

**It is all about our most
valuable asset:**
health

**WE DELIVER HEALTH.
EACH AND EVERY DAY.
ACROSS EUROPE.**

The PHOENIX group is a leading healthcare provider in Europe, reliably supplying people with drugs and health products every day. The PHOENIX group originated from the merger of five regional pharmaceutical wholesale businesses in Germany in 1994. Today, with more than 37,000 employees, the company offers unique geographical coverage throughout Europe, making a vital contribution to comprehensive healthcare. The PHOENIX group's vision is to be the best integrated healthcare provider – wherever it is active. This means providing each customer group with the best possible products and services along the entire pharmaceutical supply chain.

In pharmaceutical wholesale, the PHOENIX group has 163 distribution centres in 27 European countries from which it supplies drugs and other health products to pharmacies and medical institutions. Numerous other products and services for pharmacy customers complete the portfolio – from assistance in advising patients to modern goods management systems to pharmacy cooperation programmes. The PHOENIX group's pharmacy network, with more than 13,500 independent pharmacies in the company's cooperation and partner programmes, is the largest of its kind in Europe. The PHOENIX Pharmacy Partnership acts as the Europe-wide umbrella for the PHOENIX group's 13 pharmacy cooperation programmes in 16 countries.

In pharmacy retail, the PHOENIX group operates more than 2,500 of its own pharmacies in 14 countries – of which around 1,400 operate under the corporate brand BENU. In addition to Norway, the United Kingdom, the Netherlands, and Switzerland, the company is also heavily represented in Hungary, the Czech Republic, Slovakia, Serbia, Montenegro, Romania and the Baltic markets. Our more than 19,000 pharmacy employees have around 150 million customer contacts each year. They dispense approximately 338 million drug packages to patients and advise them on issues concerning pharmaceuticals and general health.

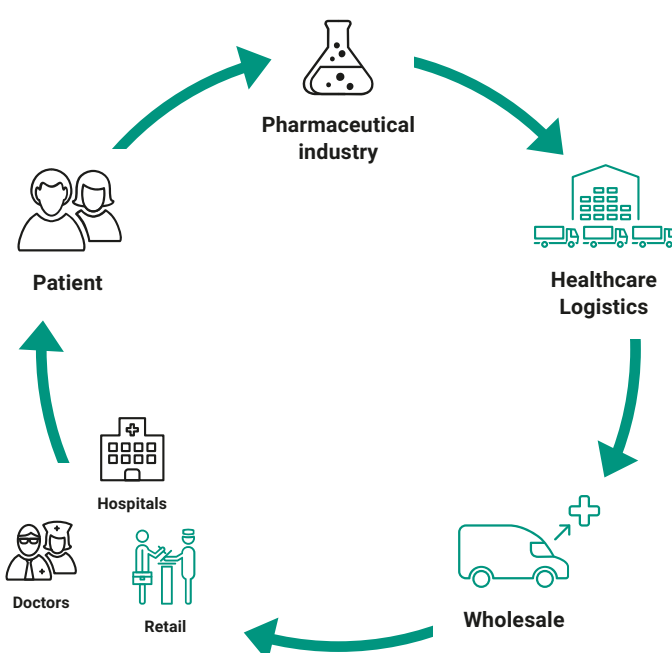
Pharma Services provides services along the entire pharmaceutical supply chain. The "All-in-One" concept stands for a comprehensive range of services that benefits drug manufacturers, pharmacies, and patients alike. The PHOENIX group takes on the entire distribution process for the pharmaceutical industry as desired and provides a first-class basis for decision-making with its business intelligence solutions.

**We have set ourselves
a challenging task.
There is a great deal
at stake. People's health
is what it is all about.**

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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 enable pharmaceutical manufacturers to make the right decisions and 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 accompanied by the best possible customer service.

THE FIRST HALF-YEAR AT A GLANCE

- Total operating performance and revenue increased again
- Significant increase in profit for the period compared to the prior-year period
- Further reduction in net debt compared to the first half-year 2018/19
- Agreement signed to acquire Thio Pharma Pharmacies in the Netherlands
- Forecast for 2019/20 confirmed

Key figures of the PHOENIX group *		1st half-year 2018/19	1st half-year 2019/20
Total operating performance	in EUR m	16,081.9	16,941.6
Revenue	in EUR m	12,565.1	13,325.4
Total income	in EUR m	1,336.9	1,435.4
Adjusted EBITDA	in EUR m	222.2	230.0
EBITDA	in EUR m	209.3	224.6
EBIT	in EUR m	141.3	154.2
Profit after tax	in EUR m	82.8	96.6

		31 July 2018	31 January 2019	31 July 2019
Equity	in EUR m	2,681.1	2,806.6	2,859.9
Equity ratio	in %	30.8	33.5	33.0
Net debt	in EUR m	2,072.6	1,432.6	1,877.2

* 2019/20: excluding IFRS 16

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 2019. In the eurozone, seasonally adjusted GDP increased by 1.1% in the second quarter of 2019 compared to the prior year's second quarter. In Germany, the seasonally and calendar-adjusted GDP increased by 0.4% compared to the second quarter of 2018.

