



CARING FOR PEOPLE

QUARTERLY REPORT
FEBRUARY TO OCTOBER 2017



We deliver health.

Each and every day. Across Europe.



- > **The PHOENIX group** is a leading pharmaceutical trader in Europe, reliably supplying people with drugs and medical products every day. The PHOENIX group originated from the merger of five regionally active pharmaceutical wholesale businesses in Germany in 1994. Today, the company offers unique geographical coverage throughout Europe, making a vital contribution to comprehensive healthcare with around 34,000 employees. The PHOENIX group's vision is to be the best integrated healthcare provider – wherever it is active. This means that each customer group is provided with the best possible services and products along the entire pharmaceutical supply chain.
- > **In pharmaceutical wholesale**, the PHOENIX group is active with 152 distribution centres in 26 European countries and supplies pharmacies and medical institutions with drugs and other health products. Numerous other products and services for pharmacy customers complete the portfolio – from support with patient advice to modern goods management systems to pharmacy cooperation programmes. With over 12,000 member pharmacies, PHOENIX Pharmacy Partnership is the umbrella for our European network of 12 cooperation and partner programmes in 15 countries.
- > **In pharmacy retail**, the PHOENIX group operates more than 2,000 of its own pharmacies in 13 countries – of which around 1,200 operate under the corporate brand BENU. In addition to Norway, the United Kingdom, the Netherlands, and Switzerland, the company is also represented in the Eastern European and Baltic markets. More than 17,000 pharmacy employees have around 136 million customer contacts each year. They dispense more than 300 million drug packages to patients and advise them on issues concerning pharmaceuticals and general health.
- > **Pharma Services** provides services along the entire supply chain. The “All-in-One” concept stands for a comprehensive range of services that benefits drug manufacturers, pharmacies, and patients. 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.



CARING

FOR PEOPLE

THE PHOENIX GROUP PUTS PEOPLE FIRST.
THEIR NEEDS ARE THE GUIDING PRINCIPLE
BEHIND OUR CORPORATE ACTIVITIES WITHIN
THE EUROPEAN HEALTHCARE SYSTEM –
FOR OUR DAY-TO-DAY OPERATIONS AND
FOR ALL INVESTMENTS IN THE FUTURE.

CONTENTS

- 2 Link between manufacturer and patient
- 3 The first nine months at a glance

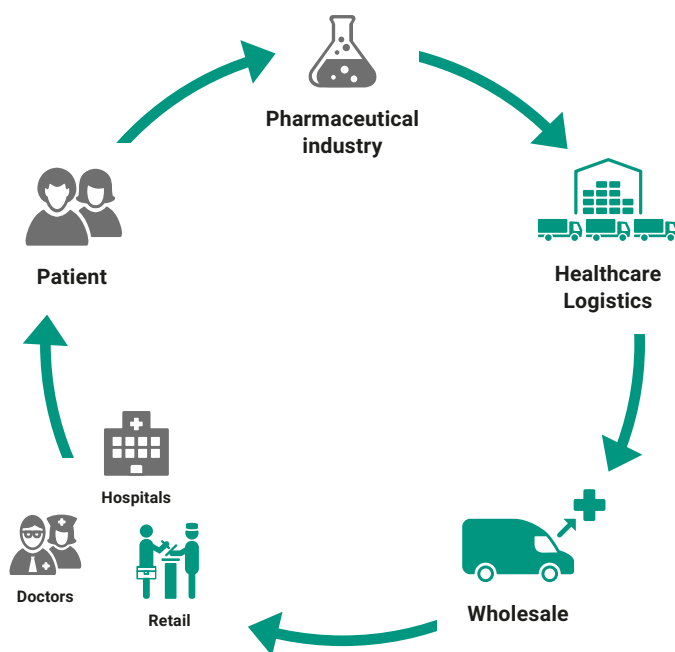
4 INTERIM GROUP MANAGEMENT REPORT

- 4 Business and economic environment
- 8 Risks and opportunities
- 8 Forecast

9 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- 10 Consolidated income statement
- 11 Consolidated statement of comprehensive income
- 12 Consolidated statement of financial position
- 14 Consolidated statement of cash flows
- 16 Consolidated statement of changes in equity
- 18 Notes to the interim condensed consolidated financial statements
- 31 Financial calendar 2018 and imprint

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 to 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 is accompanied by the best possible customer service.

