

QUARTERLY- REPORT

FEBRUARY – OCTOBER 2018



a PHOENIX company

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THE FIRST NINE MONTHS AT A GLANCE

- Total operating performance and revenue increased again
- Increase of adjusted EBITDA
- Further increase in the equity ratio
- Acquisition of Farmexim and Help Net in Romania completed

Key figures of the PHOENIX Pharmahandel GmbH & Co KG		1st nine months 2017/18	1st nine months 2018/19
Total operating performance	in EUR m	23,398.7	24,408.1
Revenue	in EUR m	18,496.5	19,052.3
Total income	in EUR m	1,960.4	2,031.5
Adjusted EBITDA	in EUR m	334.3	337.0
EBITDA	in EUR m	322.3	308.2
EBIT	in EUR m	223.7	206.4
Profit after tax	in EUR m	136.2	117.5

		31 Oct. 2017	31 Jan. 2018	31 Oct. 2018
Equity	in EUR m	2,779.1	2,840.0	3,371.8
Equity ratio	in %	32.5	34.1	37.0
Net debt	in EUR m	1,826.2	1,569.1	1,763.8

INTERIM GROUP MANAGEMENT REPORT

BUSINESS AND ECONOMIC ENVIRONMENT

Development of the market

The European economy could continue its growth trend in the third quarter of 2018. In the eurozone, seasonally adjusted GDP increased by 1.7% in the third quarter of 2018 compared to prior year's third quarter. In Germany, the seasonally and calendar adjusted GDP increased by 1.1% compared to the third quarter of 2017.

Overall, the European pharmaceutical markets continued their moderate growth trend in the third quarter of 2018. The German pharmaceutical market also showed growth. The total turnover of the German wholesale pharmaceutical market grew by 3.3% from January to October 2018 compared to the same period of the prior year. The increase was mainly due to higher prescription and OTC pharmaceuticals revenues. Market growths 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 nine months of 2018/19, business combinations led to a cash outflow of EUR 131.4m (comparative period: EUR 28.9m). The acquisitions pertained to a wholesaler and a pharmacy chain in Romania, a pharmacy chain in Serbia and pharmacies in several countries.

Results of operations

In the first nine months of 2018/19, total operating performance, comprising revenue and handled volume that cannot be recognised as revenue but are charged as a service fee, increased by 4.3% to EUR 24,408.1m. Adjusted for foreign exchange rate effects, total operating performance grew by 5.2%.

Revenue grew by EUR 555.8m (3.0%) to EUR 19,052.3m (comparative period: EUR 18,496.5m). The increase is mainly due to increased revenue in Eastern Europe and Germany. Adjusted for foreign exchange rate effects, revenue grew by 3.6%.

Gross profit increased by EUR 77.2m to EUR 1,917.5m. The gross profit margin came to 10.1% (comparative period: 10.0%).

Personnel expenses increased by 5.3% to EUR 1,048.1m. This is mainly due to the impact of collective salary increases, acquisitions and the growth in business.

Other expenses rose by EUR 40.2m to EUR 684.9m. This is mainly due to a one-time effect in connection with the sale of a company, increased communication and IT costs, lease costs and consultancy costs. In relation to revenue, other expenses came to 3.6% (comparative period: 3.5%).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) declined by EUR 14.1m to EUR 308.2m, mainly due to non-recurring effects.

An EBITDA figure adjusted for interest from customers, expenses related to ABS and factoring and other non-recurring effects (adjusted EBITDA) came to EUR 337.0m and is determined as follows:

EUR k	1st nine months 2017/18	1st nine months 2018/19	Change EUR k	Change %
EBITDA	322,287	308,238	- 14,049	- 4.4
Interest from customers	7,569	6,968	- 601	- 7.9
Expenses related to ABS/factoring	1,168	1,122	- 46	- 3.9
Other non-recurring effects	3,277	20,717	17,440	532.2
Adjusted EBITDA	334,301	337,045	2,744	0.8

Depreciation and amortisation came to EUR 101.9m and were slightly above the prior year's level.