Overall, the European pharmaceutical markets continued their moderate growth trend in the second quarter of 2019. The German pharmaceutical market also showed growth. The total turnover of the German wholesale pharmaceutical market grew by 3.8% from January to July 2019 compared to the same period of the prior year. The increase was mainly due to higher prescription pharmaceuticals revenues. Market growths were also noted in various foreign markets of the PHOENIX group.

In total, the PHOENIX group continued its positive development in the European market environment.

Acquisitions

In the first half-year of 2019/20, business combinations led to a cash outflow of EUR 23.1m (comparative period: EUR 127.7m). The acquisitions mainly pertained to pharmacies in several countries.

Results of operations

The mandatory initial application of IFRS 16 "Leases" as of 1 February 2019 has a material impact on the consolidated financial statements of the PHOENIX group. The new standard requires payment obligations from existing operating leases to be discounted and recognised as lease liabilities; at the same time, a right-of-use asset is recognised. As a result, net debt increases. Lease payments in connection with operating leases were previously recognised as operating expenses. IFRS 16 requires recognising depreciation charges on right-of-use assets and interest expenses on lease liabilities. This will increase EBITDA without any attendant change in the economic circumstances. In the statement of cash flows, the principal repayment portion of the lease payments from existing operating leases will reduce cash flow from financing activities and no longer affect cash flow from operating activities. The interest portion of the payments will remain in cash flow from operating activities.

IFRS 16 was applied using the modified retrospective approach. For this reason, prior-year comparative figures have not been restated. To facilitate comparability, the effects from IFRS 16 have been adjusted in the first half-year of 2019/20:

EUR k	1st half-year 2018/19	1st half-year 2019/20 including IFRS 16	Impact of IFRS 16	1st half-year 2019/20 excluding IFRS 16	Change excluding IFRS 16	Change excluding IFRS 16 in %
Revenue	12,565,053	13,323,181	2,178	13,325,359	760,306	6.1
Cost of purchased goods and services	- 11,299,428	- 11,960,260	0	- 11,960,260	- 660,832	5.8
Gross profit	1,265,625	1,362,921	2,178	1,365,099	99,474	7.9
Other operating income	71,280	70,666	- 319	70,347	- 933	- 1.3
Personnel expenses	- 690,221	- 741,324	0	- 741,324	- 51,103	7.4
Other operating expenses	- 438,256	- 403,168	- 66,557	- 469,725	- 31,469	7.2
Result from associates and joint ventures	774	162	0	162	- 612	- 79.1
Results from other investments	94	58	0	58	- 36	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	209,296	289,315	- 64,698	224,617	15,321	7.3
Amortisation of intangible assets and depreciation of property, plant and equipment	- 67,990	- 127,746	57,320	- 70,426	- 2,436	3.6
Earnings before interest and taxes (EBIT)	141,306	161,569	- 7,378	154,191	12,885	9.1
Financial result	- 20,232	- 34,209	12,378	- 21,831	- 1,599	7.9
Profit before tax	121,075	127,360	5,000	132,360	11,285	9.3
Income taxes	- 38,260	- 34,387	- 1,350	- 35,737	2,523	- 6.6
Profit for the period	82,815	92,973	3,650	96,623	13,808	16.7

In the first six months of 2019/20, total operating performance, which comprises revenue and handled volume not recognised as revenue but instead charged as a service fee, increased by 5.3% to EUR 16,941.6m. Adjusted for foreign exchange rate effects, total operating performance grew by 5.7%.

Revenue grew by EUR 760.3m (6.1%) to EUR 13,325.4m (comparative period: EUR 12,565.1m). The increase is mainly due to increased revenue in Western Europe, as well as in Eastern Europe as a result of the acquisition in Romania as of 31 July 2018. Adjusted for foreign exchange rate effects, revenue grew by 6.2%.

Gross profit increased by EUR 99.5m to EUR 1,365.1m. The gross profit margin came to 10.2% (comparative period: 10.1%).

Other operating income decreased by EUR 0.9m to EUR 70.3m.

Personnel expenses increased by 7.4% to EUR 741.3m (comparative period: 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 31.5m to EUR 469.7m, mainly due to increased transport costs, lease payments, and consulting fees. In relation to revenue, other expenses came to 3.5% (comparative period: 3.5%).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by EUR 15.3m to EUR 224.6m.

An EBITDA figure adjusted for interest from customers, expenses related to ABS and factoring, and other non-recurring effects (adjusted EBITDA) came to EUR 230.0m and is calculated as follows:

EUR k	1st half-year 2018/19	1st half-year 2019/20 including IFRS 16	Impact of IFRS 16	1st half-year 2019/20 excluding IFRS 16	Change excluding IFRS 16	Change excluding IFRS 16 in %
EBITDA	209,296	289,315	- 64,698	224,617	15,321	7.3
Interest from customers	4,528	4,381		4,381	- 147	- 3.2
Factoring fees	741	753		753	12	1.6
Other non-recurring effects	7,638	245		245	- 7,393	- 96.8
Adjusted EBITDA	222,203	294,694	- 64,698	229,996	7,793	3.5

Depreciation and amortisation came to EUR 70.4m and were slightly above the prior year's level due to acquisitions.

The financial result decreased by EUR 1.6m from EUR - 20.2m to EUR - 21.8m in the comparative period.