THE FIRST NINE MONTHS AT A GLANCE

- Total operating performance and revenue increased again
- EBITDA increased compared to previous year
- Opening of a new distribution and logistics centre in Germany
- Acquisition of a pharmacy chain in Serbia

Key figures of the PHOENIX group		1st nine months 2016/17	1st nine months 2017/18
Total operating performance	in EUR m	22,345.7	23,398.7
Revenue	in EUR m	18,034.6	18,496.5
Total income	in EUR m	1,866.0	1,960.4
EBITDA	in EUR m	294.6	322.3
EBIT	in EUR m	204.2	223.7
Profit after tax	in EUR m	106.5	136.2

		31 Oct. 2016	31 Jan. 2017	31 Oct. 2017
Equity	in EUR m	2,772.8	2,849.8	2,779.1
Equity ratio	in %	33.4	33.1	32.5
Net debt	in EUR m	1,864.2	1,377.5	1,826.2

INTERIM GROUP MANAGEMENT REPORT

BUSINESS AND ECONOMIC ENVIRONMENT

Development of the market

The European economy could continue its trend of growth in the third quarter of 2017. In the Eurozone, the seasonally adjusted GDP increased by 2.5% in the third quarter of 2017 compared to prior year's third quarter. In Germany, the seasonally and calendar adjusted GDP increased by 2.8% compared to the third quarter of 2016.

Overall, the European pharmaceutical markets continued their moderate growth trend in the third quarter of 2017. The German pharmaceutical market also showed a slight growth. The total turnover of the German wholesale pharmaceutical market grew by 1.9% from January to October 2017 compared to the same period of 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. The increase in total operating performance was 4.7% (adjusted for foreign exchange rate effects 5.1%); revenue grew by 2.6%.

Acquisitions

In the first nine months of 2017/2018, business combinations led to a cash outflow of EUR 28.9m (comparative period: EUR 315.5m). The acquisitions pertained to a research and consultancy company in Finland and individual pharmacies in several countries.

Results of operations

In the first nine months of 2017/18, total operating performance, comprising revenue and handled volume which cannot be recognised as revenue, increased by 4.7% to EUR 23,398.7m. Adjusted for foreign exchange rate effects, total operating performance grew by 5.1%.

Revenue grew by EUR 461.9m (2.6%) to EUR 18,496.5m (comparative period: EUR 18,034.6m). The increase is mainly due to increased revenue in Northern and Western Europe. Adjusted for foreign exchange rate effects, revenue grew by 3.0%.

Gross profit increased by EUR 74.7m to EUR 1,840.2m. The gross profit margin increased to 9.9% (comparative period: 9.8%).

Other operating income grew by EUR 19.7m to EUR 120.2m owing to acquisition effects.

Personnel expenses increased by 5.3% to EUR 995.2m. This is mainly due to the acquisition of Mediq Apotheken Nederland B.V. in June 2016.

Other expenses rose by EUR 15.6m to EUR 644.8m. In addition to acquisition effects, this is mainly due to increased transportation costs and lease costs. In relation to revenue, other expenses came to 3.5% (comparative period: 3.5%).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) could be increased by EUR 27.7m to EUR 322.3m.

An EBITDA figure adjusted for interest from customers and expenses related to ABS and factoring (adjusted EBITDA) came to EUR 331.0m and is determined as follows:

EUR k	1st nine months 2016/17	1st nine months 2017/18
EBITDA	294,553	322,287
Interest from customers	7,408	7,569
Expenses related to ABS and factoring	1,921	1,168
Adjusted EBITDA	303,882	331,024

Depreciation and amortisation came to EUR 98.6m and were slightly above prior year's level due to acquisition effects.

The financial result came to EUR – 31.6m and improved slightly compared to the prior year's amount of EUR – 33.3m.

The effective tax rate in the first nine months of 2017/18 came to 29.1% and was 37.7% in the comparative period.

Profit after tax was EUR 136.2m (comparative period: EUR 106.5m). Of this, EUR 20.6m is attributable to non-controlling interests (comparative period: EUR 15.1m).

Net assets

The Group's total assets decreased slightly by 0.5% to EUR 8,553.8m 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 – 98.2m (31 January 2017: EUR – 92.7m).

Compared to 31 January 2017, non-current assets increased by EUR 50.9m to EUR 3,067.0m. The increase is particularly related to property, plant and equipment and is mainly due to the construction of a new logistics centre in Denmark. Intangible assets contain goodwill with an amount of EUR 1,599.0m (31 January 2017: EUR 1,577.4m) which rose due to acquisitions.

Inventories increased compared to 31 January 2017 by EUR 142.5m to EUR 2,238.5m. This increase is mainly due to seasonal fluctuation.

Trade receivables decreased slightly by 1.1% to EUR 2,700.8m. As of 31 October 2017, receivables of EUR 22.2m (31 January 2017: EUR 24.0m) 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 179.2m had been sold as of 31 October 2017 (31 January 2017: EUR 175.6m). The Group's continuing involvement came to EUR 8.0m (31 January 2017: EUR 7.9m).