The financial result came to EUR - 24.2m and was EUR - 31.6m in the comparative period, which is mainly due to an increased interest result.

The effective tax rate in the first nine months of 2018/19 came to 35.5% and was 29.1% in the comparative period.

Profit after tax was EUR 117.5m (comparative period: EUR 136.2m). Of this, EUR 26.4m is attributable to non-controlling interests (comparative period: EUR 20.6m).

Net assets

The group's total assets increased due to acquisitions by 9.3% to EUR 9,111.4m compared to 31 January 2018. The currency translation difference on the total assets, which is presented in the statement of changes in equity, amounts to EUR - 107.8m (31 January 2018: EUR - 96.3m).

Compared to 31 January 2018, non-current assets increased by EUR 172.5m to EUR 3,262.5m. The increase is particularly related to intangible assets. The intangible assets contain goodwill with an amount of EUR 1,723.4m (31 January 2018: EUR 1,600.2m) which had risen due to acquisitions.

Inventories increased compared to 31 January 2018 by EUR 301.6m to EUR 2,432.3m. Besides acquisition effects, the increase is mainly due to seasonal fluctuation.

Trade receivables decreased by 2.9% to EUR 2,615.6m. As of 31 October 2018, receivables of EUR 230.2m (31 January 2018: EUR 61.2m) had been sold under ABS and factoring programmes that are not accounted for in the statement of financial position. Under ABS and factoring programmes that are accounted for only to the extent of the continuing involvement, receivables of EUR 177.3m had been sold as of 31 October 2018 (31 January 2018: EUR 177.1m). The group's continuing involvement came to EUR 8.2m (31 January 2018: EUR 8.2m).

Other current receivables and other current financial assets increased from EUR 167.1m as of 31 January 2018 to EUR 484.7m and mainly include a purchase price receivable to PHOENIX Pharma SE of EUR 341.9m (31 January 2018: EUR 0.0m), loans granted to customers of EUR 46.8m (31 January 2018: EUR 32.5m) as well as receivables from factoring and ABS transactions of EUR 50.5m (31 January 2018: EUR 30.8m).

Other current assets increased from EUR 112.1m as of 31 January 2018 to EUR 171.1m, 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 531.8m compared to 31 January 2018. Besides the earned result amounting to EUR 117.5m, the increase is mainly due to the proceeds from the sale of treasury shares of EUR 266.5m as well as the waiver by the shareholders of EUR 192.3m of debt in connection with accumulated interests on the supplementary partners contribution. The equity ratio as of 31 October 2018 came to 37.0% (31 January 2018: 34.1%).

Cashflow from operating activities came to EUR –62.7m (comparative period: EUR –110.4m) which was largely affected by a lower increase of EUR 61.5m in working capital compared to the comparative period. Cashflow from investing activities came to EUR –134.5m and was EUR –145.6m in the comparative period. Investing activities mainly pertained to the acquisition of Farmexim S.A. and Help Net Farma S.A. in Romania as well as to the acquisition of property, plant and equipment. The partial repayment of a purchase price receivable granted to PHOENIX Pharma SE of EUR 86.9m had a positive effect.

Non-current financial liabilities came to EUR 664.0m (31 January 2018: EUR 655.8m). As at 31 October 2018, non-current financial liabilities contain, among others, bonds of EUR 497.3m (31 January 2018: EUR 496.3m) and promissory note bonds of EUR 149.7m (31 January 2018: EUR 149.5m).

Current financial liabilities came to EUR 867.4m (31 January 2018: EUR 821.3m) and include, among others, liabilities to banks of EUR 415.4m (31 January 2018: EUR 179.3m), liabilities from ABS and factoring agreements with an amount of EUR 293.6m (31 January 2018: EUR 415.0m) as well as other loans amounting to EUR 130.9m (31 January 2018: EUR 116.0m).

