

HALF-YEAR --- REPORT

FEBRUARY TO JULY 2018



a PHOENIX company

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THE FIRST HALF-YEAR AT A GLANCE

- Total operating performance and revenue increased again
- Stable development 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 half-year 2017/18	1st half-year 2018/19
Total operating performance	in EUR m	15,338.3	16,081.9
Revenue	in EUR m	12,297.2	12,565.1
Total income	in EUR m	1,305.3	1,336.9
Adjusted EBITDA	in EUR m	219.5	215.9
EBITDA	in EUR m	212.2	197.7
EBIT	in EUR m	146.6	130.5
Profit after tax	in EUR m	88.7	75.5

		31 July 2017	31 January 2018	31 July 2018
Equity	in EUR m	2,747.9	2,840.0	3,140.2
Equity ratio	in %	32.0	34.1	34.5
Net debt	in EUR m	1,636.0	1,569.1	2,021.2

INTERIM GROUP MANAGEMENT REPORT

BUSINESS AND ECONOMIC ENVIRONMENT

Development of the market

The European economy could continue its growth trend in the second quarter of 2018. In the eurozone, seasonally adjusted GDP increased by 2.2% in the second quarter of 2018 compared to prior year's second quarter. In Germany, the seasonally and calendar adjusted GDP increased by 2.0% compared to the second quarter of 2017.

Overall, the European pharmaceutical markets continued their moderate growth trend in the second 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 July 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 six months of 2018/19, business combinations led to a cash outflow of EUR 127.7m (comparative period: EUR 25.0m). The acquisitions pertained to a wholesaler and a pharmacy chain in Romania and pharmacies in several countries.

Results of operations

In the first six 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 4.8% to EUR 16,081.9m. Adjusted for foreign exchange rate effects, total operating performance grew by 5.7%.

Revenue grew by EUR 267.9m (2.2%) to EUR 12,565.1m (comparative period: EUR 12,297.2m). The increase is mainly due to increased revenue in Eastern Europe and Germany. Adjusted for foreign exchange rate effects, revenue grew by 2.8%.

Gross profit increased by EUR 38.5m to EUR 1,265.6m. The gross profit margin came to 10.0% (comparative period: 10.0%).

Personnel expenses increased by 3.6% to EUR 690.2m. This is mainly due to the impact of collective salary increases, acquisitions and the growth in business.

Other expenses rose by EUR 21.6m to EUR 449.8m. 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 14.5m to EUR 197.7m, mainly due to non-recurring effects.

EBITDA adjusted for interest from customers, expenses related to ABS and factoring and other non-recurring effects (adjusted EBITDA) came to EUR 215.9m and is determined as follows:

EUR k	1st half-year 2017/18	1st half-year 2018/19	Change EUR k	Change %
EBITDA	212,195	197,703	- 14,492	- 6.8
Interest from customers	5,036	4,528	- 508	- 10.1
Expenses related to ABS/factoring	761	741	- 20	- 2.6
Other non-recurring effects	1,524	12,910	11,386	747.1
Adjusted EBITDA	219,516	215,882	- 3,634	- 1.7

Depreciation and amortisation came to EUR 67.2m and were at prior year's level.

The financial result came to EUR - 17.8m and was EUR - 22.1m in the comparative period.

The effective tax rate in the first half-year of 2018/19 came to 33.0% and was 28.7% in the comparative period.

Profit after tax was EUR 75.5m (comparative period: EUR 88.7m). Of this, EUR 18.5m is attributable to non-controlling interests (comparative period: EUR 14.0m).

Net assets

The group's total assets increased due to acquisitions by 9.2% to EUR 9,100.8m 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 - 103.0m (31 January 2018: EUR - 96.3m).

Compared to 31 January 2018, non-current assets increased by EUR 166.7m to EUR 3,256.7m. The increase is particularly related to intangible assets. Intangible assets contain goodwill of EUR 1,720.2m (31 January 2018: EUR 1,600.2m), which had risen due to acquisitions.

