PHOENIX Pharma SE
Mannheim

Short-form audit report
Consolidated financial statements and group management report
31 January 2020

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Building a better working world

Independent auditor's report

To PHOENIX Pharma SE

Opinions

We have audited the consolidated financial statements of PHOENIX Pharma SE, Mannheim, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of 31 January 2020, the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 February 2019 to 31 January 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of PHOENIX Pharma SE for the fiscal year from 1 February 2019 to 31 January 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of 31 January 2020 and of its financial performance for the fiscal year from 1 February 2019 to 31 January 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the Group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other information

The supervisory board is responsible for the disclosures made in the "Report of the supervisory board", which is published in the annual report. In all other respects, the executive directors are responsible for the other information. The other information comprises the remaining parts of the annual report expected to be provided to us after the date of the auditor's report, with the exception of the audited consolidated financial statements and group management report as well as our independent auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but it is not a guarantee, that an audit performed in accordance with Sec. 317 HGB as well as German generally accepted standards on auditing of financial statements promulgated by the IDW will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 9 April 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert	Somes
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Attachment 1

PHOENIX Pharma SE, Mannheim
Consolidated income statement for fiscal year 2019/20

	Note	FY 2018/19 EUR k	**FY 2019/20 EUR k**
Revenue	1	**25,812,179**	**27,322,803**
Cost of purchased goods and services		-23,188,211	-24,411,176
Gross profit		**2,623,968**	**2,911,627**
Other operating income	2	157,219	30,278
Personnel expenses	3	-1,420,825	-1,510,166
Other operating expenses	4	-899,832	-831,650
Result from associates and joint ventures	5	8,650	1,270
Result from other investments	5	1,922	2,201
Earnings before interest, taxes depreciation and amortisation (EBITDA)		**471,102**	**603,560**
Amortisation of intangible assets and depreciation of property, plant and equipment	6	-141,857	-259,856
Impairment of intangible assets and property, plant and equipment	6	-288,448	-167,391
Earnings before interest and taxes (EBIT)		**40,797**	**176,313**
Interest income		14,176	14,515
Interest expense		-53,468	-77,745
Other financial result		-32,271	-4,038
Financial result	7	**-71,563**	**-67,268**
Profit before income tax		**-30,766**	**109,045**
Income tax	8	-81,209	-69,530
Profit for the period		**-111,975**	**39,515**
thereof attributable to non-controlling interests		36,727	33,748
thereof attributable to equity holders of the parent		**-148,702**	**5,767**

Attachment 2

PHOENIX Pharma SE, Mannheim
Consolidated statement of comprehensive income for fiscal year 2019/20

in EUR k	FY 2018/19	FY 2019/20
Profit after tax	**-111,975**	**39,515**
Items not reclassified to profit or loss		
Remeasurement of defined benefit plans	-17,148	13,032
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	-2,161	3,055
Other comprehensive income, net of taxes	**-19,309**	**16,087**
Total comprehensive income	**-131,284**	**55,602**
thereof attributable to non-controlling interests	36,591	33,307
thereof attributable to owners of the parent company	-167,875	22,295

Attachment 3

PHOENIX Pharma SE, Mannheim
Consolidated statement of financial position as of 31 January 2020

	Note	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
Non-current assets			
Intangible assets	9	1,837,805	1,813,605
Property, plant and equipment	10	993,060	1,733,419
Investment property	10, 11	10,042	11,744
Investments in associates and joint ventures	12	7,220	6,272
Trade receivables		309	589
Other financial assets	13	88,071	113,074
Deferred tax assets	8	65,812	77,382
		3,002,319	**3,756,085**
Current assets			
Inventories	14	2,301,048	2,561,829
Trade receivables	15	2,552,312	2,624,818
Income tax receivables		36,231	21,359
Other financial assets	15	146,986	121,728
Other assets	16	135,444	134,285
Cash and cash equivalents	17	153,309	246,846
		5,325,330	**5,710,865**
Non-current assets held for sale	24	39,417	19,786
Total assets		**8,367,066**	**9,486,736**

	Note	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
Equity			
Subscribed capital	18	2,786	2,786
Capital reserves	18	961,106	961,106
Revenue reserves	18	1,837,523	1,832,009
Accumulated other comprehensive income	18	-259,984	-243,456
Equity attributable to the shareholders of the parent		**2,541,431**	**2,552,445**
Non-controlling interests	12, 18	265,119	279,979
		2,806,550	**2,832,424**
Non-current liabilities			
Financial liabilities	21	662,282	1,229,148
Trade payables	22	0	435
Provisions for pensions and similar obligations	19	256,914	224,320
Other non-current provisions	20	2,556	3,556
Deferred tax liabilities	8	116,672	125,921
Other non-current liabilities	23	1,452	1,142
		1,039,876	**1,584,522**
Current liabilities			
Financial liabilities	21	525,215	899,181
Trade payables	22	3,597,814	3,768,529
Other provisions	20	37,271	48,465
Income tax liabilities		32,406	35,371
Other liabilities	23	327,934	318,244
		4,520,640	**5,069,790**
Total equity and liabilities		**8,367,066**	**9,486,736**

PHOENIX Pharma SE
Consolidated statement of cash flows
for fiscal year 2019/20

in EUR k	Note	31 Jan 2019	31 Jan 2020
Profit after tax		**-111,975**	**39,515**
Income taxes		81,209	69,530
Profit before income taxes		**-30,766**	**109,045**
Adjustments for:			
Interest expenses and interest income		39,292	63,230
Amortisation, depreciation and write-ups of intangible assets, property, plant and equipment and investment property		430,305	427,247
Result from associates and other investments		-10,572	-3,471
Net result from the disposal of assets related to investing activities		1,244	-1,760
Other non-cash expenses and income		112,709	68,431
		542,212	**662,722**
Interest paid		-53,761	-75,692
Interest received		13,964	18,641
Income taxes paid		-74,814	-51,254
Dividends received		2,062	2,518
Result before change in assets and liabilties		**429,663**	**556,935**
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		-32,277	-38,251
Result before change in operating assets and liabilities		**397,386**	**518,684**
Change in inventories		-97,431	-257,400
Change in trade receivables		-103,663	-81,545
Change in trade payables		238,884	158,637
		37,790	**-180,308**
Change in other assets and liabilities not related to investing or financing activities		-73,335	-55,685
Change in operating assets and liabilities		**-35,545**	**-235,993**
Cash outflow from operating activities		**361,841**	**282,691**
Acquisition of consolidated companies and business units, net of cash acquired		-148,887	-56,653
Capital expenditures for intangible assets, property, plant and equipment and investment property		-175,756	-201,729
Investment in other financial assets and non-current assets		-2,976	-2,515
Cash outflows for investments		**-327,619**	**-260,897**
Cash received from the sale of consolidated companies and business units, net of cash disposed		353	2,993
Cash received from disposal of intangible assets, property, plant and equipment and investment property		7,822	22,251
Proceeds from other financial assets and non-current assets		19,307	4,845
Cash inflows from realised investments and divestments		**27,482**	**30,089**
Cash flow from investing activities		**-300,137**	**-230,808**
Cash available for financing activities		**61,704**	**51,883**
Capital contribution from/capital repayment to non-controlling interest(s)		317,414	575
Acquisition of additional shares in already consolidated entities		-4,159	-1,301
Proceeds from the sale of consolidated entities that do not result in a loss of control		0	324
Dividend payments to non-controlling interests		-12,689	-18,130
Issue of bonds and loans from banks		46,744	80,143
Repayment of bonds and loans to banks		-164,372	-132,659
Changes in bank loans with a term of up to three months		43,039	52,587
Issue of loans from shareholders of the parent company		155,710	0
Repayment of loans to shareholders of the parent company		-256,848	-19,874
Issue of loans from related parties		819,870	323,130
Repayment of loans to related parties		-966,056	-100,220
Changes in ABS/factoring liabilities		7,344	-23,187
Changes in finance lease liabilities		-982	-127,502
Changes in other financial liabilities		-297	5,142
Cash flow from financing activities		**-15,282**	**39,028**
Changes in cash and cash equivalents		**46,422**	**90,911**
Effect of exchange rate changes on cash and cash equivalents		664	2,626
Cash and cash equivalents at the beginning of the period		106,223	153,309
Cash and cash equivalents at the end of the period		153,309	246,846
Cash and cash equivalents disclosed at the end of the period		**153,309**	**246,846**

Attachment 5

PHOENIX Pharma SE, Mannheim
Consolidated statement of changes in equity for fiscal year 2019/20

in EUR k	Subscribed capital	Capital reserves	Revenue reserves	Currency translation differences	IAS 39 available-for-sale financial assets	Remeasurement of defined benefit plans	Equity attributable to the 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**
First-time application of IFRS 9			**-12,309**		-12,809		-25,118	-887	-26,005
1 February 2018 (restated)	**2,515**	**626,375**	**1,990,341**	**-98,569**	**0**	**-142,242**	**2,378,420**	**242,142**	**2,620,562**
Earnings after taxes			-148,702				-148,702	36,727	-111,975
Accumulated other comprehensive income				-2,048		-17,125	-19,173	-136	-19,309
Total comprehensive income after taxes			**-148,702**	**-2,048**		**-17,125**	**-167,875**	**36,591**	**-131,284**
Capital increase/reduction	271	334,731					335,002		335,002
Changes in interests for subsidiaries			-1,539				-1,539	-1,699	-3,238
Dividends							0	-13,568	-13,568
Other changes in equity			-2,577				-2,577	1,653	-924
31 January 2019	**2,786**	**961,106**	**1,837,523**	**-100,617**	**0**	**-159,367**	**2,541,431**	**265,119**	**2,806,550**
1 February 2019	**2,786**	**961,106**	**1,837,523**	**-100,617**	**0**	**-159,367**	**2,541,431**	**265,119**	**2,806,550**
First-time application of IFRS 16			-10,991				**-10,991**	-408	-11,399
1 February 2019 (restated)	**2,786**	**961,106**	**1,826,532**	**-100,617**	**0**	**-159,367**	**2,530,440**	**264,711**	**2,795,151**
Earnings after taxes			5,767				5,767	33,748	39,515
Accumulated other comprehensive income				3,480		13,048	16,528	-441	16,087
Total comprehensive income after taxes			**5,767**	**3,480**		**13,048**	**22,295**	**33,307**	**55,602**
Changes in interests for subsidiaries			-650				-650	132	-518
Dividends							0	-19,045	-19,045
Other changes in equity			360				360	874	1,234
31 January 2020	**2,786**	**961,106**	**1,832,009**	**-97,137**	**0**	**-146,319**	**2,552,445**	**279,979**	**2,832,424**

PHOENIX Pharma SE, Mannheim
Notes to the consolidated financial statements for fiscal year 2019/20

General

The company

The group of PHOENIX Pharma SE, Mannheim ("PHOENIX group"), is a European pharmaceuticals distribution group. The PHOENIX group has business activities in 27 European countries. In several countries, the PHOENIX group also operates pharmacy chains of its own. The Company is entered in the commercial register at Mannheim under HRB 727494 and has its registered office at Pfingstweidstrasse 10-12 in 68199 Mannheim, Germany.