Trade payables increased by EUR 209.3m to EUR 3,478.9m due to acquisition effects.

Overall, PHOENIX was able to underline its position in the first nine months of 2018/19 as a leading healthcare provider in Europe.



See the Consolidated
Statement of Cash Flows
(p. 12).

RISKS AND OPPORTUNITIES

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

The risks and opportunities presented there are still essentially relevant.

FORECAST

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

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

For fiscal year 2018/19, 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 on the European pharmaceutical markets. We expect revenue growth in nearly all markets in which we are present.

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

We expect a stable development for the equity ratio.



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INTERIM
CONDENSED
CONSOLIDATED
FINANCIAL
STATEMENTS

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CONSOLIDATED INCOME STATEMENT

for the first nine months of 2018/19

EUR k	3rd quarter 2017/18	3rd quarter 2018/19	1st nine months 2017/18	1st nine months 2018/19
Revenue	6,199,340	6,487,233	18,496,509	19,052,286
Cost of purchased goods and services	- 5,586,226	- 5,835,391	- 16,656,276	- 17,134,819
Gross profit	613,114	651,842	1,840,233	1,917,467
Other operating income	41,999	42,822	120,181	114,071
Personnel expenses	- 328,867	- 357,896	- 995,173	- 1,048,113
Other operating expenses	- 216,601	- 235,104	- 644,775	- 684,926
Results from associates and joint ventures	445	8,823	1,813	9,597
Result from other investments	2	48	8	142
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	110,092	110,535	322,287	308,238
Amortisation of intangible assets and depreciation of property, plant and equipment	- 32,907	- 34,672	- 98,550	- 101,857
Earnings before interest and taxes (EBIT)	77,185	75,863	223,737	206,381
Interest income	2,910	4,971	9,412	11,748
Interest expenses	- 12,625	- 12,567	- 41,217	- 36,653
Other financial result	192	1,175	157	694
Financial result	- 9,523	- 6,421	- 31,648	- 24,211
Profit before tax	67,662	69,442	192,089	182,170
Income taxes	- 20,187	- 27,470	- 55,898	- 64,670
Profit for the period	47,475	41,972	136,191	117,500
thereof attributable to non-controlling interests	6,669	7,936	20,633	26,402
thereof attributable to owners of the parent company	40,806	34,036	115,558	91,098

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the first nine months of 2018/19

EUR k	3rd quarter 2017/18	3rd quarter 2018/19	1st nine months 2017/18	1st nine months 2018/19
Profit after tax	47,475	41,972	136,191	117,500
Items not reclassified to the income statement				
Remeasurement of defined benefit plans	-17,442	-10	-15,194	-554
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	-101	0
Currency translation differences	5,329	-2,343	-5,640	-9,438
Other comprehensive income, net of taxes	-12,113	-2,353	-20,935	-9,992
Total comprehensive income	35,362	39,619	115,256	107,508
thereof attributable to non-controlling interests	6,381	8,047	20,119	26,175
thereof attributable to owners of the parent company	28,981	31,572	95,137	81,333

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 October 2018

ASSETS

EUR k	31 Jan. 2018 ¹⁾	31 Oct. 2018
Non-current assets		
Intangible assets	1,975,766	2,113,705
Property, plant and equipment	915,136	943,504
Investment property	10,596	10,123
Investments in associates and joint ventures	14,726	9,426
Trade receivables	16	315
Other financial assets	95,008	97,143
Deferred tax assets	78,768	88,307
	3,090,016	3,262,523
Current assets		
Inventories	2,130,706	2,432,285
Trade receivables	2,693,262	2,615,239
Income tax receivables	31,282	28,333
Other receivables and other current financial assets	167,061	484,654
Other assets	112,302	171,052
Cash and cash equivalents	104,415	110,523
	5,239,028	5,842,086
Non-current assets held for sale	5,507	6,753
Total assets	8,334,551	9,111,362

¹⁾ Prior-year figures were restated due to the finalisation of a purchase price allocation.

