

# QUARTERLY --- REPORT

FEBRUARY TO APRIL 2018



a PHOENIX company

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## THE FIRST QUARTER AT A GLANCE

- Total operating performance and revenue increased again
- Stable development of adjusted EBITDA
- Further increase in the equity ratio
- Successful closing of the acquisition of Goodwill Apoteka (Serbia)
- Market entry in Romania

Key figures of the PHOENIX Pharmahandel GmbH & Co KG		1st quarter 2017/18	1st quarter 2018/19
Total operating performance	in EUR m	7,587.4	7,989.2
Revenue	in EUR m	6,044.0	6,194.3
Total income	in EUR m	646.5	653.9
Adjusted EBITDA	in EUR m	98.6	96.5
EBITDA	in EUR m	95.4	89.9
EBIT	in EUR m	62.4	56.4
Profit after tax	in EUR m	37.0	31.3

		30 April 2017	31 January 2018	30 April 2018
Equity	in EUR m	2,720.4	2,840.0	2,839.8
Equity ratio	in %	32.2	34.1	34.2
Net debt	in EUR m	1,638.5	1,569.1	1,814.9

# INTERIM GROUP MANAGEMENT REPORT

## BUSINESS AND ECONOMIC ENVIRONMENT

### Development of the market

The European economy could continue its growth trend in the first quarter of 2018. In the eurozone, seasonally adjusted GDP increased by 2.5% in the first quarter of 2018 compared to prior year's first quarter. In Germany, seasonally and calendar adjusted GDP increased by 2.3% compared to the first quarter of 2017.

Overall, the European pharmaceutical markets continued their moderate growth trend in the first quarter of 2018. The German pharmaceutical market also showed growth. The total turnover of the German wholesale pharmaceutical market grew by 4.7% from January to April 2018 compared to the same period of prior year. The increase was mainly due to higher prescription and OTC pharmaceuticals revenues. Market growth was also noted in various foreign markets of PHOENIX.

In total, PHOENIX continued its positive development in the European market environment. The increase in total operating performance was 5.3% (6.1% when adjusted for foreign exchange rate effects) and revenue grew by 2.5%.

### Acquisitions

In the first three months of 2018/19, business combinations led to a cash outflow of EUR 11.2m (comparative period: EUR 38.8m). The acquisitions pertained to pharmacies in several countries.

### Results of operations

In the first three months of 2018/19, total operating performance, comprising revenue and handled volume that cannot be recognised as revenue, increased by 5.3% to EUR 7,989.2m. Adjusted for foreign exchange rate effects, total operating performance grew by 6.1%.

Revenue grew by EUR 150.3m (2.5%) to EUR 6,194.3m (comparative period: EUR 6,044.0m). The increase is mainly due to higher revenue in Eastern Europe and Germany. Adjusted for foreign exchange rate effects, revenue grew by 3.2%.

Gross profit increased by EUR 12.5m to EUR 618.6m. The gross profit margin came to 10.0% (comparative period: 10.0%).

Other operating income declined by EUR 5.0m to EUR 35.4m.

Personnel expenses increased by 2.1% to EUR 343.6m. This rise is mainly due to the impact of collective salary increases, acquisitions and the growth in business.

Other expenses rose by EUR 5.8m to EUR 220.8m, mainly due to increased communication and IT costs, lease costs and consultancy costs. In relation to revenue, other expenses came to 3.6% (comparative period: 3.6%).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) declined by EUR 5.5m to EUR 89.9m.

An EBITDA figure adjusted for interest from customers, expenses related to ABS and factoring and other non-recurring effects (adjusted EBITDA) came to EUR 96.5m and is determined as follows:

EUR k	1st quarter 2017/18	1st quarter 2018/19	Change EUR k	Change %
EBITDA	95,352	89,875	-5,477	-5.7
Interest from customers	2,569	2,152	-417	-16.2
Expenses related to ABS/factoring	359	351	-8	-2.2
Other non-recurring effects	275	4,126	3,851	1,400.4
<b>Adjusted EBITDA</b>	<b>98,555</b>	<b>96,504</b>	<b>-2,051</b>	<b>-2.1</b>

Depreciation and amortisation came to EUR 33.4m and were at the prior year's level.