Inventories increased compared to 31 January 2018 by EUR 255.0m to EUR 2,385.7m. Besides acquisition effects, the increase is mainly due to seasonal fluctuation.

Trade receivables decreased slightly by 1.5% to EUR 2,652.4m. As of 31 July 2018, receivables of EUR 53.2m (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 173.6m had been sold as of 31 July 2018 (31 January 2018: EUR 177.1m). The group's continuing involvement came to EUR 8.0m (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 543.2m and mainly include a purchase price receivable to PHOENIX Pharma SE of EUR 428.6m (31 January 2018: EUR 0.0m), loans granted to customers of EUR 43.5m (31 January 2018: EUR 32.5m) as well as receivables from factoring and ABS transactions of EUR 30.4m (31 January 2018: EUR 30.8m).

Other current assets increased from EUR 112.3m as of 31 January 2018 to EUR 140.3m, 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 300.2m compared to 31 January 2018. Besides the earned result amounting to EUR 75.5m, the increase is mainly due to the proceeds from the sale of treasury shares of EUR 266.5m. The equity ratio as of 31 April 2018 came to 34.5% (31 January 2018: 34.1%).

Cashflow from operating activities came to EUR – 83.9m (comparative period: EUR 27.9m) and was largely affected by a higher increase of EUR 103.9m in working capital compared to the comparative period. Cashflow from investing activities came to EUR – 195.5m and was EUR – 105.4m in the comparative period. Investing activities mainly pertained to the acquisition of Farmexim S.A. and Help Net Farma S.A. in Romania.

Non-current financial liabilities came to EUR 672.9m (31 January 2018: 655.8m). As at 31 July 2018, non-current financial liabilities contain, among others, bonds of EUR 497.0m (31 January 2018: EUR 496.3m) and promissory note bonds of EUR 149.6m (31 January 2018: EUR 149.5m).

Current financial liabilities came to EUR 1,251.2m (31 January 2018: EUR 821.0m) and include, among others, liabilities to banks of EUR 450.9m (31 January 2018: EUR 179.3), liabilities from ABS and factoring agreements with an amount of EUR 445.5m (31 January 2018: EUR 415.0m) as well as other loans amounting to EUR 142.6m (31 January 2018: EUR 116.0m).

Trade payables increased by EUR 67.2m to EUR 3,336.8m due to acquisition effects.

Overall, PHOENIX was able to underline its position in the first six 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 that 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 in the annual report are still essentially relevant.



www.phoenixgroup.eu/en/investor-relations/publications/annual-report-201718

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.



INTERIM
CONDENSED
CONSOLIDATED
FINANCIAL
STATEMENTS

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CONSOLIDATED INCOME STATEMENT

for the first half-year of 2018/19

EUR k	2nd quarter 2017/18	2nd quarter 2018/19	1st half-year 2017/18	1st half-year 2018/19
Revenue	6,253,197	6,370,769	12,297,169	12,565,053
Cost of purchased goods and services	- 5,632,126	- 5,723,711	- 11,070,050	- 11,299,428
Gross profit	621,071	647,058	1,227,119	1,265,625
Other operating income	37,780	35,892	78,182	71,249
Personnel expenses	- 329,661	- 346,570	- 666,306	- 690,217
Other operating expenses	- 213,202	- 229,043	- 428,174	- 449,822
Results from associates and joint ventures	849	397	1,368	774
Result from other investments	6	94	6	94
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	116,843	107,828	212,195	197,703
Amortisation of intangible assets and depreciation of property, plant and equipment	- 32,719	- 33,739	- 65,643	- 67,185
Earnings before interest and taxes (EBIT)	84,124	74,089	146,552	130,518
Interest income	3,443	4,112	6,502	6,777
Interest expenses	- 15,489	- 12,478	- 28,592	- 24,086
Other financial result	471	857	- 35	- 481
Financial result	- 11,575	- 7,509	- 22,125	- 17,790
Profit before tax	72,549	66,580	124,427	112,728
Income taxes	- 20,822	- 22,340	- 35,711	- 37,200
Profit for the period	51,727	44,240	88,716	75,528
thereof attributable to non-controlling interests	7,614	10,605	13,964	18,466
thereof attributable to owners of the parent company	44,113	33,635	74,752	57,062