EQUITY AND LIABILITIES

EUR k	31 Jan. 2018 ¹⁾	31 Oct. 2018
Equity		
Unlimited and limited partners' capital	1,000,000	1,000,000
Reserves	1,721,560	2,367,528
Accumulated other comprehensive income	- 223,564	- 251,323
Equity attributable to partners	2,497,996	3,116,205
Non-controlling interests	341,973	255,595
	2,839,969	3,371,800
Non-current liabilities		
Financial liabilities	655,783	664,038
Trade payables	2	109
Provisions for pensions and similar obligations	234,962	230,433
Other non-current provisions	1,327	1,679
Deferred tax liabilities	122,071	129,704
Other non-current liabilities	2,115	1,954
	1,016,260	1,027,917
Current liabilities		
Financial liabilities	821,264	867,431
Trade payables	3,269,572	3,478,777
Other provisions	51,729	46,291
Income tax liabilities	36,575	38,348
Other liabilities	299,182	280,798
	4,478,322	4,711,645
Liabilities directly associated with assets held for sale	0	0
Total equity and liabilities	8,334,551	9,111,362

¹⁾ Prior-year figures were restated due to the finalisation of a purchase price allocation.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the first nine months of 2018/19

EUR k	31 Oct. 2017	31 Oct. 2018
Profit after tax	136,191	117,500
Income taxes	55,898	64,670
Profit before income taxes	192,089	182,170
Adjustments for:		
Interest expenses and interest income	31,805	24,905
Amortisation / depreciation / impairment / write-ups of intangible assets, property, plant and equipment and investment property	98,550	101,857
Result from associates and other investments	-1,821	-9,739
Net result from the disposal of assets related to investing activities	-5,323	5,621
Other non-cash expense and income	62,244	82,227
	377,544	387,041
Interest paid	-37,692	-48,954
Interest received	8,765	12,099
Income taxes paid	-42,173	-55,802
Dividends received	378	282
Result before change in assets and liabilities	306,822	294,666
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	-20,156	-21,814
Result before change in operating assets and liabilities	286,666	272,852
Change in inventories	-161,737	-232,971
Change in trade receivables	-47,296	-113,141
Change in trade payables	-109,859	113,559
	-318,892	-232,553
Change in other assets and liabilities not related to investing or financing activities	-78,155	-102,999
Change in operating assets and liabilities	-397,047	-335,552
Cash flow from operating activities	-110,381	-62,700
Acquisition of consolidated companies and business units, net of cash acquired	-28,936	-131,354
Capital expenditures for intangible assets, property, plant and equipment, and investment property	-139,627	-106,056
Investment in other financial assets and non-current assets	-858	-2,339
Cash outflows for investments	-169,421	-239,749

EUR k	31 Oct. 2017	31 Oct. 2018
Cash received from the sale of consolidated companies and business units, net of cash disposed	10,543	64
Cash received from disposal of intangible assets, property, plant and equipment and investment property	12,033	2,665
Proceeds from other financial assets and non-current assets	1,220	102,541
Cash inflows from realised investments and divestments	23,796	105,270
Cash flow from investing activities	-145,625	-134,479
Cash available for financing activities	-256,006	-197,179
Capital increase / repayment	-185,000	0
Capital contribution from / repayment to non-controlling interests	-160	-4
Purchase / Sale of treasury shares	14,985	0
Acquisition of additional shares in already consolidated subsidiaries	-2,640	-3,982
Dividends paid to non-controlling interests	-9,147	-11,938
Proceeds from bond issuance and bank loans	52,137	138,139
Repayment of bonds and bank loans	-92,273	-46,261
Change in bank loans which have a maturity period of 3 months or less	246,833	116,487
Proceeds from the issue of loans from shareholders in the parent company	38,000	60,000
Repayment of loans from shareholders in the parent company	-38,000	-71,939
Proceeds from the issue of loans from related parties	172,000	300,000
Repayment of loans from related parties	-172,000	-300,000
Change in ABS / Factoring	-57,417	23,911
Change in finance lease	-420	-651
Change in other financial liabilities	-1,330	-324
Cash flow from financing activities	-34,432	203,438
Changes in cash and cash equivalents	-290,438	6,259
Effect of exchange rate changes on cash and cash equivalents	-165	-151
Cash and cash equivalents at the beginning of the period	487,861	104,415
Cash and cash at the end of the period	197,258	110,523
Less cash and cash equivalents included in assets held for sale	-1	0
Cash and cash equivalents presented in the balance sheet at the end of the period	197,257	110,523