The financial result came to EUR -10.3m and was EUR -10.6m in the comparative period.

The effective tax rate in the first three months of 2018/19 came to 32.2% and was 28.7% in the comparative period.

Profit after tax was EUR 31.3m (comparative period: EUR 37.0m). Of this, EUR 7.9m was attributable to non-controlling interests (comparative period: EUR 6.4m).

### Net assets

The Group's total assets decreased slightly by 0.4% to EUR 8,297.4m compared to 31 January 2017. The currency translation difference on the total assets, which is presented in the statement of changes in equity, amounts to EUR -97.5m (31 January 2018: EUR -96.3m).

Compared to 31 January 2018, non-current assets increased by EUR 20.0m to EUR 3,109.8m. The increase is particularly related to intangible assets. Intangible assets contain goodwill of EUR 1,620.4m (31 January 2018: EUR 1,600.0m), which had increased as a result of acquisitions.

Inventories increased compared to 31 January 2018 by EUR 104.5m to EUR 2,235.2m. This increase is mainly due to seasonal fluctuations.

Trade receivables decreased slightly by 4.7% to EUR 2,566.4m. As of 30 April 2018, receivables of EUR 58.8m (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 179.1m had been sold as of 30 April 2018 (31 January 2018: EUR 177.1m). The Group's continuing involvement came to EUR 8.3m (31 January 2018: EUR 8.2m).

Other current receivables and other current financial assets decreased from EUR 167.1m as of 31 January 2018 to EUR 116.7m and mainly include loans granted to customers of EUR 45.0m (31 January 2018: EUR 32.5m) as well as receivables from factoring and ABS transactions of EUR 30.7m (31 January 2018: EUR 30.8m).

Other current assets increased from EUR 112.1m as of 31 January 2018 to EUR 130.3m, among others, due to higher prepayments.

The change in cash and cash equivalents is presented in the statement of cash flows.

### Financial position

Equity was nearly unchanged compared to 31 January 2018. The equity ratio as of 31 April 2018 came to 34.2% (31 January 2018: 34.1%).

Cashflow from operating activities came to EUR –204.2m (comparative period: EUR –46.4m) and was largely affected by a higher increase of EUR 127.5m in working capital compared to the comparative period. Cashflow from investing activities came to EUR –46.4m and was EUR –46.9m in the comparative period. Investing activities mainly pertained to the acquisition of property, plant and equipment.

Non-current financial liabilities came to EUR 657.7m (31 January 2018: 655.8m). As at 30 April 2018, non-current financial liabilities contain, among others, bonds of EUR 496.6m (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 1,063.9m (31 January 2018: EUR 821.0m) and include, among others, liabilities to banks of EUR 407.1m (31 January 2018: EUR 179.3m), liabilities from ABS and factoring agreements with an amount of EUR 444.9m (31 January 2018: EUR 415.0m) as well as other loans amounting to EUR 126.3m (31 January 2018: EUR 116.0m).

Trade payables decreased by EUR 241.8m to EUR 3,027.8m.

Overall, PHOENIX was able to underline its position in the first three months of 2018/19 as a leading pharmaceuticals trader 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 in the annual report are still essentially relevant.



[www.phoenixgroup.eu/en/investor-relations/publications/annual-report-201718](http://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 mostly stable development for the equity ratio.