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the first half-year of 2018/19

EUR k	2nd quarter 2017/18	2nd quarter 2018/19	1st half-year 2017/18	1st half-year 2018/19
Profit after tax	51,727	44,240	88,716	75,528
Items not reclassified to the income statement				
Remeasurement of defined benefit plans	306	273	2,248	- 544
Items that may subsequently be reclassified to the income statement				
Gains/losses from changes in the fair value of available-for-sale financial assets	- 102	0	- 101	0
Currency translation differences	- 17,067	- 5,743	- 10,969	- 7,095
Other comprehensive income, net of taxes	- 16,863	- 5,470	- 8,822	- 7,639
Total comprehensive income	34,864	38,770	79,894	67,889
thereof attributable to non-controlling interests	7,188	10,382	13,738	18,128
thereof attributable to owners of the parent company	27,676	28,388	66,156	49,761

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 July 2018

ASSETS

EUR k	31 Jan. 2018 ¹⁾	31 July 2018
Non-current assets		
Intangible assets	1,975,766	2,109,225
Property, plant and equipment	915,136	945,108
Investment property	10,596	10,323
Investments in associates and joint ventures	14,726	15,250
Trade receivables	16	259
Other financial assets	95,008	98,380
Deferred tax assets	78,768	78,131
	3,090,016	3,256,676
Current assets		
Inventories	2,130,706	2,385,674
Trade receivables	2,693,262	2,652,182
Income tax receivables	31,282	27,175
Other receivables and other current financial assets	167,061	543,172
Other assets	112,302	140,264
Cash and cash equivalents	104,415	89,508
	5,239,028	5,837,975
Non-current assets held for sale	5,507	6,180
Total assets	8,334,551	9,100,831

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 July 2018
Equity		
Unlimited and limited partners' capital	1,000,000	1,000,000
Reserves	1,721,560	2,039,390
Accumulated other comprehensive income	- 223,564	- 243,623
Equity attributable to partners	2,497,996	2,795,767
Non-controlling interests	341,973	344,449
	2,839,969	3,140,216
Non-current liabilities		
Financial liabilities	655,783	672,885
Trade payables	2	1
Provisions for pensions and similar obligations	234,962	232,429
Other non-current provisions	1,327	1,730
Deferred tax liabilities	122,071	118,523
Other non-current liabilities	2,115	1,908
	1,016,260	1,027,476
Current liabilities		
Financial liabilities	821,264	1,251,156
Trade payables	3,269,572	3,336,828
Other provisions	51,729	42,377
Income tax liabilities	36,575	32,117
Other liabilities	299,182	270,661
	4,478,322	4,933,139
Liabilities directly associated with assets held for sale	0	0
Total equity and liabilities	8,334,551	9,100,831

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the first half-year of 2018/19

EUR k	31 July 2017	31 July 2018
Profit after tax	88,716	75,528
Income taxes	35,711	37,200
Profit before income taxes	124,427	112,728
Adjustments for:		
Interest expenses and interest income	22,090	17,309
Amortisation/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and investment property	65,643	67,185
Result from associates and other investments	- 1,374	- 868
Net result from the disposal of assets related to investing activities	- 852	5,226
Other non-cash expense and income	44,357	56,689
	254,291	258,269
Interest paid	- 32,094	- 30,421
Interest received	5,673	6,475
Income taxes paid	- 26,013	- 35,615
Dividends received	311	217
Result before change in assets and liabilities	202,168	198,925
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	- 10,614	- 15,230
Result before change in operating assets and liabilities	191,554	183,695
Change in inventories	- 192,570	- 180,513
Change in trade receivables	78,680	40,775
Change in trade payables	27,124	- 36,574
	- 86,766	- 176,312
Change in other assets and liabilities not related to investing or financing activities	- 76,916	- 91,302
Change in operating assets and liabilities	- 163,682	- 267,614
Cash flow from operating activities	27,872	- 83,919
Acquisition of consolidated companies and business units, net of cash acquired	- 25,015	- 127,739
Capital expenditures for intangible assets, property, plant and equipment, and investment property	- 96,899	- 69,000
Investment in other financial assets and non-current assets	- 862	- 1,190
Cash outflows for investments	- 122,776	- 197,929