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the first nine months of 2018/19

EUR k	Unlimited and limited partners' capital	Reserves	Currency translation differences	IAS 39 available-for-sale financial assets	Remeasurement of defined benefit plans	Equity attributable to partners	Non-controlling interests	Total equity
1 February 2017	1,185,000	1,566,327	-92,698	9,770	-140,073	2,528,326	321,438	2,849,764
Profit after tax		115,558				115,558	20,633	136,191
Accumulated other comprehensive income			-5,459	-98	-14,864	-20,421	-514	-20,935
Total comprehensive income, net of tax		115,558	-5,459	-98	-14,864	95,137	20,119	115,256
Capital increase/reduction	-185,000	14,985				-170,015		-170,015
Changes in the interest of consolidated companies		-691				-691	-1,186	-1,877
Dividends						0	-9,696	-9,696
Other changes in equity		-4,075				-4,075	-257	-4,332
31 October 2017	1,000,000	1,692,104	-98,157	9,672	-154,937	2,448,682	330,418	2,779,100
1 February 2018	1,000,000	1,721,560	-96,269	12,511	-139,806	2,497,996	341,973	2,839,969
Initial application of IFRS 9		-12,110		-12,511		-24,621	-1,385	-26,006
1 February 2018 adjusted	1,000,000	1,709,450	-96,269	0	-139,806	2,473,375	340,588	2,813,963
Profit after tax		91,098				91,098	26,402	117,500
Accumulated other comprehensive income			-9,211	0	-554	-9,765	-227	-9,992
Total comprehensive income, net of tax		91,098	-9,211	0	-554	81,333	26,175	107,508
Changes in the interest of consolidated companies		101,951	-2,300	0	-2,930	96,721	-100,214	-3,493
Sale of own shares		266,783			-253	266,530	0	266,530
Dividends							-12,909	-12,909
Other transactions with owners		199,186				199,186		199,186
Other changes in equity		-940				-940	1,955	1,015
31 October 2018	1,000,000	2,367,528	-107,780	0	-143,543	3,116,205	255,595	3,371,800

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

as of 31 October 2018

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 October 2018 are prepared on the basis of IAS 34 "Interim Financial Reporting", observing all International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, and mandatory in the EU as of 31 October 2018, as well as all mandatory interpretations of the International Financial Reporting Standards Interpretation Committee (IFRS IC).

The interim condensed consolidated financial statements as of 31 October 2018 of PHOENIX were released for publication by the management of PHOENIX Pharmahandel GmbH & Co KG on 10 December 2018.

Significant accounting policies

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

IFRS 9 Financial instruments: classification and measurement

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

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

Under IFRS 9, the classification and measurement of financial assets is determined by the company's business model and the characteristics of the cashflows of each financial asset. In the case of equity instruments held as of 1 February 2018, PHOENIX recognises future changes in their fair value through profit or loss. Participations in limited partnerships were previously reported in the category available-for-sale with changes in their fair value recognised in other comprehensive income in the statement of comprehensive income and are now classified as debt instruments with changes in their fair value recognised through profit or loss. As of the date of initial application, there was a reclassification within reserves from "IAS 39 available-for-sale financial assets" to "reserves" amounting to EUR 12,511k.

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

IFRS 15 Revenue from contracts with customers

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

IFRIC 22 Foreign currency transactions and advance considerations

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

Business combinations

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

In fiscal year 2018/19, the cumulative profit after tax of the acquirees came to EUR 1,675k and revenue to EUR 158,199k. 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 445,209k. 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 3,519k.