Basis of presentation

The consolidated financial statements of the PHOENIX group have been prepared in accordance with the version of the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), London, that is valid on the reporting date and endorsed by the European Union, the interpretations of the IFRS Interpretations Committee (IFRS IC) and the additional requirements of German commercial law pursuant to Sec. 315e HGB ["Handelsgesetzbuch": German Commercial Code].

The consolidated financial statements are presented in euros (EUR), and all values are rounded to the nearest thousand (EUR k), except when otherwise indicated.

The consolidated financial statements have been prepared on a historical cost basis. This excludes equity instruments of other entities, certain debt instruments of other entities, derivative financial instruments and contingent purchase price payments, which are measured at fair value. The income statement was prepared using the nature of expense method. The statement of financial position has been classified into current and non-current items in line with IAS 1. For the sake of clarity, certain items in the statement of financial position and the income statement are summarised. Details of these items are presented in the notes to the financial statements.

The consolidated financial statements of the PHOENIX group for the fiscal year as of 31 January 2020 were authorised for issue by the Executive Board of PHOENIX Pharma SE on 9 April 2020.

Application of new accounting standards

In fiscal year 2019/20, the PHOENIX group applied the following standards and interpretations that are mandatory for fiscal year 2019/20 for the first time:

IFRS 16 Leases

The first-time application of IFRS 16 took place retrospectively in line with the transitional provisions of the standard without restating the prior-year figures. Therefore, all adjustments and reclassifications stemming from the first-time application are recorded in the opening statement of financial position as of 1 February 2019.

With the first-time application of IFRS 16, the PHOENIX group recognised lease liabilities for leases that had previously been classified as operating leases under IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 February 2019. The weighted average lessee's incremental borrowing rate, which is applied for lease liabilities as of 1 February 2019, amounts to 3.09%.

For leases previously classified as finance leases, the carrying amount of the leased asset pursuant to IAS 17 and the carrying amount of the lease liability pursuant to IAS 17, directly before the first-time application of IFRS 16, are used as the initial carrying amount of the right-of-use asset and lease liability pursuant to IFRS 16. The measurement principles of IFRS 16 are only then applied subsequent to this.

The PHOENIX group made use of the following practical expedients for the first-time application of IFRS 16:

- application of a single discount rate for a portfolio of similar leases;
- recognition of leases that had a remaining term of less than 12 months as of 1 February 2019 as short-term leases;
- exclusion of initial direct costs from the measurement of right-of-use assets at the time of first-time application;
- retroactive determination of the term of leases for agreements with extension or termination options.

Agreements that were concluded before the transition date were not reviewed to determine whether they were or contained leases as of the adoption date. Instead, the previous assessment made under IAS 17 and IFRIC 4 was maintained.

As of 1 February 2019, the PHOENIX group applied impairment of assets under IAS 36 to right-of-use assets. There were impairments totalling EUR 14,757k for individually rented pharmacies or distribution centres due to insufficient income forecasts, which were recognised in equity through other comprehensive income. The recoverable amount of the respective cash-generating unit was determined based on the value in use by applying discount rates of between 5.23% and 8.99%.

Lease liabilities recognised as of 1 February 2019 are as follows:

	EUR k
Operating lease commitments disclosed as of 31 January 2019	798,357
Discounted using the lessee's incremental borrowing rate at the time of first-time application of IFRS 16	705,063
Finance lease liabilities recognised as of 31 January 2019	9,091
Short-term leases that are expensed on a straight-line basis	-30,421
Leases of low-value assets that are expensed on a straight-line basis	-1,705
Reassessment of terms according to the provisions under IFRS 16	105,302
Lease liabilities recognised as of 1 February 2019	787,330

The associated right-of-use assets were recognised in the amount of the corresponding lease liabilities, adjusted for the amount of possible advance or deferred lease payments recognised in the statement of financial position as of 31 January 2019.

With regard to leases for which the PHOENIX group acts as the intermediate lessor and which were previously classified as operating leases pursuant to IAS 17, a further review was carried out at the transition date to ascertain whether these are to be classified as operating leases or finance leases when applying IFRS 16. The review found that some agreements qualify as finance leases pursuant to IFRS 16. At the time of first-time application, these subleases were recognised as newly concluded finance leases.

Further details on leases are disclosed in Note 10.

IFRS 9: Prepayment Features with Negative Compensation

The amendments to IFRS 9 intend to make it possible to also measure financial assets with negative compensation that are repaid ahead of schedule at amortised cost or at fair value through other comprehensive income. This did not have any effect on the assets, liabilities, financial position and financial performance of the PHOENIX group.

IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 stipulate how to calculate the current service cost and the net interest expenses of a plan curtailment or settlement ("intervention") for the period between the intervention and the end of the reporting period. This did not have any material effect on the assets, liabilities, financial position and financial performance of the PHOENIX group.

IAS 28: Long-term Investments in Associates and Joint Ventures

The amendments to IAS 28 clarify that the impairment requirements pursuant to IFRS 9 apply to long-term interests in associates and joint ventures accounted for using the equity method. This did not have any material effect on the assets, liabilities, financial position and financial performance of the PHOENIX group.

Annual Improvements to IFRS 2015 to 2017 Cycles

The annual improvements to IFRSs, 2015-2017 cycle, contains clarifications of individual standards. This did not have any material effect on the assets, liabilities, financial position and financial performance of the PHOENIX group.

IFRIC 23: Uncertainty over Income Tax Treatments

IFRIC 23 specifies the recognition and measurement policies for uncertain tax items. In cases in which it is likely that a tax-related issue will not be accepted as it has been treated in the tax return, the best possible estimate of the expected cash outflow should be recorded. This can be the expected value or the most likely value depending on the issue and which value best represents the risk. This did not have any material effect on the assets, liabilities, financial position and financial performance of the PHOENIX group.

Standards, interpretations and amendments issued, but not yet adopted

The IASB and IFRS IC have adopted the standards and interpretations listed below, whose application is not yet mandatory for fiscal year 2019/20 or have not yet been endorsed by the European Commission in some cases as of the reporting date. There are no plans for early adoption.

Standard/interpretation		Effective as of the fiscal year	Endorsed by the EU
Amendments to IFRS 3	Definition of a Business	2020/21	No
IFRS 17	Insurance Contracts	2021/22	No
Amendments to IAS 1 and IAS 8	Definition of Material	2020/21	Yes
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	2022/23	No
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	2020/21	Yes
Amendments to the Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	2020/21	Yes

According to the amendments to IFRS 3, in addition to economic resources, a business will also in future require a substantial process that, together with the resources, has the ability to create output. Output will only refer to the delivery of goods and rendering of services in future as well as the generation of capital and other income. Cost reductions on their own are no longer considered sufficient to differentiate between the acquisition of a business from the acquisition of a group of assets. From a current perspective, we do not expect a significant impact on the assets, liabilities, financial position and financial performance of the PHOENIX group.

The application of IFRS 17 is not expected to have an impact on the financial position and performance of the PHOENIX group.

The amendments to IAS 1 and IAS 8 relate to the standardisation of the definition of “materiality” in all IFRSs and in the framework. Furthermore, the definition of “obscuring” information was newly added. The amendments to IAS 1 and IAS 8 are not expected to have any effects on the assets, liabilities, financial position and financial performance of the PHOENIX group.

According to the amendment to IAS 1, the classification of liabilities as current or non-current is governed by the rights that the company has on the reporting date. From a current perspective, we do not expect a significant impact on the assets, liabilities, financial position and financial performance of the PHOENIX group.

The amendments to IFRS 9, IAS 39 and IFRS 7 led in particular to the continuation of certain hedging relationships, which would have otherwise had to be terminated on account of the uncertainty stemming from the IBOR reform. From a current perspective, we do not expect any impact on the assets, liabilities, financial position and financial performance of the PHOENIX group.

The amendments to the conceptual framework are not expected to affect the consolidated financial statements of the PHOENIX group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of PHOENIX Pharma SE and its subsidiaries for the fiscal year as of 31 January 2020.

Subsidiaries are fully consolidated from the acquisition date, i.e. the date on which the group obtains control, and continue to be consolidated until the date that such control by the parent ceases.

The PHOENIX group obtains control over another company when it can exercise power over the investee, is exposed, or has rights, to variable returns on its involvement with the investee and has the ability to affect the amount of those returns through its power over the investee.