Other current receivables and other current financial assets increased from EUR 180.1m as of 31 January 2017 to EUR 189.2m and mainly include receivables from factoring and ABS transactions of EUR 29.7m (31 January 2017: EUR 40.3m) as well as receivables from rebates and bonuses of EUR 94.3m (31 January 2017: EUR 72.9m).

Other current assets increased from EUR 104.7m as of 31 January 2017 to EUR 132.5m, among others, due to higher prepayments.



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

See Consolidated
statement of cash flows
(p. 14).

Non-current assets held for sale decreased from EUR 8.3m to EUR 0.4m due to the sale of pharmacies in connection with the Mediq acquisition.

Financial position

In March 2017, the limited partners reduced their capital in the parent company by EUR 185.0m to EUR 1,000.0m. A partial amount of EUR 15.0m relates to fully consolidated entities and was offset against reserves. As a result, the equity ratio as of 31 October 2017 decreased to 32.5% (31 January 2017: 33.1%).

In the statement of cash flows, the result before change in operating assets and liabilities came to EUR 306.8m and was above prior year's level. The increase in working capital amounted to EUR 397.0m and was EUR 51.2m lower than in the comparative period. Cash flow from operating activities increased by EUR 44.1m to EUR – 110.4m.

Cash flow from investing activities came to EUR – 145.6m and was EUR – 419.2m in the comparative period. Investing activities mainly pertained to the acquisition of property, plant and equipment. In the comparative period, investing activities mainly included the acquisition of Mediq Apotheken Nederland B.V.

Non-current financial liabilities came to EUR 755.4m (31 January 2017: 753.5 million). As at 31 October 2017, non-current financial liabilities contain, among others, bonds of EUR 595.2m (31 January 2017: EUR 594.1m) and promissory note bonds of EUR 149.4m (31 January 2017: EUR 149.3m).

Current financial liabilities came to EUR 1,114.1m (31 January 2017: EUR 962.4m) and include, among others, liabilities to banks of EUR 389.9m (31 January 2017: EUR 182.2m), liabilities from ABS and factoring agreements with an amount of EUR 460.1m (31 January 2017: EUR 533.9m) as well as other loans amounting to EUR 136.4m (31 January 2017: EUR 134.1m).

Trade payables decreased by EUR 121.3m to EUR 3,152.2m.

Overall, the PHOENIX group was able to underline its position in the first nine months of 2017/18 as a leading pharmaceuticals trader in Europe.

RISKS AND OPPORTUNITIES



[www.phoenixgroup.eu/en/
investor-relations/
publications/
annual-report-201617/](http://www.phoenixgroup.eu/en/investor-relations/publications/annual-report-201617/)

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 2016/17.

The risks and opportunities presented there are still essentially relevant.

FORECAST

We anticipate a stable economic environment in 2017, with GDP in Germany and the eurozone expected to grow by around 1% to 2%.

We still expect the European pharmaceutical markets to record a positive market growth in 2017.

For the fiscal year 2017/18, we expect to further expand our market position in Europe through organic growth and acquisitions and thereby increase revenue slightly.

We expect a considerable increase in adjusted EBITDA in 2017/18.

We expect a mostly stable development for the equity ratio.



INTERIM
CONDENSED
CONSOLIDATED
FINANCIAL
STATEMENTS

10	CONSOLIDATED INCOME STATEMENT
11	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
12	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
14	CONSOLIDATED STATEMENT OF CASH FLOWS
16	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
18	NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the first nine months of 2017/18

EUR k	3rd quarter 2016/17	3rd quarter 2017/18	1st nine months 2016/17	1st nine months 2017/18
Revenue	6,137,375	6,199,340	18,034,596	18,496,509
Cost of purchased goods and services	- 5,528,211	- 5,586,226	- 16,269,084	- 16,656,276
Gross profit	609,164	613,114	1,765,512	1,840,233
Other operating income	36,008	41,999	100,448	120,181
Personnel expenses	- 324,942	- 328,867	- 944,722	- 995,173
Other operating expenses	- 228,373	- 216,601	- 629,149	- 644,775
Results from associates and joint ventures	638	445	2,021	1,813
Result from other investments	114	2	443	8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	92,609	110,092	294,553	322,287
Amortisation of intangible assets and depreciation of property, plant and equipment	- 31,629	- 32,907	- 90,307	- 98,550
Earnings before interest and taxes (EBIT)	60,980	77,185	204,246	223,737
Interest income	3,079	2,910	9,547	9,412
Interest expenses	- 14,492	- 12,625	- 40,769	- 41,217
Other financial result	672	192	- 2,104	157
Financial result	- 10,741	- 9,523	- 33,326	- 31,648
Profit before tax	50,239	67,662	170,920	192,089
Income taxes	- 27,991	- 20,187	- 64,437	- 55,898
Profit for the period	22,248	47,475	106,483	136,191
thereof attributable to non-controlling interests	5,358	6,669	15,146	20,633
thereof attributable to owners of the parent company	16,890	40,806	91,337	115,558