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

Fair value recognised on acquisition

EUR k	Wholesale and retail Romania	Other	Total
Cash and cash equivalents	122,315	27,777	150,092
Equity instruments	0	0	0
Acquisition-date fair value of previously held equity interest	0	0	0
Total cost	122,315	27,777	150,092
Intangible assets	17,795	35	17,830
Other non-current assets	68,707	1,421	70,128
Inventories	60,061	5,008	65,069
Trade receivables	104,639	2,781	107,420
Cash and cash equivalents	9,508	602	10,110
Other current assets	1,713	1,222	2,935
Non-current liabilities	9,540	2,524	12,064
Current liabilities	227,031	11,155	238,186
Net assets	25,852	-2,610	23,242
Non-controlling interests	1,406	0	1,406
Net assets acquired	24,446	-2,610	21,836
Bargain purchase	0	0	0
Goodwill	97,869	30,387	128,256

Wholesale and retail Romania

On 31 July 2018, PHOENIX acquired 88.8% of the voting shares in a wholesaler and 100% of the voting shares in a pharmacy chain in Romania. It is expected that PHOENIX will strengthen its market position in Europe through the market entry in Romania.

The goodwill from this business combination was allocated to the cash-generating unit Romania.

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

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 2018/19, the group acquired a pharmacy chain and further pharmacies that are individually immaterial.

EUR 3,310k of the goodwill recognised from business combinations is expected to be tax deductible.

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

Other operating expenses

Other operating expenses contain expenses in connection with ABS and factoring programmes of EUR 1,122k (comparative period: EUR 1,168k).

Financial result

EUR k	1st nine months 2017/18	1st nine months 2018/19
Interest income	9,412	11,748
Interest expenses	-41,217	-36,653
Other financial result	157	694
Financial result	-31,648	-24,211

Interest income includes interest from customers of EUR 6,968k (comparative period: EUR 7,569k).

The other financial result includes exchange rate gains of EUR 24,790k (comparative period: EUR 39,181k) and exchange rate losses of EUR 34,593k (comparative period: EUR 37,266k). Changes in the market value of derivatives gave rise to income of EUR 38,998k (comparative period: EUR 54,225k) and expenses of EUR 30,225k (comparative period: EUR 56,516k).

Other assets and other liabilities

EUR k	31 Jan. 2018 ¹⁾	31 Oct. 2018
Prepayments	62,594	87,132
Tax claims – VAT and other taxes	32,710	46,476
Sundry other assets	16,998	37,444
Other assets	112,302	171,052

¹⁾ Prior-year figures were restated due to finalisation of a purchase price allocation.

EUR k	31 Jan. 2018 ¹⁾	31 Oct. 2018
VAT and other tax liabilities	105,924	60,964
Personnel liabilities	140,225	149,805
Liabilities relating to social security/similar charges	27,763	39,161
Contract Liabilities (IFRS 15)	14,864	18,893
Sundry other liabilities	10,406	11,975
Other liabilities	299,182	280,798

¹⁾ Prior-year figures were restated due to finalisation of a purchase price allocation.

Other financial assets and other financial liabilities

The table below presents the non-current financial assets:

EUR k	31 Jan. 2018	31 Oct. 2018
Trade receivables, non-current	16	315
Other financial assets		
Equity and debt instruments	40,787	44,088
Loans to and receivables from associates	2,086	1,110
Other loans	47,482	42,673
Other non-current financial assets	4,653	9,272
	95,008	97,143

The table below presents the current financial assets:

EUR k	31 Jan. 2018	31 Oct. 2018
Trade receivables	2,693,262	2,615,239
Other financial assets		
Loans to and receivables from associates or related parties	6,926	343,164
Other loans	32,544	46,838
Derivative financial instruments	1,648	4,919
Other current financial assets	125,943	89,733
	167,061	484,654