The effective tax rate in the first half-year of 2019/20 came to 27.0% and was 31.6% in the comparative period.

Profit after tax was EUR 96.6m (comparative period: EUR 82.8m) and increased by 16.7% versus the comparative period.

Net assets

The group's total assets increased by 12.8% to EUR 9,436.0m compared to 31 January 2019 due to the initial application of IFRS 16 and acquisitions. As of 31 July 2019, right-of-use assets of EUR 758.3m (31 January 2019: EUR 0.0m) were recognised. The currency translation difference on the total assets, which is presented in the statement of changes in equity, amounts to EUR – 112.8m (31 January 2019: EUR – 100.6m).

Compared to 31 January 2019, non-current assets increased – excluding IFRS 16 – by EUR 22.2m to EUR 3,024.6m. The increase is particularly related to intangible assets. The intangible assets contain goodwill in the amount of EUR 1,473.4m (31 January 2019: EUR 1,460.3m), which had risen due to acquisitions.

Inventories increased compared to 31 January 2019 by EUR 281.0m to EUR 2,582.1m. Besides acquisition effects, the increase is mainly due to seasonal fluctuation.

Trade receivables increased by 1.5% to EUR 2,590.7m. As of 31 July 2019, receivables of EUR 298.3m (31 January 2019: EUR 302.4m) 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 173.3m had been sold as of 31 July 2019 (31 January 2019: EUR 169.2m). The group's continuing involvement came to EUR 8.7m (31 January 2019: EUR 8.5m).

Other current receivables and other current financial assets decreased from EUR 147.0m as of 31 January 2019 to EUR 130.4m and mainly include loans granted to customers of EUR 43.3m (31 January 2019: EUR 49.4m), as well as receivables from factoring and ABS transactions of EUR 52.5m (31 January 2019: EUR 58.7m).

Other current assets increased from EUR 135.4m as of 31 January 2019 to EUR 175.9m, 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 – excluding IFRS 16 – by EUR 53.4m compared to 31 January 2019. The equity ratio as of 31 July 2019 came to 33.0% (31 January 2019: 33.5%).

Cashflow from operating activities – excluding IFRS 16 – came to EUR –344.1m (comparative period: EUR –75.3m) which was largely affected by a higher increase of EUR 277.6m in working capital versus the comparative period. Cashflow from investing activities came to EUR –111.6m and was EUR –198.5m in the comparative period. In the previous year, cash flow from investing activities mainly included the acquisition of a pharmaceutical wholesaler and a pharmacy chain in Romania.



See the Consolidated Statement of Cash Flows (p. 15).

Non-current financial liabilities came to EUR 1,177.0m (31 January 2019: EUR 662.3m). This item includes lease liabilities according to IFRS 16 of EUR 595.8m (31 January 2019: EUR 0.0m). Beyond that, non-current financial liabilities contain, among others, bonds of EUR 199.1m (31 January 2019: EUR 497.6m) and promissory note bonds of EUR 369.8m (31 January 2019: EUR 149.7m).

Current financial liabilities came to EUR 1,149.4m (31 January 2019: EUR 525.2m) and include lease liabilities according to IFRS 16 of EUR 177.7m (31 January 2019: EUR 0.0m). Beyond that, current financial liabilities contain, among others, bonds of EUR 299.2m (31 January 2019: EUR 0.0m), liabilities to banks of EUR 325.9m (31 January 2019: EUR 137.5m), liabilities from ABS and factoring agreements in the amount of EUR 202.7m (31 January 2019: EUR 213.6m), as well as other loans amounting to EUR 127.5m (31 January 2019: EUR 116.2m).

According to the calculation below, net debt increased by EUR 444.6m compared to 31 January 2019 to EUR 1,877.2m (excluding IFRS 16).

	31 Jan. 2019	31 July 2019 including IFRS 16	Impact of IFRS 16	31 July 2019 excluding IFRS 16	Change excluding IFRS 16	Change excluding IFRS 16 in %
EUR k						
+ Financial liabilities (non-current)	662,282	1,177,020	-595,753	581,267	-81,015	-12.2
./ Derivative financial instruments (non-current)	-187	-179		-179	8	-4.3
+ Financial liabilities (current)	525,215	1,149,376	-177,677	971,699	446,484	85.0
./ Derivative financial instruments (current)	-5,733	-2,828		-2,828	2,905	-50.7
./ Cash and cash equivalents	-153,309	-83,221		-83,221	70,088	-45.7
+ Receivables sold in the course of factoring and ABS transactions	463,065	462,936		462,936	-129	0.0
./ Factoring receivables	-24,412	-25,206		-25,206	-794	3.3
./ Receivables from ABS programmes	-34,316	-27,251		-27,251	7,065	-20.6
Net debt	1,432,605	2,650,647	-773,430	1,877,217	444,612	31.0

Trade payables decreased by EUR 68.8m to EUR 3,529.0m.

Overall, the PHOENIX group was able to underline its position in the first half-year of 2019/20 as a leading healthcare provider 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 2018/19.



www.phoenixgroup.eu/en/investor-relations/annual-report-201819/

The risks and opportunities presented in that report are still essentially relevant.

FORECAST

We anticipate a stable economic environment in 2019, with GDP in Germany and the eurozone expected to grow by around 1%.