The financial statements of most of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. The entities in Bulgaria, Serbia, Bosnia, North Macedonia, Kosovo, Montenegro, Albania, France and Romania as well as the entities in Hungary, the Netherlands, Germany and Switzerland have 31 December as their reporting date. In general, there is no material impact on the financial statements; this notwithstanding, any material impact is taken into account.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets that is not attributable to the group. The portion of profit or loss attributable to non-controlling interests was consequently disclosed separately in the income statement from the portion attributable to the owners of the parent company. They are reported directly in equity in the statement of financial position, separately from the equity attributable to the owners of the parent company. Acquisitions of non-controlling interests and changes in the interests attributable to the parent company that do not lead to a loss of control are accounted for as equity transactions.

The entire basis of consolidation comprises 431 (31 January 2019: 433) fully consolidated German and foreign entities, of which one (31 January 2019: one) is a structured entity. 20 entities (31 January 2019: 21) were accounted for using the equity method. An overview of the group entities is shown in attachment A.

137 (31 January 2019: 136) entities are fully consolidated although the PHOENIX group holds less than 50% of the voting rights. Contractual arrangements gives the PHOENIX group the ability to direct the relevant activities of these entities.

As of the reporting date, there were relationships in place with a total of four (31 January 2019: four) structured entities, of which one (31 January 2019: one) was fully consolidated. The structured entities are asset-backed securities (ABS) entities. The ABS entities are mainly used to refinance the group. The non-consolidated structured entities are immaterial for the financial position and performance of the PHOENIX group.

The table below presents changes in interests without loss of control in the current fiscal year.

	31 Jan 2019 %	**31 Jan 2020** **%**
Apotheek Danielsplein BV	50.00%	100.00%
Apotheek Binnendijk VOF	50.00%	100.00%
Thure Apotheken VOF	87.00%	80.00%
Apotheek Oud-West VOF	50.00%	100.00%
PLUS PHARMACIE SA	80.18%	80.27%
IVRYLAB SAS	97.09%	100.00%
Olo-apteekki Oy	100.00%	73.79%

PHOENIX Pharmahandel GmbH & Co KG, Mannheim, exercised the exemption provision of Sec. 264b HGB.

The following entities have exercised the exemption provision pursuant to Sec. 264 (3) HGB:

- ADG Apotheken-Dienstleistungsgesellschaft mbH
- JDM Innovation GmbH
- PHOENIX Pharma-Einkauf GmbH
- Virion medizinische und pharmazeutische Handelsgesellschaft mbH
- PHOENIX International Beteiligungs GmbH
- Health Logistics GmbH
- Param GmbH
- Nordic Beteiligungs GmbH
- PHOENIX Noweropa Beteiligungs GmbH
- transmed Transport GmbH

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of the business combination corresponds to the fair value of the assets given, the equity instruments issued and the liabilities incurred and assumed as of the date of exchange. It also includes the fair value of any recognised asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Upon initial recognition of an acquisition, all identifiable assets, liabilities and contingent liabilities are measured at acquisition-date fair value. For each business combination, the group decides on a case-by-case basis whether the non-controlling interests in the acquiree are measured at fair value or the proportionate share in the recognised amounts of the acquiree's net identifiable assets.

Any difference between (i) the aggregate of cost of the business combination, any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interests; and (ii) the fair value of the net identifiable assets acquired is recognised under goodwill. Following initial recognition, goodwill is measured at cost less cumulative loss allowances and not amortised. Goodwill is subjected to an impairment test at least once annually at the reporting date or whenever there is any indication of impairment.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired as of the acquisition date, the difference is recognised directly in the income statement.

Currency translation

The consolidated financial statements are presented in euros, which is also the parent company's functional currency. This is the currency of the primary economic environment in which the PHOENIX group operates.

Transactions in foreign currency are translated to the functional currency at the rate prevailing on the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange prevailing at the reporting date. All exchange differences are taken to the income statement, provided they are not allocable to monetary items denominated in foreign currency which are part of a net investment in a foreign operation, in which case the exchange differences are recorded in other comprehensive income.

The assets and liabilities of group entities whose functional currency is not the euro are translated to euro at the rate of exchange prevailing as of the reporting date, and their income statements are translated at average rates. The exchange differences arising on the translation are recorded in other comprehensive income until the subsidiaries are disposed of.

Changes in exchange rates on the prior year are as follows:

Country	Currency	Closing rate		Average rate	
		31 Jan 2019	**31 Jan 2020**	FY 2018/19	**FY 2019/20**
Albania	ALL	124.6400	122.1300	126.6467	122.9550
Bosnia and Herzegovina	BAM	1.9558	1.9558	1.9558	1.9558
Bulgaria	BGN	1.9558	1.9558	1.9558	1.9558
Croatia	HRK	7.4238	7.4440	7.4175	7.4192
Czech Republic	CZK	25.7600	25.2100	25.6641	25.6330
Denmark	DKK	7.4657	7.4731	7.4549	7.4667
Hungary	HUF	315.8800	337.0500	319.7983	326.5545
North Macedonia	MKD	61.5882	61.6780	61.5177	61.5268
Norway	NOK	9.6623	10.1893	9.6076	9.8662
Poland	PLN	4.2736	4.3009	4.2726	4.2941
Romania	RON	4.7271	4.7789	4.6589	4.7516
Serbia	RSD	118.4347	117.5797	118.2490	117.7765
Sweden	SEK	10.3730	10.6768	10.2970	10.6137
Switzerland	CHF	1.1409	1.0694	1.1513	1.1079
United Kingdom	GBP	0.8758	0.8418	0.8849	0.8746

Summary of significant accounting policies

Intangible assets

Purchased intangible assets are measured upon initial recognition at acquisition cost plus any incidental costs of acquisition and less any trade discounts or rebates. Internally generated intangible assets are stated at cost.

Following initial recognition, intangible assets are carried at historical cost less any accumulated amortisation and any accumulated impairment losses. For the purposes of amortisation, the useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment at least annually either individually or at the cash-generating unit level. These intangible assets are not subject to amortisation. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Pharmacy licences with indefinite useful lives grant unlimited territorial protection under public law for the sale of drugs and other pharmaceuticals products and the authorisation to operate a pharmacy within a city.

The useful lives of the main types of intangible assets are as follows:

▶ Pharmacy licenses	indefinite
▶ Software	3 to 5 years
▶ Trademarks	indefinite or 18 years

Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment losses. Maintenance and repair costs are expensed as incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

With the exception of land, property, plant and equipment are depreciated over the expected useful life. Items of property, plant and equipment are depreciated pro rata in the year of acquisition. The residual values, useful lives and the depreciation method are reviewed at least at the end of each reporting period.

The useful lives of the main types of tangible assets are as follows:

▶ Buildings	25 to 50 years
▶ Technical equipment and machinery	5 to 14 years
▶ Other equipment, fixtures and fittings	3 to 13 years

Investment property

Investment property is property held to earn rentals and/or for capital appreciation. It is recognised at cost less depreciation and any impairment losses using the cost method as for property, plant and equipment.

Investments in associates

An associate is an entity over which the group can exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, where there is neither control nor joint control over the entity in decision-making processes. Investments in associates are reported using the equity method and initially measured at cost. Goodwill relating to associates is included in the carrying amount of the investment and is not amortised or tested for impairment separately.

The income statement reflects the group’s share of the associates’ profit or loss for the period. Where there has been a change recognised directly in the equity of the associates, the group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Any unrealised gains and losses resulting from transactions between the group and the associates are eliminated to the extent of the interest in the associates.

Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss on the group's investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying amount and recognises the difference in the income statement.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a very likely sale transaction. They are measured at the lower of their carrying amount or fair value less cost to sell.

Impairment of non-financial assets

Property, plant and equipment, intangible assets and right-of-use assets with finite useful lives are reviewed at each reporting date to determine whether there is any indication that they may be impaired. If this is the case, the recoverable amount of the asset is determined. The recoverable amount is the higher of fair value less costs to sell and value in use. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised in profit or loss for the difference between the carrying amount and the recoverable amount. For the purpose of impairment testing, assets are allocated to the smallest identifiable group of assets that generates cash inflows. If the cash flows are not separately identifiable for an asset, the impairment test is performed on the basis of the cash-generating unit to which the asset belongs.

If the reasons for an impairment loss no longer apply, it is reversed up to the new recoverable amount. The upper limit for the reversal of impairment losses is the amortised cost that would have been determined if no impairment losses had been charged.

For impairment testing, goodwill is assigned to the cash-generating units. Impairment testing of cash-generating units is performed at least once a year or whenever there is any indication that the carrying amount of a cash-generating unit may exceed the recoverable amount. Where the recoverable amount of the cash-generating unit falls short of the carrying amount of its net assets, an impairment loss is recognised in accordance with the requirements of IAS 36. Impairment losses recognised on goodwill may not be reversed in subsequent periods.

The recoverable amount of the cash-generating units (or groups of cash-generating units) is determined on the basis of value in use. Free cash flows are discounted using the weighted average cost of capital. The free cash flows are based on financial budgets approved by the Executive Board covering a detailed planning period of five years.

Impairment losses are recognised on intangible assets with indefinite useful lives according to the same principles. If the reasons for an impairment loss no longer apply, it is reversed up to the new recoverable amount.

Financial assets and financial liabilities (financial instruments)

Measurement and recognition of financial assets and financial liabilities

Financial instruments are recognised when the PHOENIX group becomes a party to the contractual provisions of the instrument. Regular way purchases are recognised on the settlement date.

Upon initial recognition, **financial assets** and **financial liabilities** are measured at fair value. For financial instruments classified as “at fair value through profit or loss”, transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities are also taken into account. Trade receivables that do not have a significant financing component are initially recognised at transaction price. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market prices at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Categories of financial assets pursuant to IFRS 9

Upon initial recognition, **financial assets** are classified either as “at amortised cost” or “at fair value through profit or loss”. The subsequent measurement and recognition of financial assets depend on their classification.