The receivables from factoring and ABS transactions as of 31 October 2018 are presented below:

EUR k	31 Jan. 2018	31 Oct. 2018
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IAS 39		
Volume of receivables	456,747	316,294
Financial liability	405,924	284,673
Continuing involvement		
Volume of receivables	177,119	177,305
Continuing involvement	8,232	8,167
Financial liability	9,030	8,952
Transferred and fully derecognised receivables		
Volume of receivables	61,224	230,176
Retentions of title	30,834	50,487

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

EUR k	31 Jan. 2018	31 Oct. 2018
Financial liabilities (non-current)		
Liabilities to banks	149,635	149,821
Bonds	496,319	497,295
Loans	356	325
Other financial liabilities	9,473	16,597
	655,783	664,038

EUR k	31 Jan. 2018 ¹⁾	31 Oct. 2018
Financial liabilities (current)		
Liabilities to banks	179,251	415,419
Loans	115,981	130,856
Liabilities to associates and related parties	49,411	1,327
Liabilities for customer rebates and bonuses	33,119	0
ABS and factoring liabilities	414,954	293,625
Other financial liabilities	28,548	26,204
	821,264	867,431

¹⁾ Prior-year figures were restated due to finalisation of a purchase price allocation.

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 2018/19.

Liabilities to associates and related parties include current liabilities to partners of EUR 384k. In the comparative period a current loan liability to partners of EUR 49,008k was included, resulting mainly from interest on the supplementary partner contribution.

Other financial liabilities (non-current) contain non-current derivative financial instruments of EUR 191k (31 January 2018: EUR 229k).

Other financial liabilities (current) contain current derivative financial instruments of EUR 5,749k (31 January 2018: EUR 2,292k).

Information on financial instruments

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

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

31 October 2018	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	44,088	0	0	44,088	44,088
Trade receivables	2,615,554	0	0	0	2,615,554	2,615,554
Loans to and receivables from associates or related parties	344,274	0	0	0	344,274	344,257
Other loans	89,511	0	0	0	89,511	90,511
Derivative financial assets without hedge accounting	4,919	0	0	0	4,919	4,919
Other financial assets	88,041	0	0	0	88,041	88,041
Lease receivables	0	0	10,964	0	10,964	n/a
Cash and cash equivalents	110,523	0	0	0	110,523	110,523

31 January 2018	Category pursuant to IFRS 39						Carrying amount	Fair value
	Loans and receivables	Available-for-sale financial assets	Financial assets held for trading	No category according to IAS 39.9	Outside the scope of IFRS 7			
EUR k								
Assets								
Available-for-sale financial assets	0	38,070	0	0	0	38,070	38,070	
Available-for-sale financial assets at cost	0	2,717	0	0	0	2,717	n/a	
Trade receivables	2,693,278	0	0	0	0	2,693,278	2,693,278	
Loans to and receivables from associates or related parties	9,012	0	0	0	0	9,012	8,951	
Other loans	80,026	0	0	0	0	80,026	81,705	
Derivative financial assets without hedge accounting	0	0	1,648	0	0	1,648	1,648	
Other financial assets	125,059	0	0	0	0	125,059	125,059	
Lease receivables	0	0	0	5,537	0	5,537	n/a	
Cash and cash equivalents	104,415	0	0	0	0	104,415	104,415	

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

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

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

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

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

31 October 2018	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	565,240	0	0	0	565,240	565,573
Bonds	497,295	0	0	0	497,295	524,700
Loans	131,181	0	0	0	131,181	131,181
Trade payables	3,478,886	0	0	0	3,478,886	3,478,886
Liabilities to associates and related parties	1,327	0	0	0	1,327	1,327
ABS and factoring liabilities	293,625	0	0	0	293,625	293,625
Other financial liabilities at cost	19,805	0	0	0	19,805	19,805
Other financial liabilities at fair value	7,735	0	0	0	7,735	7,735
Lease liabilities	0	0	9,321	0	9,321	n/a
Derivative financial liabilities without hedge accounting	0	5,940	0	0	5,940	5,940