**INTERIM**  
**CONDENSED**  
**CONSOLIDATED**  
**FINANCIAL**  
**STATEMENTS**

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# CONSOLIDATED INCOME STATEMENT

for the first quarter of 2018/19

EUR k	1st quarter 2017/18	1st quarter 2018/19
<b>Revenue</b>	<b>6,043,972</b>	<b>6,194,284</b>
Cost of purchased goods and services	-5,437,924	-5,575,717
<b>Gross income</b>	<b>606,048</b>	<b>618,567</b>
Other operating income	40,402	35,357
Personnel expenses	-336,645	-343,647
Other operating expenses	-214,972	-220,779
Result from associates and joint ventures	519	377
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>95,352</b>	<b>89,875</b>
Amortisation of intangible assets and depreciation of property, plant and equipment	-32,924	-33,446
<b>Earnings before interest and taxes (EBIT)</b>	<b>62,428</b>	<b>56,429</b>
Interest income	3,059	2,665
Interest expenses	-13,103	-11,608
Other financial result	-506	-1,338
<b>Financial result</b>	<b>-10,550</b>	<b>-10,281</b>
<b>Profit before income tax</b>	<b>51,878</b>	<b>46,148</b>
Income taxes	-14,889	-14,860
<b>Profit for the period</b>	<b>36,989</b>	<b>31,288</b>
thereof attributable to non-controlling interests	6,350	7,861
thereof attributable to equity holders of the parent company	30,639	23,427

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the first quarter of 2018/19

EUR k	1st quarter 2017/18	1st quarter 2018/19
<b>Profit after tax</b>	<b>36,989</b>	<b>31,288</b>
<b>Items not reclassified to the income statement</b>		
Remeasurement of defined benefit plans	1,942	-817
<b>Items that may subsequently be reclassified to the income statement</b>		
Gains/losses from changes in the fair value of available-for-sale financial assets	1	0
Currency translation differences	6,098	-1,352
<b>Other comprehensive income, net of taxes</b>	<b>8,041</b>	<b>-2,169</b>
<b>Total comprehensive income</b>	<b>45,030</b>	<b>29,119</b>
thereof attributable to non-controlling interests	6,550	7,746
thereof attributable to owners of the parent company	38,480	21,373

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 30 April 2018

## ASSETS

EUR k	31 Jan. 2018	30 Apr. 2018
<b>Non-current assets</b>		
Intangible assets	1,975,561	1,993,436
Property, plant and equipment	915,144	913,346
Investment property	10,596	10,482
Investments in associates and joint ventures	14,726	15,147
Trade receivables	16	162
Other financial assets	95,008	96,465
Deferred tax assets	78,768	80,746
Income tax receivables	0	4
	<b>3,089,819</b>	<b>3,109,788</b>
<b>Current assets</b>		
Inventories	2,130,706	2,235,220
Trade receivables	2,693,262	2,566,199
Income tax receivables	31,282	29,887
Other financial assets	167,061	116,679
Other assets	112,102	130,284
Cash and cash equivalents	104,415	103,800
	<b>5,238,828</b>	<b>5,182,069</b>
Non-current assets held for sale	5,507	5,507
<b>Total assets</b>	<b>8,334,154</b>	<b>8,297,364</b>

**EQUITY AND LIABILITIES**

EUR k	31 Jan. 2018	30 Apr. 2018
<b>Equity</b>		
Unlimited and limited partners' capital	1,000,000	1,000,000
Reserves	1,721,560	1,732,229
Accumulated other comprehensive income	- 223,564	- 238,129
<b>Equity attributable to partners</b>	<b>2,497,996</b>	<b>2,494,100</b>
Non-controlling interests	341,973	345,657
	<b>2,839,969</b>	<b>2,839,757</b>
<b>Non-current liabilities</b>		
Financial liabilities	655,783	657,690
Trade payables	2	2
Provisions for pensions and similar obligations	234,962	231,733
Other non-current provisions	1,327	1,693
Deferred tax liabilities	122,071	118,132
Other non-current liabilities	2,115	1,884
	<b>1,016,260</b>	<b>1,011,134</b>
<b>Current liabilities</b>		
Financial liabilities	820,954	1,063,854
Trade payables	3,269,572	3,027,766
Other provisions	51,729	52,793
Income tax liabilities	36,575	33,343
Other liabilities	299,095	268,717
	<b>4,477,925</b>	<b>4,446,473</b>
Liabilities directly associated with assets held for sale	0	0
<b>Total equity and liabilities</b>	<b>8,334,154</b>	<b>8,297,364</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the first quarter of 2018/19