We expect the pharmaceutical markets in Europe to record market growth of around 2.0% overall in 2019. In Germany, our largest market, we anticipate market growth of approximately 2.2%.

For fiscal year 2019/20, the PHOENIX group 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.

For fiscal year 2019/20, we expect EBITDA to be up slightly on the level for 2018/19 (adjusted for effects from the first-time application of IFRS 16).

We expect a slight increase in the equity ratio (adjusted for effects from the first-time application of IFRS 16).

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS**

CONSOLIDATED INCOME STATEMENT

for the first half-year of 2019/20

EUR k	2nd quarter 2018/19	2nd quarter 2019/20	1st half-year 2018/19	1st half-year 2019/20
Revenue	6,370,769	6,765,108	12,565,053	13,323,181
Cost of purchased goods and services	- 5,723,711	- 6,073,313	- 11,299,428	- 11,960,260
Gross income	647,058	691,795	1,265,625	1,362,921
Other operating income	35,905	33,802	71,280	70,666
Personnel expenses	- 346,570	- 372,946	- 690,221	- 741,324
Other operating expenses	- 220,534	- 204,748	- 438,256	- 403,168
Result from associates and joint ventures	397	263	774	162
Results from other investments	94	0	94	58
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	116,350	148,166	209,296	289,315
Amortisation of intangible assets and depreciation of property, plant and equipment	- 34,153	- 64,444	- 67,990	- 127,746
Earnings before interest and taxes (EBIT)	82,197	83,722	141,306	161,569
Interest income	3,873	2,970	6,546	6,113
Interest expense	- 13,635	- 19,990	- 26,366	- 38,421
Other financial result	892	- 339	- 412	- 1,901
Financial result	- 8,870	- 17,359	- 20,232	- 34,209
Profit before income tax	73,328	66,363	121,075	127,360
Income tax	- 23,220	- 17,918	- 38,260	- 34,387
Profit for the period	50,108	48,445	82,815	92,973
thereof attributable to non-controlling interests	9,461	9,898	16,235	18,222
thereof attributable to equity holders of the parent company	40,647	38,547	66,580	74,751

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the first half-year of 2019/20

EUR k	2nd quarter 2018/19	2nd quarter 2019/20	1st half-year 2018/19	1st half-year 2019/20
Profit after tax	50,108	48,445	82,815	92,973
Items not reclassified to the income statement				
Remeasurement of defined benefit plans	274	-7,242	-540	-12,913
Items that may subsequently be reclassified to the income statement				
Currency translation differences	-5,744	-14,109	-7,092	-12,444
Other comprehensive income, net of taxes	-5,470	-21,351	-7,632	-25,357
Total comprehensive income	44,638	27,094	75,183	67,616
thereof attributable to non-controlling interests	9,369	9,750	16,070	17,974
thereof attributable to owners of the parent company	35,269	17,344	59,113	49,642

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 July 2019

ASSETS

EUR k	31 Jan. 2019	31 July 2019
Non-current assets		
Intangible assets	1,837,805	1,864,217
Property, plant and equipment	993,060	1,725,966
Investment property	10,042	10,058
Investments in associates and joint ventures	7,220	5,877
Trade receivables	309	889
Other financial assets	88,071	122,408
Deferred tax assets	65,812	75,089
	3,002,319	3,804,504
Current assets		
Inventories	2,301,048	2,582,083
Trade receivables	2,552,312	2,589,767
Income tax receivables	36,231	38,578
Other financial assets	146,986	130,400
Other assets	135,444	175,860
Cash and cash equivalents	153,309	83,221
	5,325,330	5,599,909
Non-current assets held for sale	39,417	31,545
Total assets	8,367,066	9,435,958

EQUITY AND LIABILITIES

EUR k	31 Jan. 2019	31 July 2019
Equity		
Issued capital	2,786	2,786
Capital reserves	961,106	961,106
Revenue reserves	1,837,523	1,913,686
Accumulated other comprehensive income	-259,984	-285,093
Equity attributable to the shareholders of the parent company	2,541,431	2,592,485
Non-controlling interests	265,119	264,785
	2,806,550	2,857,270
Non-current liabilities		
Financial liabilities	662,282	1,177,020
Trade payables	0	428
Provisions for pensions and similar obligations	256,914	266,125
Other non-current provisions	2,556	1,833
Deferred tax liabilities	116,672	117,745
Other non-current liabilities	1,452	1,571
	1,039,876	1,564,722
Current liabilities		
Financial liabilities	525,215	1,149,376
Trade payables	3,597,814	3,528,541
Other provisions	37,271	37,989
Income tax liabilities	32,406	34,374
Other liabilities	327,934	263,686
	4,520,640	5,013,966
Liabilities directly associated with assets held for sale	0	0
Total equity and liabilities	8,367,066	9,435,958