The only financial assets classified as **at amortised cost** are those that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets that do not satisfy these criteria are classified as **at fair value through profit or loss**.

Trade receivables are generally classified as “at amortised cost”. Impairments for expected credit losses are taken into account. Trade receivables that are part of an ABS or factoring agreement are classified as “at fair value through profit or loss” because they are held within a business model whose objective is to hold assets to collect contractual cash flows.

Loans granted are generally classified as “at amortised cost”. Impairments for expected credit losses are taken into account.

At initial recognition, **financial liabilities** are classified as “at amortised cost” or as “at fair value through profit or loss”.

Financial liabilities and **trade payables** are carried at amortised cost using the effective interest method, if appropriate. Gains and losses are recognised when the liabilities are derecognised.

The PHOENIX group has not designated any non-derivative financial assets or financial liabilities as at fair value through profit or loss.

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. A risk provision was subsequently recognised. If utilisation of the financial guarantee is threatened as of the reporting date, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

The group has not issued any financial guarantees for a consideration.

<u>Impairment of financial assets</u>

Impairments for **expected credit losses** are reported for financial assets classified as “at amortised cost” and for lease receivables.

Regardless of their term, for trade receivables and lease receivables, impairments are recorded at an amount equal to lifetime expected credit losses (lifetime ECL). Loss rates determined using historical default rates and the expected future developments - based on credit default swaps - are applied for this purpose, which take into account the business model, the respective customer group and the economic environment of the geographical region.

Impairments in the amount equal to the ECL are taken into account for other financial assets classified as “at amortised cost” if, compared to the initial recognition, the default risk of the financial asset has increased significantly. If the financial asset has a low default risk or if its default risk has not increased significantly since the initial recognition, impairments are recognised at the amount equal to the 12-month expected credit loss (12-month ECL).

Financial assets that are significantly past due, which can also be more than 90 days due to the customer structure, or those financial assets whose debtor is subject to insolvency proceedings as well as when legal proceedings have been initiated, are tested for individual impairment (default event).

To assess whether the **default risk** for a financial instrument has **increased significantly** since its initial recognition, the risk of a default occurring on the financial instrument as at the reporting date is compared with the risk of a default occurring on the financial instrument as of the date of initial recognition. This process considers qualitative and quantitative information which is available without undue cost or effort. A significant increase in the default risk occurs if the contractually agreed payments are more than 30 days past due, the internal rating of the customer deteriorates or the economic situation or the payment behaviour of the customer changes adversely. Furthermore, it is assumed that restructured receivables present an increased credit risk. For financial instruments with a low credit risk, it is assumed that the default risk has not increased since the initial recognition. The credit risk of financial instruments is considered low if they are allocated to a low internal risk category and the borrower has the capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Financial assets are written-off in their entirety or a portion thereof if there is no reasonable expectation of recovering them. This is particularly the case when the borrower is in the process of liquidation or when insolvency proceedings have been concluded.

Derecognition of financial instruments

A financial asset is derecognised if the contractual rights to receive cash flows from this financial asset have expired. Derecognition also applies if the rights to receive cash flows are transferred from the asset to third parties or an obligation to pay the received cash flows is assumed in full without material delay to a third party under a 'pass-through' arrangement; and either substantially all the risks and rewards of ownership of the asset have been transferred, or substantially all the risks and rewards of ownership of the asset have been neither transferred nor retained, but control of the asset has been transferred.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

The PHOENIX group sells significant volumes of receivables through securitisation programmes or factoring transactions. When the receivables sold do not meet IAS 9 derecognition requirements the receivables are recognised in the consolidated financial statements even though they have been legally sold. A corresponding financial liability is recorded in the consolidated statement of financial position. Gains and losses related to the sale of such assets are not recognised until the assets are removed from the consolidated statement of financial position. Within certain securitisation programmes, the PHOENIX group has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset. These transactions are recognised to the extent of the group's continuing involvement.

Derivative financial instruments and hedge accounting

The group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency risks. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivative financial instruments during the reporting period are taken directly to profit or loss.

In the case of derivatives with quoted market prices, fair value is the positive or negative fair value, if necessary after any reduction for counterparty risk. If no quoted market prices are available, fair value is estimated on the basis of the conditions obtained at the end of the reporting period, such as interest rates or exchange rates, and using recognised valuation techniques, such as discounted cash flow models or option pricing models.

Inventories

Inventories are initially recognised at cost based on the first in, first out (FIFO) method. Costs incurred in bringing each product to its present location and condition are included in cost at initial recognition.

At each reporting date, inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

The item “Cash and cash equivalents” comprises cash on hand, bank balances and short-term deposits, which have a maximum term of three months from the date of acquisition. Cash and cash equivalents are measured at amortised cost.

Pensions and other post-employment benefits

Obligations for defined benefit plans are determined using the projected unit credit method in accordance with IAS 19, taking into account not only the pension obligations and vested pension rights known at the reporting date, but also expected future wage and salary increases. The interest rate used to determine the net obligation was set on the basis of high-quality fixed-interest securities with a term to maturity corresponding to the duration of the pension plans in the relevant country. Plan assets are recognised at fair value. All actuarial gains and losses are recognised in other comprehensive income. Past service cost is expensed immediately.

Provisions

A provision is recognised when there is a present (legal or constructive) obligation towards a third party on the basis of a past event, and the obligation can be reliably estimated. Provisions are stated at the amount needed to settle the obligation and are not netted against positive contributions to earnings. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Current and deferred taxes

The tax expense of the period comprises current and deferred taxes. Taxes are recognised in the income statement, unless they relate to items recognised directly in equity or in other comprehensive income in which case the taxes are also recognised in equity or in other comprehensive income.

Current income tax charge

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax

Deferred taxes are recognised for all temporary differences between the tax base of the assets/liabilities and their carrying amounts pursuant to the IFRS financial statements (liability method). Deferred tax assets are also recognised on unused tax losses and tax credits. Deferred taxes are measured using the tax rates and tax provisions enacted or substantively enacted by the reporting date and that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries and associates are recognised, unless the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Leases

Up to and including 31 January 2019, leases were classified via property, plant and equipment as either finance or operating leases. Leases where the group as lessee retains substantially all the risks and rewards of ownership of the asset were classified as finance leases. In this case, the group recognised the leased asset at the lower of fair value or present value of the minimum lease payments and depreciated the leased asset over the estimated useful life of the asset or the shorter contract term. A corresponding liability was recognised at the same time, which was repaid and reduced in subsequent periods using the effective interest method. All other leases where the group is the lessee were classified as operating leases. In this case, the lease payments were recognised as an expense on a straight-line basis.

Since 1 February 2019, leases are recognised at the time at which the lease asset is made available to the group, as a right-of-use asset and a corresponding lease liability. Assets and liabilities from leases are initially recognised at their present values. The lease liabilities contain the present value of the following lease payments:

- fixed payments including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or (interest) rate at the commencement date of the lease;
- exercise price of a purchase option that the group is reasonably certain to exercise;
- expected payments by the group from the utilisation of possible residual value guarantees; and
- payments of penalties in connection with terminating a lease, if the lease term reflects the group exercising an option to terminate the lease.

Furthermore, lease payments based on options to extend that are reasonably certain to be exercised are also taken into account when measuring the lease liability. Agreements may contain lease and non-lease components. The group generally allocates the transaction price to these components based on their relative unit prices.

Lease liabilities are discounted using the interest rate implicit in the lease if this can be determined. Otherwise, they are discounted using the incremental borrowing rate. The PHOENIX group generally uses the incremental borrowing rate of interest, i.e. the interest rate that the respective lessee would have to pay if they had to raise funds in order to acquire an asset with a comparable value, for a comparable term, with comparable levels of security and comparable conditions in a comparable economic environment.

The group is exposed to possible future increases in future lease payments, which could arise from a change to an index or (interest) rate. These possible changes in lease payments are not taken into account in the lease liability until the time they actually materialise. As soon as changes to an index or (interest) rate have an impact on lease payments, an adjustment to the right-of-use asset and lease liability is made without an effect on income.

Lease payments are divided up into interest and principal payments. The interest component is recorded through profit or loss over the term of the lease.

Right-of-use assets are initially measured at acquisition cost, which breaks down as follows:

- present value of the corresponding lease liability;
- all lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling or removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are amortised on a straight-line basis over the shorter of the right of use and the term of the underlying lease.

Payments for short-term leases and leases of low-value assets are expensed on a straight-line basis in the income statement. Short-term leases are leases with a term of up to 12 months. Low-value assets largely contain furniture, fixtures and office equipment.

Some leases for real estate contain variable payments dependent upon the revenue of the businesses occupying these premises. Variable lease payments are recorded through profit or loss at the time at which the event that triggers the payment materialises.

A series of the group’s real estate leases include options to extend or terminate each lease. The options to extend that are in place can only be exercised by the group and not by the lessor. The majority of the options to terminate that are in place can be exercised by both the group as well as the respective lessor.

Leases where the group as lessor transfers substantially all the risks and rewards of ownership of the asset to the lessee are classified as finance leases. In this case, the group recognised a receivable from finance lease arrangements for the amount of the net investment in the lease. Lease payments are thus split into interest payments and repayments of the lease receivable so as to achieve a constant rate of interest on the receivable. All other leases where the group is the lessor are classified as operating leases. Initial direct costs incurred in negotiating and concluding an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

Revenue recognition

The PHOENIX group primarily generates revenue from simply structured sales of pharmaceuticals and related goods and - to a lesser extent - from the rendering of services.