EUR k	30 Apr. 2017	30 Apr. 2018
<b>Profit after tax</b>	<b>36,989</b>	<b>31,288</b>
Income taxes	14,889	14,860
<b>Profit before income taxes</b>	<b>51,878</b>	<b>46,148</b>
Adjustments for:		
Interest expenses and interest income	10,044	8,943
Amortisation/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and investment property	32,924	33,446
Result from associates and other investments	- 519	- 377
Net result from the disposal of assets related to investing activities	- 2,110	212
Other non-cash expense and income	40,248	29,653
	<b>132,465</b>	<b>118,025</b>
Interest paid	- 6,312	- 8,679
Interest received	3,066	2,375
Income taxes paid	- 8,031	- 18,633
<b>Result before change in assets and liabilities</b>	<b>121,188</b>	<b>93,088</b>
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	- 5,299	- 7,483
<b>Result before change in operating assets and liabilities</b>	<b>115,889</b>	<b>85,605</b>
Change in inventories	- 47,539	- 114,328
Change in trade receivables	52,215	35,593
Change in trade payables	- 137,159	- 144,092
	<b>- 132,483</b>	<b>- 222,827</b>
Change in other assets and liabilities not related to investing or financing activities	- 29,827	- 67,015
<b>Change in operating assets and liabilities</b>	<b>- 162,310</b>	<b>- 289,842</b>
<b>Cash flow from operating activities</b>	<b>- 46,421</b>	<b>- 204,237</b>
Acquisition of consolidated companies and business units, net of cash acquired	- 16,292	- 11,174
Capital expenditures for intangible assets, property, plant and equipment, and investment property	- 41,460	- 34,593
Investment in other financial assets and non-current assets	- 115	- 300
<b>Cash outflows for investments</b>	<b>- 57,867</b>	<b>- 46,067</b>

EUR k	30 Apr. 2017	30 Apr. 2018
Cash received from the sale of consolidated companies and business units, net of cash disposed	9,661	-1,331
Cash received from disposal of intangible assets, property, plant and equipment and investment property	703	779
Proceeds from other financial assets and non-current assets	615	244
<b>Cash inflows from realised investments and divestments</b>	<b>10,979</b>	<b>-308</b>
<b>Cash flow from investing activities</b>	<b>-46,888</b>	<b>-46,375</b>
<b>Cash available for financing activities</b>	<b>-93,309</b>	<b>-250,612</b>
Capital increase/repayment	-170,015	0
Capital contribution from/repayment to non-controlling interests	-73	0
Acquisition of additional shares in already consolidated subsidiaries	-1,193	-588
Dividends paid to non-controlling interests	-2,865	-2,292
Proceeds from bond issuance and bank loans	102,806	126,576
Repayment of bonds and bank loans	-119,535	-5,570
Change in bank loans which have a maturity period of 3 months or less	-59	104,116
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	100,000
Repayment of loans from related parties	-35,000	-100,000
Change in ABS/Factoring	-20,868	31,050
Change in finance lease	-141	-146
Change in other financial liabilities	0	-2,676
<b>Cash flow from financing activities</b>	<b>-36,943</b>	<b>250,470</b>
<b>Changes in cash and cash equivalents</b>	<b>-130,252</b>	<b>-142</b>
Effect of exchange rate changes on cash and cash equivalents	-154	-473
Cash and cash equivalents at the beginning of the period	487,861	104,415
Cash and cash at the end of the period	357,455	103,800
Less cash and cash equivalents included in assets held for sale	0	0
<b>Cash and cash equivalents presented in the balance sheet at the end of the period</b>	<b>357,455</b>	<b>103,800</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the first quarter 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
<b>1 February 2017</b>	<b>1,185,000</b>	<b>1,566,327</b>	<b>-92,698</b>	<b>9,770</b>	<b>-140,073</b>	<b>2,528,326</b>	<b>321,438</b>	<b>2,849,764</b>
Profit after tax		30,639				30,639	6,350	36,989
Accumulated other comprehensive income			6,098	1	1,742	7,841	200	8,041
<b>Total comprehensive income, net of tax</b>		<b>30,639</b>	<b>6,098</b>	<b>1</b>	<b>1,742</b>	<b>38,480</b>	<b>6,550</b>	<b>45,030</b>
Capital increase/reduction	-185,000	14,985				-170,015	0	-170,015
Changes in the interest of consolidated companies		-638				-638	-530	-1,168
Dividends						0	-2,865	-2,865
Other changes in equity		-225				-225	-85	-310
<b>30 April 2017</b>	<b>1,000,000</b>	<b>1,611,088</b>	<b>-86,600</b>	<b>9,771</b>	<b>-138,331</b>	<b>2,395,928</b>	<b>324,508</b>	<b>2,720,436</b>
<b>1 February 2018</b>	<b>1,000,000</b>	<b>1,721,560</b>	<b>-96,269</b>	<b>12,511</b>	<b>-139,806</b>	<b>2,497,996</b>	<b>341,973</b>	<b>2,839,969</b>
Initial application of IFRS 9		-12,110		-12,511		-24,621	-1,385	-26,006
<b>1 February 2018 adjusted</b>	<b>1,000,000</b>	<b>1,709,450</b>	<b>-96,269</b>	<b>0</b>	<b>-139,806</b>	<b>2,473,375</b>	<b>340,588</b>	<b>2,813,963</b>
Profit after tax		23,427				23,427	7,861	31,288
Accumulated other comprehensive income			-1,249	0	-805	-2,054	-115	-2,169
<b>Total comprehensive income, net of tax</b>		<b>23,427</b>	<b>-1,249</b>	<b>0</b>	<b>-805</b>	<b>21,373</b>	<b>7,746</b>	<b>29,119</b>
Changes in the interest of consolidated companies		-574				-574	-105	-679
Dividends							-2,574	-2,574
Other changes in equity		-74				-74	2	-72
<b>30 April 2018</b>	<b>1,000,000</b>	<b>1,732,229</b>	<b>-97,518</b>	<b>0</b>	<b>-140,611</b>	<b>2,494,100</b>	<b>345,657</b>	<b>2,839,757</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