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the first nine months of 2017/18

EUR k	3rd quarter 2016/17	3rd quarter 2017/18	1st nine months 2016/17	1st nine months 2017/18
Profit after tax	22,248	47,475	106,483	136,191
Items not reclassified to the income statement				
Remeasurement of defined benefit plans	- 33,102	- 17,442	- 53,578	- 15,194
Items that may subsequently be reclassified to the income statement				
Gains/losses from changes in the fair value of available-for-sale financial assets	- 1	0	0	0
Reclassification adjustments	0	0	0	- 101
Currency translation differences	- 23,010	5,329	- 62,404	- 5,640
Other comprehensive income, net of taxes	- 56,113	- 12,113	- 115,982	- 20,935
Total comprehensive income	- 33,865	35,362	- 9,499	115,256
thereof attributable to non-controlling interests	6,414	6,381	14,655	20,119
thereof attributable to owners of the parent company	- 40,279	28,981	- 24,154	95,137

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 October 2017

ASSETS

EUR k	31 Jan. 2017 ¹⁾	31 Oct. 2017
Non-current assets		
Intangible assets	1,958,319	1,969,140
Property, plant and equipment	857,145	888,854
Investment property	11,794	10,835
Investments in associates and joint ventures	14,134	15,980
Trade receivables	153	83
Other financial assets	91,648	90,516
Other assets	236	0
Deferred tax assets	82,667	91,603
	3,016,096	3,067,011
Current assets		
Inventories	2,096,010	2,238,461
Trade receivables	2,672,065	2,700,736
Income tax receivables	33,216	28,095
Other receivables and other current financial assets	180,106	189,204
Other assets	104,734	132,545
Cash and cash equivalents	487,861	197,257
	5,573,992	5,486,298
Non-current assets held for sale	8,285	446
Total assets	8,598,373	8,553,755

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

EQUITY AND LIABILITIES

EUR k	31 Jan. 2017 ¹⁾	31 Oct. 2017
Equity		
Unlimited and limited partners' capital	1,185,000	1,000,000
Reserves	1,566,327	1,692,104
Accumulated other comprehensive income	– 223,001	– 243,422
Equity attributable to partners	2,528,326	2,448,682
Non-controlling interests	321,438	330,418
	2,849,764	2,779,100
Non-current liabilities		
Financial liabilities	753,516	755,380
Trade payables	220	0
Provisions for pensions and similar obligations	251,812	258,219
Other non-current provisions	1,311	1,338
Deferred tax liabilities	120,060	125,539
Income tax liabilities	0	792
Other non-current liabilities	2,534	2,548
	1,129,453	1,143,816
Current liabilities		
Financial liabilities	962,378	1,114,095
Trade payables	3,273,312	3,152,203
Other provisions	50,708	48,832
Income tax liabilities	45,885	46,300
Other liabilities	286,402	269,409
	4,618,685	4,630,839
Liabilities directly associated with assets held for sale	471	0
Total equity and liabilities	8,598,373	8,553,755

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the first nine months of 2017/18

EUR k	31 Oct. 2016	31 Oct. 2017
Profit after tax	106,483	136,191
Income taxes	64,437	55,898
Profit before income taxes	170,920	192,089
Adjustments for:		
Interest expenses and interest income	31,222	31,805
Amortisation/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and investment property	90,307	98,550
Result from associates and other investments	- 2,464	- 1,821
Net result from the disposal of assets related to investing activities	1,239	- 5,323
Other non-cash expense and income	80,295	62,244
	371,519	377,544
Interest paid	- 38,768	- 37,692
Interest received	9,280	8,765
Income taxes paid	- 41,334	- 42,173
Dividends received	953	378
Result before change in assets and liabilities	301,650	306,822
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	- 7,891	- 20,156
Result before change in operating assets and liabilities	293,759	286,666
Change in inventories	- 161,659	- 161,737
Change in trade receivables	- 76,778	- 47,296
Change in trade payables	- 165,045	- 109,859
	- 403,482	- 318,892
Change in other assets and liabilities not related to investing or financing activities	- 44,727	- 78,155
Change in operating assets and liabilities	- 448,209	- 397,047
Cash flow from operating activities	- 154,450	- 110,381

