive discussions on the specific features of the national healthcare markets and the different regulatory and economic conditions of the individual countries. In the process, it became clear to me that the European markets are in an unprecedented state of upheaval. In many markets, there is substantial pressure on our margins in wholesale and retail. At the same time, the expectations of our customers and patients are changing as a result of increasing digitalisation.

As the European market leader in pharmaceutical wholesale and Europe's biggest pharmacy operator, the PHOENIX group is currently in a strong position, due in no small part to the success of the PHOENIX Pharmacy Partnership. With more than 13,500 members in our cooperation and partner programmes in 16 countries, it is the largest European network of independent pharmacies.

In fiscal year 2019/20, the PHOENIX group operated in a challenging environment. The results of the past year create a solid foundation for the ongoing growth of our company. The key financial figures thus developed positively once again: revenue increased to €27.3 billion, an increase of 5.9 per cent. Total operating performance, the key figure relevant to pharmaceutical wholesale, rose by 4.5 per cent to €34.5 billion. Earnings before interest, taxes, depreciation, and amortisation (EBITDA excluding IFRS 16) experienced stable development, reaching €469.8 million.

In the past year, we continued to work on improving the efficiency of our logistics infrastructure. Investments such as those made in Køge, Denmark, represent an important pillar in this respect. Scandinavia's largest logistics centre for drugs and health products is also the largest single investment in the PHOENIX group's infrastructure, at around €80 million. This centre further optimises our supply chain and makes drugs available for patients more quickly than before.

Thanks to our integrated positioning across Europe, we are able to offer a broad range of products and services. We are in a good starting position to identify gaps in the market and new avenues for business activity, as well as to actively drive forward trends and innovations in the healthcare industry. We want to expand the PHOENIX group's position in pharmaceutical wholesale and pharmacy retail, and continuously expand the range of services we provide to our customers.

In order to achieve this, we are refining the company's strategy. We are placing an even stronger focus on a corporate culture that is geared towards the end customers, in conjunction with consistent cost awareness and profit-oriented growth. In doing so, market leadership, customer satisfaction, and efficiency are top priorities for us. The following elements are particularly important:

- We are strengthening our core business in pharmaceutical wholesale with a commitment to providing central basic services, such as the fast, reliable, and secure supply of drugs and health products, across Europe. To fulfil this aim, we will further increase our operational excellence, combined with cost efficiency, and leverage potential through even more consistent process optimisation.
- We are expanding cross-border and interdisciplinary cooperation to ensure outstanding performance, promoting a proactive, open, and forward-looking exchange of knowledge and experience. This means working in an even more integrated way across the company.

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**SVEN SEIDEL**  
Chief Executive Officer

- We are taking advantage of the opportunities presented to us by digitalisation in order to intensify our focus on end customers and bring us even closer to them. The key to success is to keep inspiring all our customer groups across Europe.
- We promote sustainable business and are continuing to develop the sustainability goals published in 2019. Economic efficiency and cost leadership, as well as the conservation of environmental resources, often go hand in hand.

» Together, we can drive forward the company's successful growth and promote stable healthcare in Europe!

As a healthcare provider in the areas of Pharmaceutical Wholesale, Pharmacy Retail, Health Logistics, and Services, the PHOENIX group plays a meaningful role in the provision of healthcare to millions of people throughout Europe. With our strong commitment, we fulfil this huge responsibility every single day. This becomes especially clear in times of a pandemic, such as the coronavirus crisis. Despite the difficult conditions, we constantly guarantee the fast, secure, and reliable supply of drugs to community pharmacies, hospitals, doctors, and consumers.

We are positive about the future: We will continue on the path we have forged and optimise the company successfully and sustainably with the help of our refined strategy. We can only achieve this with the best employees on board. My colleagues on the Executive Board and I would like to thank you all for your tireless dedication and high levels of motivation in these extremely challenging times. It is impressive to see how PHOENIX is operating as a team in coping with this pandemic throughout Europe and how the employees are supporting one another. That is a true sign of solidarity! We would also like to thank all our business partners, the Supervisory Board, and the shareholders. Together, we can drive forward the company's successful growth and promote stable healthcare in Europe!

Mannheim, May 2020  
Sincerely,

Sven Seidel  
Chief Executive Officer PHOENIX Pharma SE