as of 30 April 2018

## The company

PHOENIX Pharmahandel GmbH & Co KG, Mannheim, ("PHOENIX") is a European healthcare provider and pharmaceuticals distribution group. PHOENIX has business activities in 26 European countries. In several countries, PHOENIX also operates its own pharmacy chains. The registered office is located in Mannheim, Germany.

## Basis of presentation

The interim condensed consolidated financial statements of PHOENIX as of 30 April 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 30 April 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 30 April 2018 of PHOENIX were released for publication by the management of PHOENIX Pharmahandel GmbH & Co KG on 25 June 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 three 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 112k and revenue to EUR 4,883k. 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 10,387k. 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 – 887k.

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

#### Fair value recognised on acquisition

EUR k	Other
Cash and cash equivalents	21,859
Equity instruments	0
Acquisition-date fair value of previously held equity interest	0
<b>Total cost</b>	<b>21,859</b>
Intangible assets	35
Other non-current assets	1,302
Inventories	4,225
Trade receivables	2,511
Cash and cash equivalents	559
Other current assets	1,221
Non-current liabilities	2,501
Current liabilities	9,622
<b>Net assets</b>	<b>-2,270</b>
Non-controlling interests	0
<b>Net assets acquired</b>	<b>-2,270</b>
<b>Bargain purchase</b>	<b>0</b>
<b>Goodwill</b>	<b>24,129</b>

#### Other business combinations

In the first three months of 2018/19, the Group acquired a pharmacy chain and further pharmacies that are individually immaterial.

Other business combinations include contingent consideration of EUR 2,612k (maximum amount expected).

The goodwill arising on those acquisitions was allocated to the cash-generating units Serbia (EUR 15,362k), Netherlands (EUR 5,082k), Norway (EUR 1,712k), Slovakia (EUR 1,082k), Czech Republic (EUR 588k) and the Baltics (EUR 303k) and is managed in the local functional currencies (RSD, EUR, NOK and CZK).