EUR k	31 Oct. 2016	31 Oct. 2017
Acquisition of consolidated companies and business units, net of cash acquired	- 315,459	- 28,936
Capital expenditures for intangible assets, property, plant and equipment, and investment property	- 106,635	- 139,627
Investment in other financial assets and non-current assets	- 1,548	- 858
Cash outflows for investments	- 423,642	- 169,421
Cash received from the sale of consolidated companies and business units, net of cash disposed	1,833	10,543
Cash received from disposal of intangible assets, property, plant and equipment and investment property	2,591	12,033
Proceeds from other financial assets and non-current assets	39	1,220
Cash inflows from realised investments and divestments	4,463	23,796
Cash flow from investing activities	- 419,179	- 145,625
Cash available for financing activities	- 573,629	- 256,006
Capital increase/repayment	0	- 185,000
Capital contribution from/repayment to non-controlling interests	67,466	- 160
Purchase/Sale of treasury shares	0	14,985
Acquisition of additional shares in already consolidated subsidiaries	- 8,215	- 2,640
Dividends paid to non-controlling interests	- 7,026	- 9,147
Proceeds from bond issuance and bank loans	504,698	52,137
Repayment of bonds and bank loans	- 324,863	- 92,273
Change in bank loans which have a maturity period of 3 months or less	0	246,833
Proceeds from the issue of loans from partners in the parent company	0	38,000
Repayment of loans from partners in the parent company	0	- 38,000
Proceeds from the issue of loans from related parties	0	172,000
Repayment of loans from related parties	0	- 172,000
Change in ABS/factoring	113,513	- 57,417
Change in finance lease	- 575	- 420
Change in other financial liabilities	0	- 1,330
Cash flow from financing activities	344,998	- 34,432
Changes in cash and cash equivalents	- 228,631	- 290,438
Effect of exchange rate changes on cash and cash equivalents	- 216	- 165
Cash and cash equivalents at the beginning of the period	367,881	487,861
Cash and cash at the end of the period	139,034	197,258
Less cash and cash equivalents included in assets held for sale	0	- 1
Cash and cash equivalents presented in the balance sheet at the end of the period	139,034	197,257

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the first nine months of 2017/18

EUR k	Unlimited and limited partners' capital	Reserves
1 February 2016	1,185,000	1,444,420
Profit after tax		91,337
Accumulated other comprehensive income		
Total comprehensive income, net of tax	0	91,337
Capital increase/reduction		
Changes in basis of consolidation		
Other changes in the interest of consolidated companies		571
Dividends		
Other changes in equity		- 1,329
31 October 2016	1,185,000	1,534,999
1 February 2017	1,185,000	1,566,327
Profit after tax		115,558
Accumulated other comprehensive income		
Total comprehensive income, net of tax	0	115,558
Capital increase/reduction	- 185,000	14,985
Changes in the interest of consolidated companies		- 691
Dividends		
Other changes in equity		- 4,075
31 October 2017	1,000,000	1,692,104

Currency translation differences	IAS 39 available-for-sale financial assets	Remeasurement of defined benefit plans	Equity attributable to partners	Non-controlling interests	Total equity
- 48,480	8,416	- 108,476	2,480,880	245,588	2,726,468
			91,337	15,146	106,483
- 63,080		- 52,411	- 115,491	- 491	- 115,982
- 63,080	0	- 52,411	- 24,154	14,655	- 9,499
			0	67,500	67,500
			0	4,141	4,141
			571	- 10,745	- 10,174
			0	- 7,641	- 7,641
			- 1,329	3,335	2,006
- 111,560	8,416	- 160,887	2,455,968	316,833	2,772,801
- 92,698	9,770	- 140,073	2,528,326	321,438	2,849,764
			115,558	20,633	136,191
- 5,459	- 98	- 14,864	- 20,421	- 514	- 20,935
- 5,459	- 98	- 14,864	95,137	20,119	115,256
			- 170,015	0	- 170,015
			- 691	- 1,186	- 1,877
			0	- 9,696	- 9,696
			- 4,075	- 257	- 4,332
- 98,157	9,672	- 154,937	2,448,682	330,418	2,779,100

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

as of 31 October 2017

The company

PHOENIX Pharmahandel GmbH & Co KG, Mannheim, ("PHOENIX" or the "PHOENIX group") is a European 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 group as of 31 October 2017 are prepared on the basis of IAS 34 "Interim Financial Reporting", observing all International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, and mandatory in the EU as of 31 October 2017, as well as all mandatory interpretations of the International Financial Reporting Standards Interpretation Committee (IFRS IC).