The typical performance obligations of the PHOENIX group are presented below:

Performance obligation	**Point in time when the performance obligation is normally satisfied**	**Significant payment terms**	**Determining the transaction price**
Wholesale			
Sale of pharmaceuticals (partly as agent)	Transfer of control, typically upon delivery (at a point in time)	Payable within a certain period of no more than 180 days	List price less discount and rebate
Retail			
Sale of pharmaceuticals	Transfer of control, typically upon delivery (at a point in time)	Payable immediately (for payment in the pharmacy), or within 60 days (for reimbursement by health insurance companies)	Pharmacy sales price
Pharma services			
Rendering of services (e.g., logistics services, patient services, business intelligence)	Upon rendering the service (over time)		In accordance with contractual arrangement

In general, revenue for the rendering of services is recognised on a monthly basis.

Retrospective discounts are often agreed in wholesale. The revenue from these sales is recognised in the amount of the price fixed in the agreement, less the discount granted. The estimate of the discount obligation is based on experience (expected value method). The discount obligation is offset against trade receivables. Revenue is recognised only to the extent that it is highly probable that a significant cancellation of revenue will not be necessary, provided the associated uncertainty does not exist any longer.

In cases where the PHOENIX group acts as principal, i.e. has the exposure to the significant risks and rewards associated with the sale of goods, (gross) revenue from the sale of pharmaceuticals and related goods is recorded. Indicators for this case are contract situations in which the group has the primary responsibility to meet the obligations towards the customer, carries the significant risks and rewards attributable to inventory and has latitude over product pricing.

In cases where the group acts as an agent, revenue is recorded in the amount of the commission. This is the case where, on aggregate, the above indicators are not satisfied. This situation occurs when the PHOENIX group does not bear substantially all the risks and rewards of ownership of merchandise.

Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions. Estimates are made primarily for the measurement of assets, liabilities and contingent liabilities acquired through business combinations, impairment tests according to IAS 36, measurement of provisions for pensions, other provisions as well as income tax, particularly related to deferred tax assets on the carryforward of unused tax losses. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions and estimates concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

Impairment of non-financial assets

Impairment testing of the group regarding goodwill is largely based on the calculations of the useful life. Free cash flows are discounted using an appropriate discount rate (weighted average cost of capital). The cash flows are derived from the budget for the next five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount is most sensitive to the perpetual capital expenditures and the discount rates used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The impairment test for intangible assets with indefinite useful lives is based on fair value less costs to sell calculations that use a relief from royalty approach or an EBITDA multiple.

Further details on impairment are disclosed in Note 9.

Leases

All facts and circumstances that offer an economic incentive to exercise an option to extend a lease or not to exercise an option to terminate a lease are considered when determining the lease term. Changes to the term of the lease stemming from exercising options to extend or terminate are only included in the term of the agreement if it is reasonably certain that an option to extend will be exercised or an option to terminate will not be exercised.

The assessment is reviewed if an option to extend is actually exercised (or not) or if the group is obliged to do this. The assessment originally made is reviewed if there is a material event or material change in circumstances that could impact the previous assessment, provided that this is within the control of the lessee.

The incremental borrowing rate of interest used to measure lease liabilities is determined using observable inputs (e.g., market interest rates specific to the term) and adjusted for certain company-specific estimates (e.g., credit margin, country-specific risk premiums).

Further details on leases are disclosed in Note 10.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on deferred taxes are disclosed in Note 8.

Pension benefits

The cost of defined benefit plans and the present value of the pension obligation are determined using actuarial valuations. Actuarial valuation involves making various assumptions. The actuarial valuation involves making assumptions about interest rates, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of high-quality fixed-interest securities with a duration corresponding to the pension plans in the related country. The mortality rate is based on publicly available mortality tables for the specific country.

Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about the assumptions used are given in Note 19.

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Further details on financial instruments are disclosed in Note 26.

Loss allowance for expected credit losses on trade receivables and lease receivables
For the measurement of expected credit losses on trade receivables and lease receivables, the PHOENIX group applies the simplified approach provided by IFRS 9. According to this standard, at initial recognition as well as at every subsequent reporting date, a risk provision is recognised in the amount equal to the lifetime ECL. The risk provision is determined separately for individual customer groups. Initially, the average default rates per customer group are determined using the historical default rates of the last three years in the respective countries. The historical default rates are then adjusted for developments expected in future. PHOENIX applies the CDS rate of the respective country as a relevant factor, which it uses to calculate a minimum default rate. At the same time, the CDS rate serves as the basis for determining the rate of loss for receivables from public institutions.

Assessing the link between the historical default rates, forecast future developments and expected credit losses constitutes a significant estimate. The amount of the expected credit losses depends on changes in circumstances and the forecast future developments.

More information on expected credit losses on trade receivables and lease receivables is available in Note 26.

Revenue recognition
Under IFRS 15, the gross versus net sales presentation of distribution agreements with pharmaceuticals suppliers depends on whether the group acts as a principal or an agent. This judgement requires among others an estimation of the risks and rewards related to inventories and trade receivables incurred by the PHOENIX group in the context of these distribution agreements.

Further details on revenue are disclosed in Note 1.

Business combinations

The business acquisitions carried out in fiscal year 2019/20 and fiscal year 2018/19 are explained below. Business combinations are initially accounted for using the acquisition method pursuant to IFRS 3 “Business Combinations”.

Business acquisitions in fiscal year 2019/20

In fiscal year 2019/20, the cumulative profit for the period of the group's acquirees came to EUR 3,376k and revenue to EUR 54,280k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, cumulative revenue for the period would have come to EUR 112,335k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, the cumulative profit for the period would have come to EUR 7,768k.

The table below shows a summary of their fair values:

Fair value recognised as of the acquisition date

	Other
	EUR k
Cash and cash equivalents	67,832
Equity instruments	0
Acquisition-date fair value of previously held equity interests	1,348
Total cost	**69,180**
Intangible assets	1,519
Other non-current assets	7,388
Inventories	5,537
Trade receivables	11,626
Cash and cash equivalents	4,187
Other current assets	3,445
Non-current liabilities	10,037
Current liabilities	35,881
Net assets	**-12,216**
Non-controlling interests	84
Net assets acquired	**-12,300**
Bargain purchase	**0**
Goodwill	**81,480**

Other business acquisitions

In fiscal year 2019/20, the group acquired a pharmacy chain, a service company as well as additional pharmacies in business combinations that are individually immaterial.
The goodwill arising on those acquisitions, which mainly results from expected synergies or location advantages, was allocated to the cash-generating units Netherlands (EUR 32,881k), United Kingdom (EUR 16,517k), Norway (EUR 6,795k), Slovakia (EUR 5,850k), Czech Republic (EUR 11,103k), Bosnia and Herzegovina (EUR 3,139k), Serbia (EUR 3,057k), Baltics (EUR 1,118k) and Sweden (EUR 1,020k) and is recorded in the local functional currencies (EUR, NOK, CZK, BAM, RSD and SEK).

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

EUR 2,219k of the recognised goodwill from business combinations is expected to be tax deductible.

Other business combinations include contingent consideration of EUR 1,820k. The contingent consideration is largely based on the revenue to be generated over the next few years by the acquired businesses. The potential future payments range between EUR 1,820k and EUR 1,914k.

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.

Business acquisitions in fiscal year 2018/19

In fiscal year 2018/19, the cumulative profit for the period of the group's acquirees came to EUR 3,923k and revenue to EUR 361,588k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, cumulative revenue for the period would have come to EUR 689,087k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, the cumulative profit for the period would have come to EUR 7,477k.

The table below shows a summary of their fair values:

Fair value recognised as of the acquisition date

	Wholesale and retail Romania	Other	Total
	EUR k	EUR k	EUR k
Cash and cash equivalents	123,572	51,224	174,796
Equity instruments	0	0	0
Acquisition-date fair value of previously held equity interests	0	115	115
Total cost	**123,572**	**51,339**	**174,911**
Intangible assets	35,239	42	35,281
Other non-current assets	44,319	2,579	46,898
Inventories	79,816	6,835	86,651
Trade receivables	104,185	5,032	109,217
Cash and cash equivalents	9,509	2,387	11,896
Other current assets	3,253	2,982	6,235
Non-current liabilities	12,330	5,584	17,914
Current liabilities	227,308	16,607	243,915
Net assets	**36,683**	**-2,334**	**34,349**
Non-controlling interests	1,465	0	1,465
Net assets acquired	**35,218**	**-2,334**	**32,884**
Bargain purchase	**0**	**0**	**0**
Goodwill	**88,354**	**53,673**	**142,027**

Wholesale and retail Romania

On 31 July 2018, the group acquired 88.8% of the voting shares in Farmexim S.A. and 100.0% of the voting shares in Help Net Farma S.A. They are a pharmaceutical wholesaler and a pharmacy chain. It is expected that PHOENIX will be able to further expand its market position in Europe through the market entry in Romania.

Goodwill from this business acquisition is allocated to the Romania cash-generating unit.

The fair value of current receivables contains trade receivables with a fair value of EUR 104,185k. The gross amount of the trade receivables past due amounts to EUR 121,930k, of which EUR 15,732k is expected to be uncollectible.

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

The purchase price allocation took into account all the information about facts and circumstances as of the acquisition date that was available until the preparation of the financial statements. The previously recognised values did not have to be restated.

Other business acquisitions

In fiscal year 2018/19, the group acquired a pharmacy chain as well as additional pharmacies in business combinations that are individually immaterial.
The goodwill arising on those acquisitions, which mainly results from expected synergies or location advantages, was allocated to the cash-generating units Netherlands (EUR 16,570k), Serbia (EUR 15,879k), Norway (EUR 12,029k), Slovakia (EUR 4,513k), Czech Republic (EUR 2,271k), Austria (EUR 1,477k), Baltics (EUR 704k) and Hungary (EUR 230k) and is recorded in the local functional currencies (EUR, RSD, NOK, CZK and HUF).