EUR 2,000k 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 351k (comparative period: EUR 359k).

### Financial result

EUR k	1st quarter 2017/18	1st quarter 2018/19
Interest income	3,059	2,665
Interest expenses	- 13,103	- 11,608
Other financial result	- 506	- 1,338
<b>Financial result</b>	<b>- 10,550</b>	<b>- 10,281</b>

Interest income includes interest from customers of EUR 2,152k (comparative period: EUR 2,569k).

The other financial result includes exchange rate gains of EUR 10,029k (comparative period: EUR 12,150k) and exchange rate losses of EUR 16,578k (comparative period: EUR 7,545k). Changes in the market value of derivatives gave rise to income of EUR 18,755k (comparative period: EUR 16,908k) and expenses of EUR 13,566k (comparative period: EUR 22,101k).

### Other assets and other liabilities

EUR k	31 Jan. 2018	30 Apr. 2018
Prepayments	62,594	74,901
Tax claims – VAT and other taxes	32,710	30,058
Sundry other assets	16,798	25,325
<b>Other assets</b>	<b>112,102</b>	<b>130,284</b>

EUR k	31 Jan. 2018	30 Apr. 2018
VAT and other tax liabilities	105,924	62,895
Personnel liabilities	140,225	137,741
Liabilities relating to social security/similar charges	27,763	38,312
Contract Liabilities (IFRS 15)	14,864	18,504
Sundry other liabilities	10,319	11,265
<b>Other liabilities</b>	<b>299,095</b>	<b>268,717</b>

**Other financial assets and other financial liabilities**

The table below presents the non-current financial assets:

EUR k	31 Jan. 2018	30 Apr. 2018
Trade receivables, non-current	16	162
<b>Other financial assets</b>		
Equity and debt instruments	40,787	40,843
Loans to and receivables from associates	2,086	1,110
Other loans	47,482	48,984
Other non-current financial assets	4,653	5,528
	<b>95,008</b>	<b>96,465</b>

The table below presents the current financial assets:

EUR k	31 Jan. 2018	30 Apr. 2018
Trade receivables	2,693,262	2,566,199
<b>Other financial assets</b>		
Loans to and receivables from associates or related parties	6,926	5,588
Other loans	32,544	44,996
Derivative financial instruments	1,648	7,992
Other current financial assets	125,943	58,103
	<b>167,061</b>	<b>116,679</b>

The receivables from factoring and ABS transactions as of 30 April 2018 are presented below:

EUR k	31 Jan. 2018	30 Apr. 2018
<b>Transferred but only partly derecognised receivables</b>		
Receivables not derecognised in accordance with IAS 39		
Volume of receivables	456,747	483,251
Financial liability	405,924	435,823
<b>Continuing involvement</b>		
Volume of receivables	177,119	179,139
Continuing involvement	8,232	8,327
Financial liability	9,030	9,119
<b>Transferred and fully derecognised receivables</b>		
Volume of receivables	61,224	58,839
Retentions of title	30,834	30,692

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

EUR k	31 Jan. 2018	30 Apr. 2018
<b>Financial liabilities (non-current)</b>		
Liabilities to banks	149,635	149,742
Bonds	496,319	496,635
Loans	356	304
Other financial liabilities	9,473	11,009
	<b>655,783</b>	<b>657,690</b>

EUR k	31 Jan. 2018	30 Apr. 2018
<b>Financial liabilities (current)</b>		
Liabilities to banks	179,251	407,111
Loans	115,981	126,335
Liabilities to associates and related parties	49,411	49,989
Liabilities for customer rebates and bonuses	33,119	0
ABS and factoring liabilities	414,954	444,942
Other financial liabilities	28,238	35,477
	<b>820,954</b>	<b>1,063,854</b>

In connection with the loan agreements, it was agreed to comply with certain financial covenants, all of which were met in the first three months of 2018/19.

Liabilities to associates and related parties include current loan liabilities to partners of EUR 49,042k (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 220k (31 January 2018: EUR 229k).