The interim condensed consolidated financial statements as of 31 October 2017 of PHOENIX were released for publication by the management of PHOENIX Pharmahandel GmbH & Co KG on 6 December 2017.

Significant accounting policies

The accounting policies used to prepare the interim condensed consolidated financial statements are essentially consistent with those used in the consolidated financial statements as of 31 January 2017. No new or amended IASB standards and interpretations were applicable for the first time.

Business combinations

The business combinations carried out in the first nine months of 2017/18 are explained below. Purchase accounting is performed in accordance with the acquisition method pursuant to IFRS 3 "Business Combinations".

In fiscal year 2017/18, the cumulative profit after tax of the acquirees came to EUR – 197k and revenue to EUR 12,958k. 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 20,664k. 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 – 260k.

The table below shows a summary of their fair values:

Fair value recognised on acquisition

EUR k	Other
Cash and cash equivalents	27,235
Equity instruments	0
Acquisition-date fair value of previously held equity interest	159
Total cost	27,394
Intangible assets	0
Other non-current assets	1,808
Inventories	1,779
Trade receivables	1,166
Cash and cash equivalents	941
Other current assets	321
Non-current liabilities	1,669
Current liabilities	2,550
Net assets	1,796
Non-controlling interests	0
Net assets acquired	1,796
Bargain purchase	0
Goodwill	25,598

Other business combinations

In the first nine months of 2017/18, the Group acquired a research and consultancy company and further pharmacies that are individually immaterial.

The goodwill arising on those acquisitions was allocated to the cash-generating units Netherlands (EUR 12,343k), Finland (EUR 5,221k), Norway (EUR 3,966k), Slovakia (EUR 1,730k), Baltics (EUR 1,054k), Switzerland (EUR 893k) and the Czech Republic (EUR 391k) and is managed in the local functional currencies (EUR, NOK, CHF and CZK).

EUR 12,343k 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.

The business combination of Mediq Apotheken Nederland B.V. was initially accounted for on the basis of a provisional purchase price allocation that was finalised in fiscal year 2017/18. This resulted in an increase in goodwill of the cash-generating unit Netherlands of EUR 1,925k, a decrease in land of EUR 1,500k, a decrease in buildings of EUR 400k, a decrease in deferred tax liabilities of EUR 475k and an increase in financial liabilities of EUR 500k. The prior-year figures have been restated accordingly.

Other operating expenses

Other operating expenses contain expenses in connection with ABS and factoring programmes of EUR 1,168k (comparative period: EUR 1,921k).

Financial result

EUR k	1st nine months 2016/17	1st nine months 2017/18
Interest income	9,547	9,412
Interest expenses	- 40,769	- 41,217
Other financial result	- 2,104	157
Financial result	- 33,326	- 31,648

Interest income includes interest from customers of EUR 7,569k (comparative period: EUR 7,408k).

The other financial result includes exchange rate gains of EUR 39,181k (comparative period: EUR 31,503k) and exchange rate losses of EUR 37,266k (comparative period: EUR 68,272k). Changes in the market value of derivatives gave rise to income of EUR 54,225k (comparative period: EUR 75,524k) and expenses of EUR 56,516k (comparative period: EUR 40,322k).

Other assets and other liabilities

EUR k	31 Jan. 2017	31 Oct. 2017
Prepayments	63,118	79,756
Tax claims – VAT and other taxes	22,154	25,548
Sundry other assets	19,462	27,241
Other assets	104,734	132,545

EUR k	31 Jan. 2017	31 Oct. 2017
VAT and other tax liabilities	87,160	63,185
Personnel liabilities	143,136	138,415
Liabilities relating to social security/similar charges	27,421	33,339
Prepayments	13,571	16,152
Sundry other liabilities	15,114	18,318
Other liabilities	286,402	269,409

Other financial assets and other financial liabilities

The table below presents the non-current financial assets:

EUR k	31 Jan. 2017	31 Oct. 2017
Trade receivables, non-current	153	83
Other financial assets		
Available-for-sale financial assets	36,699	35,947
Loans to and receivables from associates	2,827	2,606
Other loans	44,391	49,419
Other non-current financial assets	7,731	2,544
	91,648	90,516

The table below presents the current financial assets:

EUR k	31 Jan. 2017	31 Oct. 2017
Trade receivables	2,672,065	2,700,736
Other financial assets		
Loans to and receivables from associates or related parties	8,874	7,153
Other loans	28,990	31,928
Derivative financial instruments	3,323	1,667
Other current financial assets	138,919	148,456
	180,106	189,204

The receivables from factoring and ABS transactions as of 31 October 2017 are presented below:

EUR k	31 Jan. 2017	31 Oct. 2017
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IAS 39		
Volume of receivables	587,485	502,133
Financial liability	525,971	452,079
Continuing involvement		
Volume of receivables	175,577	179,211
Continuing involvement	7,866	8,011
Financial liability	7,911	8,041
Transferred and fully derecognised receivables		
Volume of receivables	23,953	22,210
Retentions of title	40,262	29,729

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

EUR k	31 Jan. 2017	31 Oct. 2017
Financial liabilities (non-current)		
Liabilities to banks	150,243	149,602
Bonds	594,116	595,179
Loans	100	311
Other financial liabilities	9,057	10,288
	753,516	755,380

EUR k	31 Jan. 2017 ¹⁾	31 Oct. 2017
Financial liabilities (current)		
Liabilities to banks	182,155	389,852
Loans	134,131	136,385
Liabilities to associates and related parties	49,412	49,410
Liabilities for customer rebates and bonuses	35,244	34,333
ABS and factoring liabilities	533,882	460,120
Other financial liabilities	27,554	43,995
	962,378	1,114,095

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

In connection with the loan agreements, it was agreed to comply with certain financial covenants, all of which were met in the first nine months of 2017/18.

Liabilities to associates and related parties include current loan liabilities to partners of EUR 49,008k (31 January 2017: EUR 49,409k), resulting mainly from interest on the supplementary partner contribution.

Other financial liabilities (non-current) contain non-current derivative financial instruments of EUR 268k (31 January 2017: EUR 216k).

Other financial liabilities (current) contain current derivative financial instruments of EUR 9,466k (31 January 2017: EUR 1,172k).

Information on financial instruments

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

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

31 October 2017	Category pursuant to IAS 39						Carrying amount	Fair value
	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Financial assets held for trading	Outside the scope of IFRS 7			
EUR k								
Assets								
Available-for-sale financial assets	0	34,228	0	0	0	34,228	34,228	
Available-for-sale financial assets at cost	0	1,719	0	0	0	1,719	n/a	
Trade receivables	2,700,819	0	0	0	0	2,700,819	2,700,819	
Loans to and receivables from associates or related parties	9,759	0	0	0	0	9,759	9,692	
Other loans	81,347	0	0	0	0	81,347	82,840	
Derivative financial assets without hedge accounting	0	0	0	1,667	0	1,667	1,667	
Other financial assets	151,000	0	0	0	0	151,000	151,000	
Cash and cash equivalents	197,257	0	0	0	0	197,257	197,257	

31 January 2017	Category pursuant to IAS 39							
EUR k	Loans and receivables	Available- for-sale financial assets	Held-to- maturity financial assets	Financial assets held for trading	Outside the scope of IFRS 7	Carrying amount	Fair value	
Assets								
Available-for-sale financial assets	0	34,042	0	0	0	34,042	34,042	
Available-for-sale financial assets at cost	0	2,657	0	0	0	2,657	n/a	
Trade receivables	2,672,218	0	0	0	0	2,672,218	2,672,218	
Loans to and receivables from associates or related parties	11,701	0	0	0	0	11,701	11,621	
Other loans	73,381	0	0	0	0	73,381	73,422	
Derivative financial assets without hedge accounting	0	0	0	3,323	0	3,323	3,323	
Other financial assets	146,650	0	0	0	0	146,650	147,681	
Cash and cash equivalents	487,861	0	0	0	0	487,861	487,861	

Available-for-sale financial assets primarily contain shares in unlisted entities. Where no fair value can be determined, they are recorded at acquisition cost. Shares in listed entities are measured at the quoted price determined as of the reporting date. For other available-for-sale financial assets, the fair value is determined using a multiplier method (revenue multiple, level 3). This uses individually derived multipliers between 0.64 and 1.34 (31 January 2017: between 0.64 and 1.34). A 10% increase in the multipliers would increase the value by EUR 4,703k (31 January 2017: EUR 4,703k); a 10% decrease in the multipliers would decrease the value by EUR 4,708k (31 January 2017: EUR 4,708k).