CONSOLIDATED STATEMENT OF CASH FLOWS

for the first half-year of 2019/20

EUR k	31 July 2018	31 July 2019
Profit after tax	82,815	92,973
Income taxes	38,260	34,387
Profit before income taxes	121,075	127,360
Adjustments for:		
Interest expenses and interest income	19,820	32,308
Amortisation/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and investment property	67,990	127,746
Result from associates and other investments	-868	-220
Net result from the disposal of assets related to investing activities	-46	-1,840
Other non-cash expense and income	49,915	51,058
	257,886	336,412
Interest paid	-31,974	-39,923
Interest received	6,244	5,638
Income taxes paid	-35,756	-35,819
Dividends received	217	183
Result before change in assets and liabilities	196,617	266,491
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	-15,518	-16,559
Result before change in operating assets and liabilities	181,099	249,932
Change in inventories	-180,513	-294,972
Change in trade receivables	40,774	-77,161
Change in trade payables	-21,924	-47,192
	-161,663	-419,325
Change in other assets and liabilities not related to investing or financing activities	-94,712	-114,680
Change in operating assets and liabilities	-256,375	-534,005
Cash flow from operating activities	-75,276	-284,073
Acquisition of consolidated companies and business units, net of cash acquired	-127,739	-23,079
Capital expenditures for intangible assets, property, plant and equipment, and investment property	-69,577	-86,002
Investment in other financial assets and non-current assets	-1,211	-2,500
Cash outflows for investments	-198,527	-111,581

EUR k	31 July 2018	31 July 2019
Cash received from the sale of consolidated companies and business units, net of cash disposed	64	2,278
Cash received from disposal of intangible assets, property, plant and equipment and investment property	1,610	8,551
Proceeds from other financial assets and non-current assets	500	3,263
Cash inflows from realised investments and divestments	2,174	14,092
Cash flow from investing activities	-196,353	-97,489
Cash available for financing activities	-271,629	-381,562
Capital contribution from/repayment to non-controlling interests	0	642
Acquisition of additional shares in already consolidated subsidiaries	-3,382	-1,252
Proceeds from disposal of interests in subsidiaries without loss of control	0	324
Dividends paid to non-controlling interests	-9,996	-15,239
Proceeds from bond issuance and bank loans	120,523	382,958
Repayment of bonds and bank loans	-20,155	-41,917
Change in bank loans which have a maturity period of 3 months or less	148,191	65,482
Proceeds from the issue of loans from shareholders in the parent company	135,950	0
Repayment of loans from shareholders in the parent company	-128,580	-19,874
Proceeds from the issue of loans from related parties	244,450	103,130
Repayment of loans from related parties	-259,301	-100,220
Change in ABS/Factoring	30,876	-2,879
Change in finance lease	-295	-59,989
Change in other financial liabilities	-686	-264
Cash flow from financing activities	257,595	310,902
Changes in cash and cash equivalents	-14,034	-70,660
Effect of exchange rate changes on cash and cash equivalents	-313	572
Cash and cash equivalents at the beginning of the period	106,223	153,309
Cash and cash equivalents at the end of the period	91,876	83,221
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	91,876	83,221

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the first half-year of 2019/20

EUR k	Issued capital	Capital reserves	Revenue reserves	Currency translation differences	IAS 39 available-for sale financial assets	Remeasurement of defined benefit plans	Equity attributable to shareholders of the parent	Non-controlling interests	Total equity
1 February 2018	2,515	626,375	2,002,650	-98,569	12,809	-142,242	2,403,538	243,029	2,646,567
Initial application of IFRS 9			-12,309		-12,809		-25,118	-888	-26,006
1 February 2018 adjusted	2,515	626,375	1,990,341	-98,569	0	-142,242	2,378,420	242,141	2,620,561
Profit after tax			66,580				66,580	16,235	82,815
Accumulated other comprehensive income				-6,927		-540	-7,467	-165	-7,632
Total comprehensive income after taxes			66,580	-6,927		-540	59,113	16,070	75,183
Changes in the interest of consolidated companies			-1,389				-1,389	-1,201	-2,590
Dividends							0	-12,737	-12,737
Other changes in equity			-689				-689	1,392	703
31 July 2018	2,515	626,375	2,054,843	-105,496	0	-142,782	2,435,455	245,665	2,681,120
1 February 2019	2,786	961,106	1,837,523	-100,617	0	-159,367	2,541,431	265,119	2,806,550
Initial application of IFRS 16			1,426				1,426	-408	1,018
1 February 2019 adjusted	2,786	961,106	1,838,949	-100,617	0	-159,367	2,542,857	264,711	2,807,568
Profit after tax			74,751				74,751	18,222	92,973
Accumulated other comprehensive income				-12,196		-12,913	-25,109	-248	-25,357
Total comprehensive income, net of tax			74,751	-12,196		-12,913	49,642	17,974	67,616
Changes in the interest of consolidated companies			-445				-445	-855	-1,300
Dividends							0	-18,266	-18,266
Other changes in equity			431				431	1,221	1,652
31 July 2019	2,786	961,106	1,913,686	-112,813	0	-172,280	2,592,485	264,785	2,857,270

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

as of 31 July 2019

The company

PHOENIX Pharmahandel SE, Mannheim, ("PHOENIX group") is a European healthcare provider and pharmaceuticals distribution group. The PHOENIX group has business activities in 27 European countries. In several countries, the PHOENIX group also operates its own pharmacy chains. The registered office is located in Mannheim, Germany.

Basis of presentation

The interim condensed consolidated financial statements of the PHOENIX group as of 31 July 2019 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 2019, as well as all mandatory interpretations of the International Financial Reporting Standards Interpretation Committee (IFRIC).