Other financial liabilities (current) contain current derivative financial instruments of EUR 1,617k (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:

30 April 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						
<b>Assets</b>						
Equity and debt instruments	0	40,843	0	0	40,843	40,843
Trade receivables	2,566,361	0	0	0	2,566,361	2,566,361
Loans to and receivables from associates or related parties	6,698	0	0	0	6,698	6,653
Other loans	93,980	0	0	0	93,980	95,370
Derivative financial assets without hedge accounting	7,992	0	0	0	7,992	7,992
Other financial assets	56,971	0	0	0	56,971	56,971
Lease receivables	0	0	6,660	0	6,660	n/a
Cash and cash equivalents	103,800	0	0	0	103,800	103,800

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								
<b>Assets</b>								
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:

30 April 2018	Category pursuant to IAS 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						
<b>Financial liabilities</b>						
Liabilities to banks	556,853	0	0	0	556,853	557,270
Bonds	496,635	0	0	0	496,635	533,214
Loans	126,639	0	0	0	126,639	126,639
Trade payables	3,027,768	0	0	0	3,027,768	3,027,768
Liabilities to associates and related parties	49,989	0	0	0	49,989	45,876
ABS and factoring liabilities	444,942	0	0	0	444,942	444,942
Other financial liabilities at cost	25,953	0	0	0	25,953	25,953
Other financial liabilities at fair value	10,059	0	0	0	10,059	10,059
Lease liabilities	0	0	8,637	0	8,637	n/a
Derivative financial liabilities without hedge accounting	0	1,837	0	0	1,837	1,837



31 January 2018	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						
<b>Financial liabilities</b>						
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	8,073	0	0	0	8,073	8,073
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

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				
TEUR	Level 1	Level 2	Level 3	Total
<b>30 April 2018</b>				
Equity and debt instruments	0	0	40,843	40,843
Derivative financial assets without hedge accounting	0	7,992	0	7,992
Derivative financial liabilities without hedge accounting	0	1,837	0	1,837
Other financial liabilities	0	0	10,059	10,059

Financial instruments measured at fair value				
TEUR	Level 1	Level 2	Level 3	Total
<b>31 January 2018</b>				
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	8,073	8,073

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

EUR k	Equity and debt instruments	Other financial liabilities
<b>1 February 2018</b>	<b>40,543</b>	<b>8,073</b>
Total gains and losses recognised in accumulated other comprehensive income	0	0
Purchase	300	0
Sale of shares	0	0
thereof recognised in the income statement	0	0
Acquisitions	0	2,612
Remeasurement of contingent purchase price obligations (through profit or loss)	0	0
Payments due to acquisitions	0	-750
Other	0	124
<b>30 April 2018</b>	<b>40,843</b>	<b>10,059</b>

### Contingent liabilities

As of 30 April 2018, PHOENIX recorded contingent liabilities for guarantees of EUR 76,004k (31 January 2018: EUR 76,674k).

### Notes to the statement of cash flows

EUR k	31 Jan. 2018	30 Apr. 2018
<b>Restricted cash</b>		
Cash and cash equivalents at the end of the period	104,415	103,800
thereof restricted		
due to security deposits	12,638	9,239
due to restrictions placed upon foreign subsidiaries	15,162	17,690

**Related party disclosures**

Related parties granted PHOENIX loans in the first three months of 2018/19. The loans amounted to EUR 160,000k, were fully repaid during the reporting period and interest expenses of EUR 156k 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 three months of 2018/19.

**Subsequent events**

In early April 2018, PHOENIX has signed a purchase agreement for the pharmaceutical wholesaler Farmexim S.A., and the pharmacy chain Help Net Farma S.A. in Romania.

Mannheim, 25 June 2018

The Management Board of the unlimited partner  
PHOENIX Verwaltungs GmbH

# FINANCIAL CALENDAR 2018

Please consult our calendar for the most important announcement dates:

**21 September** Half-year report February to July 2018

**18 December** Quarterly report February to October 2018

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