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

EUR 6,117k of the recognised goodwill from business combinations is expected to be tax deductible.

The purchase price allocation took into account all the information about facts and circumstances as of the acquisition date that was available until the preparation of the financial statements. The previously recognised values did not have to be restated.

Divestitures

There was an overall gain from deconsolidation of EUR 1,043k (prior year: EUR 830k) resulting from the sale of business operations, which was recognised in other operating income.

Notes to the income statement

1 Revenue

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

FY 2019/20 **EUR k**	Trade revenue	Revenue from commis-sions	Distribution fees and consign-ment warehouse fees	Other logistics services	Other services	Other revenue	Revenue within the meaning of IFRS 15
Gross revenue	27,815,271	109,656	84,308	39,531	415,155	230,778	28,694,699
Sales deductions	-1,391,233	0	-19	0	0	-31	-1,391,283
Revenue	**26,424,038**	**109,656**	**84,289**	**39,531**	**415,155**	**230,747**	**27,303,416**
thereof satisfaction of performance obligation at a point in time	26,424,038	102,324	75,353	37,810	412,374	177,084	27,228,983
thereof satisfaction of performance obligation over time	0	7,332	8,936	1,721	2,781	53,663	74,433

FY 2018/19 EUR k	Trade revenue	Revenue from commis-sions	Distribution fees and consignment warehouse fees	Other logistics services	Other services	Other revenue	Revenue within the meaning of IFRS 15
Gross revenue	26,705,912	102,229	73,733	34,205	126,403	131,897	27,174,379
Sales deductions	-1,362,172	0	-14	0	0	-14	-1,362,200
Revenue	**25,343,740**	**102,229**	**73,719**	**34,205**	**126,403**	**131,883**	**25,812,179**
thereof satisfaction of performance obligation at a point in time	25,343,740	94,180	65,323	31,674	126,403	98,275	25,759,595
thereof satisfaction of performance obligation over time	0	8,049	8,396	2,531	0	33,608	52,584

Total revenue in fiscal year 2019/20 amounts to EUR 27,322,803k (prior year: EUR 25,812,179k). This includes revenue from leases of EUR 19,387k.

In the reporting year, revenue of EUR 13,310k (prior year: EUR 11,029k) was reported, which was included in the contract liability balance at the beginning of the period.

2 *Other operating income*

	FY 2018/19 EUR k	**FY 2019/20 EUR k**
Net gain on disposal of fixed assets	1,392	4,946
Income from services	22,360	437
Rental income	11,178	0
Marketing and other services	63,106	0
Allocation of freight costs	8,605	0
Other	50,578	24,895
Other operating income	**157,219**	**30,278**

The item “Other” contains a number of individual items, such as energy cost mark-ups and own work capitalised. It also contains income from the deconsolidation of business operations EUR 1,043k (prior year: EUR 830k).

In order to improve the clarity of presentation of financial performance, in fiscal year 2019/20 income with a performance obligation character was reclassified to revenue.

3 *Personnel expenses*

	FY 2018/19 EUR k	**FY 2019/20 EUR k**
Wages and salaries	1,074,396	1,151,742
Social security contributions, retirement benefits and similar expenses	241,272	253,518
Other personnel expenses	105,157	104,906
	1,420,825	**1,510,166**

The average headcount measured in full-time equivalents (FTEs) increased by 2,377 to a total of 32,009. Other personnel expenses mainly include training expenses and costs for temporary personnel.

The average headcount (FTEs) breaks down as follows by region:

	FY 2018/19	**FY 2019/20**
Western Europe	14,832	15,196
Eastern Europe	8,856	10,626
Northern Europe	5,944	6,187
	29,632	**32,009**

The line item “Wages and salaries” includes an amount of EUR 15,706k (prior year: EUR 20,587k) for severance payments and similar costs.

4 Other operating expenses

	FY 2018/19 EUR k	**FY 2019/20 EUR k**
Transport costs	313,467	326,748
Lease and rental costs	159,315	38,277
Exchange rate gains/losses	408	646
Net impairment of receivables	204	7,097
Other building and equipment costs	68,405	72,610
Marketing and advertising expenses	66,866	76,284
Communication and IT expenses	80,701	91,007
Legal and consulting fees	70,361	73,019
Repair and maintenance costs	35,719	41,432
Net loss on the disposal of fixed assets	3,599	4,110
Other taxes	15,533	16,512
Office supplies	9,777	10,199
Insurance costs	9,247	9,630
Expenses related to ABS and factoring programmes	1,318	1,244
Other	64,912	62,835
Other operating expenses	**899,832**	**831,650**

Lease and rental costs in fiscal year 2019/20 include expenses associated with short-term leases, expenses associated with leases of low-value assets and variable lease payments not included in the lease liabilities.

The development of bad debt allowances is presented in Note 15.

In fiscal year 2019/20, the auditor of the financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, received audit fees of EUR 945k (prior year: EUR 827k), of which for the prior year EUR 125k (prior year: EUR 62k), other attestation fees of EUR 11k (prior year: EUR 10k), tax advisory fees of EUR 4k (prior year: EUR 8k) and EUR 7k (prior year: EUR 12k) for other services.

The item “Other” contains various individual items, such as consignment fees, contributions to professional associations and administrative expenses.

5 Result from associates and other investments

The result from associates mainly includes the profit from several associates, chiefly non-controlling interests in pharmacies.

6 *Amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment*

	FY 2018/19 EUR k	**FY 2019/20 EUR k**
Amortisation of intangible assets and depreciation of property, plant and equipment	**141,857**	**259,856**
Impairment of pharmacy licences	10,816	27,503
Reversal of impairment loss	-2,679	-2
Impairment of goodwill	279,513	130,707
Other impairments	798	9,183
Impairment of intangible assets and property, plant and equipment	**288,448**	**167,391**

7 *Financial result*

	FY 2018/19 EUR k	**FY 2019/20 EUR k**
Interest income	**14,176**	**14,515**
Interest expenses	**-53,468**	**-77,745**
Other financial result	**-32,271**	**-4,038**
Financial result	**-71,563**	**-67,268**

Interest income includes interest income from customers of EUR 9,519k (prior year: EUR 9,608k).

The other financial result contains exchange rate gains of EUR 65,207k (prior year: EUR 29,955k) as well as exchange rate losses of EUR 52,444k (prior year: EUR 36,866k), income of EUR 51,269k (prior year: EUR 49,142k) and expenses of EUR 67,415k (prior year: EUR 43,419k) from changes in market values of derivatives, changes in market values of financial assets of EUR -1,361k (prior year: EUR -13,781k), impairment of financial assets of EUR 597k (prior year: EUR 14,253k), as well as other financial income of EUR 1,962k (prior year: EUR 836k) and other financial expenses of EUR 659k (prior year: EUR 3,885k).

The financial result includes interest income and interest expenses of EUR -33,780k on financial assets and liabilities that are not classified as “at fair value through profit or loss” (prior year: EUR -34,565k).

8 Income tax

The major components of tax expense are summarised in the table below:

	FY 2018/19 EUR k	FY 2019/20 EUR k
Current taxes	64,860	70,754
Deferred taxes	16,349	-1,224
	81,209	**69,530**

The current income tax includes income for prior periods of EUR 3,646k (prior year: EUR 8,954k) and expenses of EUR 8,385k (prior year: EUR 2,138k).

In fiscal year 2019/20, net tax income (after non-controlling interests) of EUR 768k was recognised outside profit or loss (prior year: EUR 8,155k). This amount results from actuarial gains and losses from pension obligations (EUR -4,449k; prior year: EUR 2,871k) as well as net investments in foreign operations (EUR 5,217k; prior year: EUR 1,009k).

The deferred taxes at year-end were calculated using the tax rates applicable to the respective entities in their respective countries at the time of realisation.

A reconciliation of the expected income tax expense to the actual income tax expense using the average tax rate of the group is presented in the table below:

	FY 2018/19 EUR k	%	FY 2019/20 EUR k	%
Profit before tax	-30,766	100.0%	109,045	100.00%
Expected income tax expense	-6,399	20.8%	29,987	27.50%
Impact of changes to tax rates on deferred taxes	-2,983	9.7%	1,156	1.10%
Tax effect of non-deductible expenses and tax-exempt income	14,914	-48.5%	5,139	4.70%
Effect of taxes relating to prior years recognised in the fiscal year	-6,982	22.7%	2,223	2.00%
Effect of differing national tax rates	-974	3.2%	-5,191	-4.80%
Effect of loss allowances/adjustments to carrying amounts	32,066	-104.2%	23,447	21.50%
Effects of impairments on goodwill	50,924	-165.5%	19,170	17.60%
Other effects	643	-2.2%	-6,401	-5.90%
Income taxes	**81,209**	**-264.0%**	**69,530**	**63.80%**

Other effects include a deferred tax expense of EUR 1,348k (prior year: EUR -704k) relating to temporary differences associated with investments in subsidiaries.

The deferred tax assets and the deferred tax liabilities are summarised in the table below:

	31 Jan 2019 Deferred tax assets EUR k	31 Jan 2019 Deferred tax liabilities EUR k	**31 Jan 2020 Deferred tax assets EUR k**	**31 Jan 2020 Deferred tax liabilities EUR k**
Intangible assets	5,838	82,475	6,093	75,652
Property, plant and equipment	5,265	34,632	6,330	140,454
Financial and other assets	10,308	14,448	12,178	17,131
Inventories	7,234	3,137	6,210	3,378
Assets classified as held for sale	0	0	0	0
Provisions	45,422	2,332	37,408	3,648
Liabilities	6,845	4,800	115,738	4,894
Deferred taxes on temporary differences	**80,912**	**141,824**	**183,957**	**245,157**
Deferred taxes on unused tax losses	10,052	0	12,662	0
Netting	-25,152	-25,152	-119,237	-119,237
Total deferred taxes	**65,812**	**116,672**	**77,382**	**125,920**

Deferred tax liabilities on right-of-use assets pursuant to IFRS 16 are included in the item property, plant and equipment and deferred tax assets on the corresponding lease liabilities are included under liabilities. These are reported on a net basis in the statement of financial position.