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

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

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

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

31 October 2017	Category pursuant to IAS 39					
	Other financial liabilities	Financial liabilities held for trading	No category according to IAS 39.9	Outside the scope of IFRS 7	Carrying amount	Fair value
EUR k						
Financial liabilities						
Liabilities to banks	539,454	0	0	0	539,454	540,120
Bonds	595,179	0	0	0	595,179	654,408
Loans	136,696	0	0	0	136,696	136,696
Trade payables	3,152,203	0	0	0	3,152,203	3,152,203
Liabilities to associates and related parties	49,410	0	0	0	49,410	45,558
Liabilities and provisions for customer rebates and bonuses	34,333	0	0	0	34,333	34,333
ABS and factoring liabilities	460,120	0	0	0	460,120	460,120
Other financial liabilities	35,698	0	0	0	35,698	35,698
Lease liabilities	0	0	8,851	0	8,851	n/a
Derivative financial liabilities without hedge accounting	0	9,734	0	0	9,734	9,734

31 January 2017 ¹⁾	Category pursuant to IAS 39					
EUR k	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
Financial liabilities						
Liabilities to banks	332,398	0	0	0	332,398	333,106
Bonds	594,116	0	0	0	594,116	658,863
Loans	134,231	0	0	0	134,231	134,231
Trade payables	3,273,532	0	0	0	3,273,532	3,273,532
Liabilities to associates and related parties	49,412	0	0	0	49,412	45,085
Liabilities and provisions for customer rebates and bonuses	35,244	0	0	0	35,244	35,244
ABS and factoring liabilities	533,882	0	0	0	533,882	533,882
Other financial liabilities	25,809	0	0	0	25,809	25,809
Lease liabilities	0	0	9,414	0	9,414	n/a
Derivative financial liabilities without hedge accounting	0	1,388	0	0	1,388	1,388

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

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.

EUR k	Financial instruments measured at fair value			
	Level 1	Level 2	Level 3	Total
31 October 2017				
Available-for-sale financial assets	0	0	34,228	34,228
Derivative financial assets without hedge accounting	0	1,667	0	1,667
Derivative financial liabilities without hedge accounting	0	9,734	0	9,734
Other financial liabilities	0	0	9,318	9,318
31 January 2017¹⁾				
Available-for-sale financial assets	0	0	34,042	34,042
Derivative financial assets without hedge accounting	0	3,323	0	3,323
Derivative financial liabilities without hedge accounting	0	1,388	0	1,388
Other financial liabilities	0	0	9,348	9,348

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

The fair value of available-for-sale assets measured at cost of EUR 1,719k (31 January 2017: EUR 2,657k) has not been disclosed because the fair value cannot be measured reliably.

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

EUR k	Available-for-sale assets	Other financial liabilities
1 February 2017¹⁾	34,042	9,348
Total gains and losses recognised in accumulated other comprehensive income	0	0
Purchase	610	0
Sale of shares	- 424	0
thereof recognised in the income statement	199	0
Acquisitions	0	0
Payments due to acquisitions	0	- 1,002
Other	0	972
31 October 2017	34,228	9,318

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

Contingent liabilities

As of 31 October 2017, PHOENIX recorded contingent liabilities for guarantees of EUR 67,449k (31 January 2017: EUR 67,679k).

Notes to the statement of cash flows

EUR k	31 Jan. 2017	31 Oct. 2017
Restricted cash		
Cash and cash equivalents at the end of the period	487,861	197,257
thereof restricted		
due to security deposits	16,058	7,079
due to restrictions placed upon foreign subsidiaries	11,751	18,937

Related party disclosures

A related party granted PHOENIX a loan in the first nine months of 2017/18. The loan amounted to EUR 30,000k, was fully repaid during the reporting period and interest expenses of EUR 6k were incurred. Additional loans from limited partners amounting to EUR 38,000k were granted on which EUR 201k interest expenses were incurred. Furthermore, loans from related parties amounting to EUR 137,000k were granted on which interest expenses of EUR 771k were incurred. These loans were fully repaid during the reporting period.

Beyond that, the business relationships with related parties presented in the consolidated financial statements as of 31 January 2017 remained essentially unchanged in the first nine months of 2017/18.

Subsequent events

The PHOENIX group has acquired the Goodwill Apoteka pharmacy chain in Serbia. The retailer operates 138 pharmacies across the country. The acquisition is subject to approval by the Serbian competition authorities.

Mannheim, 6 December 2017

The Management Board of the unlimited partner
PHOENIX Verwaltungs GmbH

FINANCIAL CALENDAR 2018

Please consult our calendar for the most important announcement dates:

24 May 2018	Annual Report 2017/18
26 June 2018	Quarterly report February to April 2018
21 September 2018	Half-year report February to July 2018
18 December 2018	Quarterly report February to October 2018

IMPRINT

Publisher

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Concept, design and realisation

Corporate Communications PHOENIX group
 HGB Hamburger Geschäftsberichte GmbH & Co. KG,
 Hamburg, Germany

Photographs

Getty Images (Cover, p. 1)
 Hans-Georg Merkel (Cover)
 PHOENIX group (Cover)

Translation of the German version.
 The German version is binding.

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