EUR k	31 July 2017	31 July 2018
Cash received from the sale of consolidated companies and business units, net of cash disposed	10,898	64
Cash received from disposal of intangible assets, property, plant and equipment and investment property	5,278	1,609
Proceeds from other financial assets and non-current assets	1,234	500
Cash inflows from realised investments and divestments	17,410	2,173
Cash flow from investing activities	- 105,366	- 195,756
Cash available for financing activities	- 77,494	- 279,675
Capital increase/repayment	- 170,015	0
Capital contribution from/repayment to non-controlling interests	- 76	0
Acquisition of additional shares in already consolidated subsidiaries	- 2,578	- 3,382
Dividends paid to non-controlling interests	- 7,946	- 9,996
Proceeds from bond issuance and bank loans	110,460	120,523
Repayment of bonds and bank loans	- 150,327	- 20,155
Change in bank loans which have a maturity period of 3 months or less	250	148,191
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	0	- 60,000
Proceeds from the issue of loans from related parties	172,000	200,000
Repayment of loans from related parties	- 35,000	- 200,000
Change in ABS/Factoring	- 46,996	30,876
Change in finance lease	- 259	- 295
Change in other financial liabilities	0	- 681
Cash flow from financing activities	- 92,487	265,081
Changes in cash and cash equivalents	- 169,981	- 14,594
Effect of exchange rate changes on cash and cash equivalents	- 1,105	- 313
Cash and cash equivalents at the beginning of the period	487,861	104,415
Cash and cash at the end of the period	316,775	89,508
Less cash and cash equivalents included in assets held for sale	0	0
Cash and cash equivalents presented in the balance sheet at the end of the period	316,775	89,508

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the first half-year 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		74,752				74,752	13,964	88,716
Accumulated other comprehensive income			- 10,735	- 98	2,237	- 8,596	- 226	- 8,822
Total comprehensive income, net of tax		74,752	- 10,735	- 98	2,237	66,156	13,738	79,894
Capital increase/reduction	- 185,000	14,985				- 170,015		- 170,015
Changes in basis of consolidation								0
Changes in the interest of consolidated companies		- 691				- 691	- 1,186	- 1,877
Dividends						0	- 9,677	- 9,677
Other changes in equity		- 219				- 219	- 10	- 229
31 July 2017	1,000,000	1,655,154	- 103,433	9,672	- 137,836	2,423,557	324,303	2,747,860
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		57,062				57,062	18,466	75,528
Accumulated other comprehensive income			- 6,765	0	- 536	- 7,301	- 338	- 7,639
Total comprehensive income, net of tax		57,062	- 6,765	0	- 536	49,761	18,128	67,889
Changes in the interest of consolidated companies		- 1,356				- 1,356	- 1,234	- 2,590
Sale of own shares		268,452			- 247	268,205	- 1,675	266,530
Dividends							- 12,738	- 12,738
Other transactions with owners		7,011				7,011	0	7,011
Other changes in equity		- 1,229				- 1,229	1,380	151
31 July 2018	1,000,000	2,039,390	- 103,034	0	- 140,589	2,795,767	344,449	3,140,216

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

as of 31 July 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 July 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 July 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 July 2018 of PHOENIX were released for publication by the management of PHOENIX Pharmahandel GmbH & Co KG on 12 September 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 are 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) has 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 six 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 10k, and revenue amounted to EUR 15,573k. 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 298,986k. 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 – 356k.