Deferred tax assets are recognised on unused tax losses at the amount at which the associated tax benefits are likely to be realised through future taxable profit. The group has not recognised deferred tax assets on unused tax losses and future interest benefits of EUR 368,526k (31 January 2019: EUR 305,244k). Deferred taxes includes expenses from a reversal of used tax loss carryforwards of EUR 48k (prior year: EUR 17,382k) and income from previously unused tax losses of EUR 325k (prior year: EUR 847k). The unused tax losses and interest carryforwards expire as follows:

	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
Within one year	37	0
After one year, but within two years	0	0
After two years, but within three years	0	0
After three years, but within four years	0	0
After four years, but within five years	0	0
After five years	0	0
Loss carry forwards and interest carryforwards that do not expire	305,207	368,526
	305,244	**368,526**

No deferred tax liabilities were recognised on distributable reserves of subsidiaries amounting to EUR 2,598,421k (31 January 2019: EUR 3,028,370k) because these reserves are intended to be indefinitely reinvested in the operations of subsidiaries.

Notes to the statement of financial position

9 Intangible assets

	Rights and licences EUR k	Goodwill EUR k	Prepayments EUR k
Cost			
1 Feb 2018	**513,505**	**1,837,481**	**10,145**
Currency translation	-428	100	-91
Changes in the basis of consolidation	35,199	0	0
Additions	21,884	142,365	7,595
Disposals	-9,209	-790	0
Reclassifications from non-current assets held for sale	-40,729	0	-66
Reclassifications	1,718	-147,556	-1,954
31 Jan 2019	**521,940**	**1,831,600**	**15,629**
Currency translation	9,640	16,116	-99
Changes in the basis of consolidation	1,454	0	0
Additions	36,274	81,729	29,233
Disposals	-3,655	-1,474	-426
Reclassifications from non-current assets held for sale	6,463	0	0
Reclassifications	9,093	540	-7,304
31 Jan 2020	**581,209**	**1,928,511**	**37,033**
Accumulated amortisation and impairment			
1 Feb 2018	**147,875**	**236,148**	**28**
Currency translation	-337	3,146	0
Changes in the basis of consolidation	-354	0	0
Additions	23,098	0	0
Impairment losses	10,815	279,513	0
Reversals of impairment losses	-2,676	0	0
Disposals	-7,487	3	0
Reclassifications from non-current assets held for sale	-10,428	0	0
Reclassifications	-403	-147,556	-21
31 Jan 2019	**160,103**	**371,254**	**7**
Currency translation	1,367	14,584	0

Changes in the basis of consolidation	-2,158	0	0
Additions	25,453	0	0
Impairment losses	26,220	130,707	2,500
Reversals of impairment losses	0	0	0
Disposals	-311	0	0
Reclassifications from non-current assets held for sale	2,125	0	0
Reclassifications	758	539	0
31 Jan 2020	213,557	517,084	2,507
Net carrying amount			
31 Jan 2019	361,837	1,460,346	15,622
31 Jan 2020	367,652	1,411,427	34,526

The item “Rights and licences” mainly contains pharmacy licences with indefinite useful lives in the United Kingdom and Romania totalling EUR 286,697k (31 January 2019: EUR 287,345k). The useful life for such licences has been assessed as indefinite due to the fact that such licences are granted for an unlimited time period.

Goodwill

Goodwill carrying amounts in EUR k			
Country	**Currency**	**31 Jan 2019**	**31 Jan 2020**
Germany	EUR	51,270	26,169
United Kingdom	GBP	60,370	0
Netherlands	EUR	567,259	598,987
Switzerland	CHF	141,949	146,991
Hungary	HUF	75,216	72,812
Czech Republic	CZK	49,418	63,444
Baltics	EUR	67,136	68,254
Romania	RON	86,519	60,723
Denmark	DKK	44,797	44,797
Slovakia	EUR	37,030	42,881
Sweden	SEK	40,639	41,660
Norway	NOK	210,722	215,110
Other		28,521	29,599
Total		**1,460,346**	**1,411,427**

Impairment testing of goodwill

The impairment test involves comparing the carrying amount of a cash-generating unit with its recoverable amount.

The calculations of the recoverable amounts for the cash-generating units are most sensitive to the following assumptions:

- Future free cash flows

  The main components of these free cash flows are EBITDA and the growth rate after the planning period, the cash flow from the change in working capital and the cash flow from investing activities.

- Discount rates

The terminal growth rate of 0.5% (31 January 2019: 0.5%) is used to extrapolate the EBITDA and cash flow of the last planning period.

The perpetual cash flow from investing activities is calculated using historical data. This averages 1.4% of revenue (31 January 2019: 0.6%), without taking into account the leasing standard IFRS 16.

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates are derived on the basis of the capital asset pricing model. The discount rates are generally adjusted to reflect the market assessment of country-specific risks for which future estimates of cash flows have not been adjusted.

The discount rate is determined using a two-phase approach. The phase one discount rate is used to discount the future cash flows in the planning period and the second phase discount rate is used to calculate the terminal value. The difference between the discount rates used in phases one and two corresponds to a growth mark-down and stands at 0.5% (31 January 2019: 0.5%).

The table below shows the phase one pre-tax discount rates (WACC) for material cash-generating units:

	31 Jan 2019 %	**31 Jan 2020** **%**
Discount rate (WACC before tax)		
Germany	8.89	7.79
United Kingdom	9.39	8.15
Netherlands	8.22	7.21
Switzerland	6.95	5.34
Hungary	9.10	9.15
Czech Republic	8.39	7.94
Romania	10.92	10.00
Baltics	8.28	7.41
Denmark	7.42	6.23
Slovakia	8.62	7.64
Sweden	8.23	6.97
Norway	8.16	7.27
Other	8.30 to 11.28	7.40 to 10.22

As of 31 January 2020, there was an impairment loss for the cash-generating units United Kingdom, Bosnia and Herzegovina, Romania, Germany and Austria:

	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
Impairment of goodwill		
United Kingdom	237,887	76,091
Bosnia/North Macedonia/Serbia	41,626	0
Bosnia and Herzegovina	0	3,138
Romania	0	25,000
Germany	0	25,000
Austria	0	1,478

For the cash-generating unit United Kingdom, the recoverable amount of EUR 563,628k is below the carrying amount, mainly due to deductions in pharmacy remuneration by legislators. The impairment loss is based on the value in use.

For the cash-generating unit Bosnia and Herzegovina, the recoverable amount of EUR 10,849k is below the carrying amount primarily because of the reduced medium-term earnings forecast due to the difficult market environment. The impairment loss is based on the value in use.

For the cash-generating unit Romania, the recoverable amount of EUR 170,401k is below the carrying amount primarily because of the increase in net working capital. The impairment loss is based on the value in use.

For the cash-generating unit Germany, the recoverable amount of EUR 553,281k is below the carrying amount primarily because of the increased need for working capital. The impairment loss is based on the value in use.

For the cash-generating unit Austria, the recoverable amount of EUR 86,464k is below the carrying amount primarily because of the reduced medium-term earnings forecast due to the difficult market environment. The impairment loss is based on the value in use.

The impairment loss is allocated to reduce the carrying amount of goodwill allocated to the cash-generating unit. The reduction in the carrying amount is treated as an impairment loss and recognised in the line item “Amortisation and impairment of intangible assets” in the income statement.

A marginal change in the future cash flows, discount rate or long-term investments of the cash-generating units Switzerland and Slovakia would lead to the carrying amounts exceeding the value in use.

- The value in use of the cash-generating unit Switzerland exceeded its carrying amount by EUR 38,357k. An increase in the discount rate by 0.7 percentage points or an increase in long-term investments of EUR 18,048k by 5.0% would use up this excess amount.
- The value in use of the cash-generating unit Slovakia exceeded its carrying amount by EUR 24,169k. A rise in the discount rate of 1.2 percentage points would use up this excess amount.

Impairment testing of intangible assets with indefinite useful lives

The trademarks "Numark" and "PharmaVie" were tested for impairment as of 31 January 2019 and 2020. The fair value of the trademarks is determined based on a relief from royalty approach using the recent business plans as of the testing date and an appropriate royalty rate of between 0.1% and 2.0% (31 January 2019: between 0.1% and 2.0%) (level 3). Costs to sell have been deducted in order to derive the fair value less costs to sell. It was not necessary to recognise any impairment losses on the trademarks as of 31 January 2019 and 2020.

The pharmacy licences of Help Net Farma S.A., Romania, were tested for impairment as of 31 January 2019 and 2020. The recoverable amount of the licences was based on the fair value (level 2) less costs to sell and was determined using a revenue multiple of 0.2 (31 January 2019: 0.2). As of 31 January 2019 and 2020, no impairment was required on the pharmacy licences of Help Net Farma S.A.

The pharmacy licences of L Rowland & Co. (Retail) Ltd., United Kingdom, were tested for impairment as of 31 January 2019 and 2020. The recoverable amount of the licences was based on the fair value (level 3) less costs to sell, which was determined using a market price model. The pre-tax discount rate is 6.8% (31 January 2019: 7.8%). The terminal growth rate used to extrapolate the income of the last planning period is 0.5% (31 January 2019: 0.5%).