The interim condensed consolidated financial statements as of 31 July 2019 of the PHOENIX group were released for publication by the Executive Board of PHOENIX Pharma SE on 11 September 2019.

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 2019/20 – essentially consistent with those used in the consolidated financial statements as of 31 January 2019. Standards and interpretations that are applicable since 1 February 2019 for the first time had the following impacts on the interim financial statements:

IFRS 16 Leases

IFRS 16 introduces a single accounting model for leases. Lessees are required to recognise assets for the right to use as well as leasing liabilities for the outstanding lease payments for all lease contracts. Hence, lessees are no longer required to classify their leases as either finance leases or operating leases. According to IFRS 16, a lessee may elect, for leases with a lease term of twelve months or less (short-term leases) and for leases for which the underlying asset is of low value, not to recognise a right-of-use asset and a lease liability. The PHOENIX group applies both recognition exemptions. In this respect, the lease payments will continue to be recognised in the income statement in the same way as before.

The lease liability is measured on the basis of the outstanding lease payments, discounted using the incremental borrowing rate. The right-of-use asset is basically measured at the amount of the lease liability plus any initial direct costs. During the lease term, the right-of-use asset is depreciated, and the lease liability is adjusted using the effective interest method and taking the lease payments into account. The right-of-use assets are recognised in the balance sheet under those items in which the assets underlying the lease would have been reported if they were owned by the PHOENIX group.

Lessor accounting essentially follows the previous rules of IAS 17. Lessors will still be required to continue to classify their leases as finance leases or operating leases on the basis of the risks and rewards incidental to ownership of the leased asset.

Due to the change in recognition of leases which have previously been classified as operating leases, EBITDA increased in the first half-year of 2019/20 by EUR 64,698k, EBIT increased by EUR 7,378k, and the financial result decreased by EUR 12,378k. Total impact on profit before taxes amounts to EUR – 5,000k.

The PHOENIX group accounts for leases in accordance with IFRS 16 using the modified retrospective method, for the first time as of 1 February 2019. Prior-year periods have not been restated. The following practical expedients of IFRS 16 have been applied:

- For leases previously classified as operating leases according to IAS 17, the lease liability is measured at the present value of the outstanding lease payments, discounted by the incremental borrowing rate at 1 February 2019. The respective right-of-use asset is generally recognised at an amount equal to the lease liability.
- An impairment test is not performed. Instead, a right-of-use asset is adjusted by the amount of any provision for onerous lease contracts recognised as at 31 January 2019.
- Leases for which the lease term ends at the latest on 31 January 2020 are generally recognised as short-term leases, regardless of their original lease term.
- Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application.
- If a lease contains a termination or extension option, current knowledge is given due consideration when determining the lease term.

The initial recognition of right-of-use assets and lease liabilities, as well as lease receivables for sub-leases to be classified as finance leases, had the following effects as of 1 February 2019:

- Right-of-use assets of EUR 767,811k were recognised in the opening balance sheet under property, plant and equipment.
- Lease liabilities of EUR 787,403k were recognised in the opening balance sheet and are reported under non-current and current financial liabilities.
- Non-current and current lease receivables of EUR 22,705k were recognised in the opening balance sheet for sub-leases to be classified as finance leases.
- The effect of initial application of IFRS 16 within equity was EUR 1,018k net of taxes.

Business combinations

The business combinations carried out in the first six months of 2019/20 are explained below. Purchase accounting is performed in accordance with the acquisition method pursuant to IFRS 3 "Business Combinations".

In fiscal year 2019/20, the cumulative profit after tax of the acquirees came to EUR 358k and revenue to EUR 12,404k. 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 15,843k. 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 2,494k.

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

Fair value recognised upon acquisition

EUR k	Other
Cash and cash equivalents	13,477
Equity instruments	0
Acquisition-date fair value of previously held equity interest	1,331
Total cost	14,808
Intangible assets	1
Other non-current assets	4,214
Inventories	2,638
Trade receivables	2,384
Cash and cash equivalents	1,211
Other current assets	1,162
Non-current liabilities	6,828
Current liabilities	5,024
Net assets	-242
Non-controlling interests	86
Net assets acquired	-328
Bargain purchase	0
Goodwill	15,136

Other business combinations

In the first six months of 2019/20, the group acquired further pharmacies and a service company that are individually immaterial.

The goodwill arising on those acquisitions was allocated to the cash-generating units Norway (EUR 4,532k), Bosnia, (EUR 2,983k), Serbia (EUR 2,723k), Netherlands (EUR 2,559k), Slovakia (EUR 1,316k) and Sweden (EUR 1,023k) and is managed in the local functional currencies (NOK, BAM, RSD, EUR, and SEK).

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

The purchase price allocation takes into account all the information about facts and circumstances as of the acquisition date that was available until the preparation of these financial statements. If further facts or circumstances become known within the 12-month measurement period in accordance with IFRS 3, the purchase price allocation is adjusted accordingly.