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	23,864	146,179
Equity instruments	0	0	0
Acquisition-date fair value of previously held equity interest	0	0	0
Total cost	122,315	23,864	146,179
Intangible assets	17,795	35	17,830
Other non-current assets	68,707	1,351	70,058
Inventories	60,061	4,848	64,909
Trade receivables	104,639	2,548	107,187
Cash and cash equivalents	9,508	576	10,084
Other current assets	1,713	1,191	2,904
Non-current liabilities	9,540	2,530	12,070
Current liabilities	227,031	10,694	237,725
Net assets	25,852	- 2,675	23,177
Non-controlling interests	1,406	0	1,406
Net assets acquired	24,446	- 2,675	21,771
Bargain purchase	0	0	0
Goodwill	97,869	26,539	124,408

Wholesale and retail Romania

On 31 July 2018, PHOENIX acquired 88.8% of the voting shares in a wholesaler and 100.0% of the voting shares in a pharmacy chain. 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.

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

EUR 2,300k of the goodwill recognised from business combinations is expected to be tax deductible.

Because the data was preliminary, the final value of some of the assets and liabilities could not be established as at the balance sheet date.

Other operating expenses

Other operating expenses contain expenses in connection with ABS and factoring programmes of EUR 741k (comparative period: EUR 761k).

Financial result

EUR k	1st half-year 2017/18	1st half-year 2018/19
Interest income	6,502	6,777
Interest expenses	– 28,592	– 24,086
Other financial result	– 35	– 481
Financial result	– 22,125	– 17,790

Interest income includes interest from customers of EUR 4,528k (comparative period: EUR 5,036k).

The other financial result includes exchange rate gains of EUR 17,718k (comparative period: EUR 18,896k) and exchange rate losses of EUR 26,771k (comparative period: EUR 20,132k). Changes in the market value of derivatives gave rise to income of EUR 28,404k (comparative period: EUR 38,878k) and expenses of EUR 19,905k (comparative period: EUR 37,795k).

Other assets and other liabilities

EUR k	31 Jan. 2018 ¹⁾	31 July 2018
Prepayments	62,594	82,697
Tax claims – VAT and other taxes	32,710	36,052
Sundry other assets	16,998	21,515
Other assets	112,302	140,264

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

EUR k	31 Jan. 2018 ¹⁾	31 July 2018
VAT and other tax liabilities	105,924	79,228
Personnel liabilities	140,225	129,853
Liabilities relating to social security/similar charges	27,763	27,103
Contract Liabilities (IFRS 15)	14,864	22,364
Sundry other liabilities	10,406	12,113
Other liabilities	299,182	270,661

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 July 2018
Trade receivables, non-current	16	259
Other financial assets		
Equity and debt instruments	40,787	43,150
Loans to and receivables from associates	2,086	1,110
Other loans	47,482	46,530
Other non-current financial assets	4,653	7,590
	95,008	98,380

The table below presents the current financial assets:

EUR k	31 Jan. 2018	31 July 2018
Trade receivables	2,693,262	2,652,182
Other financial assets		
Loans to and receivables from associates or related parties	6,926	5,846
Other loans	32,544	472,091
Derivative financial instruments	1,648	2,910
Other current financial assets	125,943	62,325
	167,061	543,172

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

EUR k	31 Jan. 2018	31 July 2018
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IAS 39		
Volume of receivables	456,747	485,667
Financial liability	405,924	436,667
Continuing involvement		
Volume of receivables	177,119	173,619
Continuing involvement	8,232	8,039
Financial liability	9,030	8,831
Transferred and fully derecognised receivables		
Volume of receivables	61,224	53,202
Retentions of title	30,834	30,389

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

EUR k	31 Jan. 2018	31 July 2018
Financial liabilities (non-current)		
Liabilities to banks	149,635	158,924
Bonds	496,319	496,963
Loans	356	326
Other financial liabilities	9,473	16,672
	655,783	672,885

EUR k	31 Jan. 2018 ¹⁾	31 July 2018
Financial liabilities (current)		
Liabilities to banks	179,251	450,943
Loans	115,981	142,581
Liabilities to associates and related parties	49,411	193,199
Liabilities for customer rebates and bonuses	33,119	0
ABS and factoring liabilities	414,954	445,498
Other financial liabilities	28,548	18,935
	821,264	1,251,156

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 six months of 2018/19.