31 January 2018 ¹⁾	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
EUR k						
Financial liabilities						
Liabilities to banks	328,886	0	0	0	328,886	329,344
Bonds	496,319	0	0	0	496,319	534,497
Loans	116,337	0	0	0	116,337	116,337
Trade payables	3,269,574	0	0	0	3,269,574	3,269,574
Liabilities to associates and related parties	49,411	0	0	0	49,411	45,717
Liabilities and provisions for customer rebates and bonuses	33,119	0	0	0	33,119	33,119
ABS and factoring liabilities	414,954	0	0	0	414,954	414,954
Other financial liabilities at cost	18,279	0	0	0	18,279	18,279
Other financial liabilities at fair value	8,383	0	0	0	8,383	8,383
Lease liabilities	0	0	8,838	0	8,838	n/a
Derivative financial liabilities without hedge accounting	0	2,521	0	0	2,521	2,521

¹⁾ Prior-year figures were restated due to finalisation of a purchase price allocation.

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.

Financial instruments measured at fair value				
EUR k	Level 1	Level 2	Level 3	Total
31 October 2018				
Equity and debt instruments	0	0	44,088	44,088
Derivative financial assets without hedge accounting	0	4,919	0	4,919
Derivative financial liabilities without hedge accounting	0	5,940	0	5,940
Other financial liabilities	0	0	7,735	7,735

Financial instruments measured at fair value				
EUR k	Level 1	Level 2	Level 3	Total
31 January 2018¹⁾				
Available-for-sale financial assets	0	0	38,070	38,070
Derivative financial assets without hedge accounting	0	1,648	0	1,648
Derivative financial liabilities without hedge accounting	0	2,521	0	2,521
Other financial liabilities	0	0	8,383	8,383

¹⁾ Prior-year figures were restated due to the finalisation of a purchase price allocation.

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

EUR k	Equity and debt instruments	Other financial liabilities ¹⁾
1 February 2018	40,543	8,383
Purchase	1,693	0
Sale of shares	- 279	0
thereof recognised in the income statement	0	0
Issues	2,058	0
Acquisitions	0	0
Remeasurement of contingent purchase price obligations (through profit or loss)	0	0
Payments due to acquisitions	0	- 1,115
Other	73	467
31 October 2018	44,088	7,735

¹⁾ Prior-year figures were restated due to the finalisation of a purchase price allocation.

Contingent liabilities

As of 31 October 2018, PHOENIX recorded contingent liabilities for guarantees of EUR 76,475k (31 January 2018: EUR 76,674k).

Notes to the statement of cash flows

EUR k	31 Jan. 2018	31 Oct. 2018
Restricted cash		
Cash and cash equivalents at the end of the period	104,415	110,523
thereof restricted		
due to security deposits	12,638	3,535
due to restrictions placed upon foreign subsidiaries	15,162	18,672

Related party disclosures

PHOENIX granted to a related party a loan amounted to EUR 428,584k, which at the end of the reporting period amounts to EUR 341,927k. Interest income of EUR 1,250k was recognised until now.

Related parties granted PHOENIX in the first nine months of 2018/19 loans amounting to EUR 560,000k, which were all fully repaid during the reporting period and interest expenses of EUR 512k were incurred.

In October 2018, the shareholders of PHOENIX Pharmahandel GmbH & Co KG declared a waiver of debt in connection with accumulated interests on the supplementary partners contribution amounting to EUR 192,250k.

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

Mannheim, 10 December 2018

The Management Board of the unlimited partner
PHOENIX Verwaltungs GmbH

FINANCIAL CALENDAR 2019

Please consult our calendar for the most important announcement dates:

23 May 2019	Annual Report 2018/19
27 June 2019	Quarterly report February to April 2019
24 September 2019	Half-year report February to July 2019
16 December 2019	Quarterly report February to October 2019

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