Revenue

The table below shows a breakdown of revenue according to IFRS 15 based on the type of goods and services:

1st half-year 2018/19	Trade revenue	Revenue from commissions	Distribution fees and consignment warehouse fees	Other logistics services	Other services	Other revenue	Total revenue according to IFRS 15
EUR k							
Gross revenue	13,010,799	50,431	37,888	15,897	57,655	62,106	13,234,776
Sales deductions	-669,709	0	-9	0	0	-5	-669,723
Revenue	12,341,090	50,431	37,879	15,897	57,655	62,101	12,565,053
thereof satisfaction of performance obligation at a point in time	12,341,090	46,554	33,775	14,377	57,644	46,501	12,539,941
thereof satisfaction of performance obligation over time	0	3,877	4,104	1,520	11	15,600	25,112

1st half-year 2019/20	Trade revenue	Revenue from commissions	Distribution fees and consignment warehouse fees	Other logistics services	Other services	Other revenue	Total revenue according to IFRS 15
EUR k							
Gross revenue	13,768,847	50,207	40,333	17,954	64,214	62,797	14,004,352
Sales deductions	-690,439	0	-9	0	0	-6	-690,454
Revenue	13,078,408	50,207	40,324	17,954	64,214	62,791	13,313,898
thereof satisfaction of performance obligation at a point in time	13,078,408	46,608	35,725	16,609	64,214	46,192	13,287,756
thereof satisfaction of performance obligation over time	0	3,599	4,599	1,345	0	16,599	26,142

Total revenue for the first six months 2019/20 amounts to EUR 13,323,181k and includes revenue from leasing business according to IFRS 16 of EUR 9,283k.

Other operating expenses

Other operating expenses contain expenses in connection with ABS and factoring programmes of EUR 753k (comparative period: EUR 741k).

Financial result

EUR k	1st half-year 2018/19	1st half-year 2019/20
Interest income	6,546	6,113
Interest expenses	- 26,366	- 38,421
Other financial result	- 412	- 1,901
Financial result	- 20,232	- 34,209

Interest income includes interest from customers of EUR 4,381k (comparative period: EUR 4,528k).

The other financial result includes exchange rate gains of EUR 20,733k (comparative period: EUR 17,718k) and exchange rate losses of EUR 26,248k (comparative period: EUR 26,771k). Changes in the market value of derivatives gave rise to income of EUR 33,471k (comparative period: EUR 28,404k) and expenses of EUR 30,027k (comparative period: EUR 19,905k).

Other assets and other liabilities

EUR k	31 Jan. 2019	31 July 2019
Prepayments	70,098	100,001
Tax claims – VAT and other taxes	46,111	47,340
Sundry other assets	19,235	28,519
Other assets	135,444	175,860

EUR k	31 Jan. 2019	31 July 2019
VAT and other tax liabilities	109,002	67,184
Personnel liabilities	154,835	135,809
Liabilities relating to social security/similar charges	32,013	24,647
Contract Liabilities (IFRS 15)	16,009	22,016
Sundry other liabilities	16,075	14,030
Other liabilities	327,934	263,686

Other financial assets and other financial liabilities

The table below presents the non-current financial assets:

EUR k	31 Jan. 2019	31 July 2019
Trade receivables, non-current	309	889
Other financial assets		
Equity and debt instruments	51,081	64,156
Other loans	25,951	26,987
Lease receivables	10,699	30,927
Other non-current financial assets	340	338
	88,071	122,408

The table below presents the current financial assets

EUR k	31 Jan. 2019	31 July 2019
Trade receivables	2,552,312	2,589,767
Other financial assets		
Loans to and receivables from associates or related parties	1,660	609
Other loans	49,351	43,338
Derivative financial instruments	8,289	7,311
Lease receivables	2,800	8,418
Other current financial assets	84,886	70,724
	146,986	130,400

The receivables from factoring and ABS transactions as of 31 July 2019 are presented below:

EUR k	31 Jan. 2019	31 July 2019
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IFRS 9		
Volume of receivables	234,224	230,033
Financial liabilities	204,433	193,384
Continuing involvement		
Volume of receivables	169,164	173,313
Continuing involvement	8,514	8,688
Financial liabilities	9,174	9,358
Transferred and fully derecognised receivables		
Volume of receivables	302,415	298,311
Retentions of title	58,728	52,457

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

EUR k	31 Jan. 2019	31 July 2019
Financial liabilities (non-current)		
Liabilities to banks	149,708	369,832
Bonds	497,631	199,076
Loans	252	253
Lease liabilities	2,510	595,814
Other financial liabilities	12,181	12,045
	662,282	1,177,020

EUR k	31 Jan. 2019	31 July 2019
Financial liabilities (current)		
Liabilities to banks	137,482	325,881
Bonds	0	299,224
Loans	116,242	127,537
Liabilities to associates and related parties	20,312	0
ABS and factoring liabilities	213,607	202,742
Lease liabilities	6,581	177,957
Other financial liabilities	30,991	16,035
	525,215	1,149,376

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 2019/20.

Other financial liabilities (non-current) contain non-current derivative financial instruments of EUR 179k (31 January 2019: EUR 187k).

Other financial liabilities (current) contain current derivative financial instruments of EUR 2,828k (31 January 2019: EUR 5,733k).