Liabilities to associates and related parties include current loan liabilities to partners of EUR 192,250k (31 January 2018: EUR 49,008k), resulting mainly from interest on the supplementary partner contribution.

Other financial liabilities (non-current) contain non-current derivative financial instruments of EUR 208k (31 January 2018: EUR 229k).

Other financial liabilities (current) contain current derivative financial instruments of EUR 1,557k (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 July 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	43,150	0	0	43,150	43,150
Trade receivables	2,652,441	0	0	0	2,652,441	2,652,441
Loans to and receivables from associates or related parties	6,956	0	0	0	6,956	6,910
Other loans	518,621	0	0	0	518,621	519,659
Derivative financial assets without hedge accounting	2,910	0	0	0	2,910	2,910
Other financial assets	61,410	0	0	0	61,410	61,410
Lease receivables	0	0	8,505	0	8,505	n/a
Cash and cash equivalents	89,508	0	0	0	89,508	89,508

31 January 2018	Category pursuant to IAS 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 July 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	609,867	0	0	0	609,867	610,242
Bonds	496,963	0	0	0	496,963	531,762
Loans	142,907	0	0	0	142,907	142,907
Trade payables	3,336,829	0	0	0	3,336,829	3,336,829
Liabilities to associates and related parties	193,199	0	0	0	193,199	193,199
ABS and factoring liabilities	445,498	0	0	0	445,498	445,498
Other financial liabilities at cost	16,528	0	0	0	16,528	16,528
Other financial liabilities at fair value	7,746	0	0	0	7,746	7,746
Lease liabilities	0	0	9,568	0	9,568	n/a
Derivative financial liabilities without hedge accounting	0	1,765	0	0	1,765	1,765

31 January 2018 ¹⁾	Category pursuant to IAS 39					Carrying amount	Fair value
	Other financial liabilities	Financial liabilities held-for-trading	No category according to IAS 39.9	Outside the scope of IFRS 7			
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 July 2018				
Equity and debt instruments	0	0	43,150	43,150
Derivative financial assets without hedge accounting	0	2,910	0	2,910
Derivative financial liabilities without hedge accounting	0	1,765	0	1,765
Other financial liabilities	0	0	7,746	7,746

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 finalization 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	825	0
Sale of shares	- 279	0
thereof recognised in the income statement	0	0
Issues	2,007	0
Acquisitions	0	0
Remeasurement of contingent purchase price obligations (through profit or loss)	0	0
Payments due to acquisitions		- 1,006
Other	54	369
31 July 2018	43,150	7,746

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

Contingent liabilities

As of 31 July 2018, PHOENIX recorded contingent liabilities for guarantees of EUR 76,449k (31 January 2018: EUR 76,674k).

Notes to the statement of cash flows

EUR k	31 Jan. 2018	31 July 2018
Restricted cash		
Cash and cash equivalents at the end of the period	104,415	89,508
thereof restricted		
due to security deposits	12,368	8,303
due to restrictions placed upon foreign subsidiaries	15,152	14,362

Related party disclosures

PHOENIX granted to a related party a loan amounted to EUR 428,584k, which at the end of the reporting period still exists. Interest income of EUR 294k was recognised until now.

Related parties granted PHOENIX in the first half year of 2018/19 individual loans totally amounting to EUR 260,000k, which were all fully repaid during the reporting period, and interest expenses of EUR 325k were incurred.

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 six months of 2018/19.

Mannheim, 12 September 2018

The Management Board of the unlimited partner
PHOENIX Verwaltungs GmbH

FINANCIAL CALENDAR 2018

Please consult our calendar for the most important announcement dates:

18 December Quarterly report February to October 2018

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