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 2019	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	64,156	0	0	64,156	64,156
Trade receivables	2,360,623	230,033	0	0	2,590,656	2,590,656
Loans to and receivables from associates or related parties	609	0	0	0	609	609
Other loans	70,325	0	0	0	70,325	71,456
Derivative financial assets without hedge accounting	0	7,311	0	0	7,311	7,311
Other financial assets	71,062	0	0	0	71,062	71,062
Lease receivables	0	0	39,345	0	39,345	n/a
Cash and cash equivalents	83,221	0	0	0	83,221	83,221

31 January 2019	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	51,081	0	0	51,081	51,081
Trade receivables	2,318,397	234,224	0	0	2,552,621	2,552,621
Loans to and receivables from associates or related parties	1,660	0	0	0	1,660	1,660
Other loans	75,302	0	0	0	75,302	76,419
Derivative financial assets without hedge accounting	0	8,289	0	0	8,289	8,289
Other financial assets	85,226	0	0	0	85,226	85,226
Lease receivables	0	0	13,499	0	13,499	n/a
Cash and cash equivalents	153,309	0	0	0	153,309	153,309

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 2019: between 0.54 and 1.39). A 10% increase in the multipliers would increase the value by EUR 5,299k (31 January 2019: EUR 5,299k); a 10% decrease in the multipliers would decrease the value by EUR 5,300k (31 January 2019: EUR 5,300k).

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 2019	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	695,713	0	0	0	695,713	695,965
Bonds	498,300	0	0	0	498,300	520,388
Loans	127,790	0	0	0	127,790	127,790
Trade payables	3,528,969	0	0	0	3,528,969	3,528,969
Liabilities to associates and related parties	0	0	0	0	0	0
ABS and factoring liabilities	202,742	0	0	0	202,742	202,742
Other financial liabilities at cost	22,277	0	0	0	22,277	22,277
Other financial liabilities at fair value	0	2,796	0	0	2,796	2,796
Lease liabilities	0	0	773,771	0	773,771	n/a
Derivative financial liabilities without hedge accounting	0	3,007	0	0	3,007	3,007

31 January 2019	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	287,190	0	0	0	287,190	287,569
Bonds	497,631	0	0	0	497,631	520,834
Loans	116,494	0	0	0	116,494	116,494
Trade payables	3,597,814	0	0	0	3,597,814	3,597,814
Liabilities to associates and related parties	20,312	0	0	0	20,312	20,312
ABS and factoring liabilities	213,607	0	0	0	213,607	213,607
Other financial liabilities at cost	30,245	0	0	0	30,245	30,245
Other financial liabilities at fair value	0	7,007	0	0	7,007	7,007
Lease liabilities	0	0	9,091	0	9,091	n/a
Derivative financial liabilities without hedge accounting	0	5,920	0	0	5,920	5,920

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

The PHOENIX group 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 2019				
Equity and debt instruments	0	0	64,156	64,156
Derivative financial assets without hedge accounting	0	7,311	0	7,311
Derivative financial liabilities without hedge accounting	0	3,007	0	3,007
Other financial liabilities	0	0	2,796	2,796

Financial instruments measured at fair value				
EUR k	Level 1	Level 2	Level 3	Total
31 January 2019				
Equity and debt instruments	0	0	51,081	51,081
Derivative financial assets without hedge accounting	0	8,289	0	8,289
Derivative financial liabilities without hedge accounting	0	5,920	0	5,920
Other financial liabilities	0	0	7,007	7,007

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

EUR k	Equity and debt instruments	Other financial liabilities
1 February 2019	51,081	7,007
Purchase	11,105	0
Sale of shares	- 707	0
New measurement (through profit or loss)	- 4	
Issues	2,685	0
Acquisitions	0	0
Remeasurement of contingent purchase price obligations (through profit or loss)	0	0
Payments due to acquisitions	0	- 4,215
Other	- 4	4
31 July 2019	64,156	2,796

Contingent liabilities

As of 31 July 2019, the PHOENIX group recorded contingent liabilities for guarantees of EUR 85,758k (31 January 2019: EUR 86,258k).

Notes to the statement of cash flows

EUR k	31 Jan. 2019	31 July 2019
Restricted cash		
Cash and cash equivalents at the end of the period	153,309	83,211
thereof restricted		
due to security deposits	9,050	3,789
due to restrictions placed upon foreign subsidiaries	17,884	11,027

Related party disclosures

Related parties granted PHOENIX group in the first half-year of 2019/20 loans amounting to EUR 100,000k, which were fully repaid during the reporting period and interest expenses of EUR 37k were incurred.

Related parties granted PHOENIX group in April 2019 promissory note bonds with a total nominal amount of EUR 220,000k, a term of 116 months, and an interest rate of 2.40%.

Due to the initial application of IFRS 16, lease liabilities to related parties of EUR 192k were recognised and interest expenses of EUR 2k were incurred.

Beyond that, the business relationships with related parties presented in the consolidated financial statements as of 31 January 2019 remained essentially unchanged in the first half-year of 2019/20.

Subsequent events

In July 2019, the PHOENIX group signed an agreement to acquire Thio Pharma Pharmacies in the Netherlands. The agreement is still subject to the approval of the responsible competition authority.

Mannheim, 11 September 2019

The Executive Board of PHOENIX Pharma SE

FINANCIAL CALENDAR 2019

Please consult our calendar for the most important announcement dates:

16 December Quarterly report February to October 2019

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