The impairment tests resulted in the recognition of an impairment loss and in the prior year in the recognition of reversals of impairment losses on the licences in the United Kingdom:

	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
Impairment of licenses		
Pharmacy licenses, United Kingdom	3,188	19,148
Reversal of impairment loss on licenses		
Pharmacy licenses, United Kingdom	2,676	0

The reversals of impairment loss in the prior year resulted from the planned disposal of certain pharmacies.

10 Property, plant and equipment

	Land and buildings EUR k	Plant and machinery EUR k	Other equipment, furniture and fixtures EUR k	Assets under construc-tion EUR k	Investment property EUR k
Cost					
1 Feb 2018	**1,029,826**	**328,512**	**659,286**	**94,233**	**15,271**
Currency translation	-6,477	-1,091	-3,551	-567	3
Changes in the basis of consolidation	34,314	911	8,346	465	0
Additions	45,822	13,746	64,483	26,142	0
Disposals	-14,170	-10,549	-26,061	-708	-50
Reclassifications from non-current assets held for sale	-2,354	649	-3,555	0	-403
Reclassifications	2,075	15,888	7,729	-25,537	578
31 Jan 2019	**1,089,036**	**348,066**	**706,677**	**94,028**	**15,399**
Effect from first-time application of IFRS 16	717,159	858	25,538	0	
1 Feb 2019 (restated)	**1,806,195**	**348,924**	**732,215**	**94,028**	**15,399**
Currency translation	-6,337	-552	-1,960	76	35
Changes in the basis of consolidation	17,660	465	22	908	0
Additions	130,367	12,203	77,194	34,509	0
Disposals	-19,662	-7,031	-39,851	-298	-889
Reclassifications from non-current assets held for sale	1,223	0	1,000	0	0
Reclassifications	4,661	5,705	3,281	-17,216	5,677
31 Jan 2020	**1,934,107**	**359,714**	**771,901**	**112,007**	**20,222**
Accumulated depreciation and impairment					
1 Feb 2018	**465,652**	**233,732**	**477,664**	**0**	**4,675**
Currency translation	-2,825	-672	-2,868	0	2
Changes in the basis of consolidation	0	0	0	0	0
Additions	40,620	20,905	56,756	0	478
Impairment losses	408	390	1	0	0
Disposals	-10,939	-10,007	-22,266	0	0
Reclassifications from non-current assets held for sale	-704	97	-1,881	0	-34
Reclassifications	-1,496	-381	2,564	0	236
Reversal of impairment loss	0	0	-3	0	0
31 Jan 2019	**490,716**	**244,064**	**509,967**	**0**	**5,357**

Effect from first-time application of IFRS 16	14,603	0	154	0	
1 Feb 2019 (restated)	**505,319**	**244,064**	**510,121**	**0**	**5,357**
Currency translation	-3,581	-27	-2,617	0	13
Changes in the basis of consolidation	0	0	31	0	0
Additions	140,372	21,164	72,306	0	561
Impairment losses	6,315	50	103	0	0
Disposals	-9,554	-5,857	-34,550	0	-592
Reclassifications from non-current assets held for sale	-1	-50	486	0	0
Reclassifications	1,967	-1,157	-804	0	3,139
Reversal of impairment loss	212	0	-2	0	0
31 Jan 2020	**641,049**	**258,187**	**545,074**	**0**	**8,478**
Net carrying amount					
31 Jan 2019	598,320	104,002	196,710	94,028	10,042
31 Jan 2020	1,293,058	101,527	226,827	112,007	11,744

In the course of producing qualified assets, debt capital interest of EUR 1,239k (prior year: EUR 1,202k) was capitalised, applying an interest rate of 1.59% (prior year: 1.67%).

Items of property, plant and equipment with a carrying amount of EUR 4,719k (31 January 2019: EUR 12,555k) have been pledged as collateral for liabilities. The collateral mainly relates to charges on land and buildings in Romania and Germany.

There are contractual commitments in place to acquire property, plant and equipment of EUR 18,300k (31 January 2019: EUR 2,676k). The commitments are largely in the Czech Republic.

Leases where the group acts as lessee

The PHOENIX group rents various office and warehouse spaces as well as retail businesses, plant and vehicles. Rental agreements are generally concluded for a fixed period; however there may be options to extend as described below. Rental conditions are negotiated on an individual basis and contain a wide variety of differing conditions. Therefore, leased assets also may not be used as collateral to raise loans.

The following items connected to leases have been recognised in the statement of financial position:

	31 Jan 2020 EUR k
Right-of-use assets	
Land and buildings	703,461
Plant and machinery	927
Other equipment, furniture and fixtures	29,637
	734,025
Lease liabilities	
Current financial liabilities	114,320
Non-current financial liabilities	647,393

A maturity analysis of lease liabilities is presented in Note 27.

Additions to right-of-use assets during fiscal year 2019/20 amounted to EUR 119,068k.

The PHOENIX group has concluded various lease agreements that have not yet commenced as of 31 January 2020. Future lease payments for these uncancellable leases amount to EUR 4,104k.

The following amounts in connection with leases are recognised in the income statement:

	2019/20 EUR k
Amortisation of right-of-use assets	
Land and buildings	101,550
Plant and machinery	427
Other equipment, furniture and fixtures	14,620
	116,597
Interest expenses	24,337
Expenses relating to short-term leases	15,409
Expenses relating to leases of low-value assets	6,341
Expenses in connection with variable lease payments, which are not included in lease liabilities	16,527
Income from subleasing right-of-use assets	6,293

Total payments for leases in fiscal year 2019/20 amounted to EUR 190,116k.

Some leases for real estate contain variable payments dependent upon the revenue of the pharmacies occupying these premises. Variable payments are generally used to align rental payments with the cash flows of the pharmacies and to minimise fixed costs. An increase in revenue of 10% across all pharmacies that are subject to variable lease payments would lead to an increase in total lease payments of EUR 713k.

A series of the group's real estate agreements include options to extend or terminate each lease. These kinds of conditions are used to provide the group with the greatest possible degree of operational flexibility in relation to the assets used by the group. The majority of options to extend or terminate that are in place can only be exercised by the group and not by the respective lessor.

The assets held under finance lease agreements in fiscal year 2018/19 are as follows:

	31 Jan 2019 EUR k
Land and land rights and buildings, including buildings on third-party land	5,416
Plant and machinery	0
Other equipment, furniture and fixtures	2,564
Carrying amount	**7,980**

The reconciliation of the future minimum lease payments and their present value as of 31 January 2019 is disclosed in the table below:

	31 Jan 2019 EUR k
Minimum lease payments	
due within 1 year	6,581
due in between 2 and 5 years	2,810
due in more than 5 years	93
Interest	-393
Present value of minimum lease payments	**9,091**

As of 31 January 2019, there were numerous agreements in place regarding assets as part of operating leases pursuant to IAS 17. Such agreements primarily related to real estate, technical equipment and company cars. The future minimum lease payments under non-cancellable operating leases pursuant to IAS 17are summarised as of 31 January 2019 by due date below:

	31 Jan 2019 EUR k
Minimum lease payments	
due within 1 year	137,971
due in between 2 and 5 years	358,913
due in more than 5 years	301,473
Total minimum lease payments	**798,357**

Expected income from sublet properties amounted to EUR 917k in the prior year. The lease expense from operating leases was broken down as follows in the prior year:

	31 Jan 2019 EUR k
Lease expense	
Minimum lease payments	154,905
Contingent rents	3,480
Sublease payments received	930
Total lease expense	**159,315**

Leases where the group acts as lessor

The PHOENIX group acts as lessor in several countries of operation. The lease agreements represent finance and operating leases.

Finance leases

Agreements in which the group acts as a finance lessor largely relate to the German subsidiary transmed Transport GmbH, which leases till systems, as well as companies in the Netherlands, which sublet property. Subletting of properties generally includes rental adjustment clauses based on consumer price indices.

The reconciliation of the future lease payments and their present value is disclosed in the tables below:

	31 Jan 2020 EUR k
Lease payments	
up to 1 year	9,393
1-2 years	9,375
2-3 years	8,697
3-4 years	6,500
4-5 years	3,863
more than 5 years	6,800
Interest	-1,294
Net investment in finance leases	**43,334**

The following amounts in connection with finance leases are recognised in the income statement:

	31 Jan 2020 EUR k
Net gains on disposal	1,896
Finance income on net investments in leases	1,134
Income from finance leases	**3,030**

In fiscal year 2018/19, the reconciliation of future lease payments and their present value was as follows:

	31 Jan 2019 EUR k
Minimum lease payments	
due within 1 year	2,951
due in between 2 and 5 years	11,942
due in more than 5 years	0
Interest	-1,243
Present value of minimum lease payments	**13,650**

Operating leases

The most significant operating lease arrangements in which the group acts as lessor are in the Netherlands and individual entities in Germany. Leases in the Netherlands are mainly buildings; in Germany, till systems as well as buildings. The future lease payments are as follows:

	31 Jan 2020 EUR k
Lease payments	
up to 1 year	15,053
1-2 years	8,499
2-3 years	4,075
3-4 years	1,358
4-5 years	806
more than 5 years	1,986
Total lease payments	**31,777**

The following amounts in connection with operating leases are recognised in the income statement:

	31 Jan 2020 EUR k
Revenue from operating leases	13,141
Income from subletting operating leases	4,350
Income from operating leases	**17,491**

In fiscal year 2018/19, minimum lease payments broke down as follows:

	31 Jan 2019 EUR k
Minimum lease payments	
due within 1 year	22,644
due in between 2 and 5 years	36,297
due in more than 5 years	10,913
Total minimum lease payments	**69,854**

11 Investment property

The fair value of the investment property held as of 31 January 2020 determined by expert appraisers using market data (level 2) for comparable properties came to EUR 11,877k (31 January 2019: EUR 10,244k). Rental income in fiscal year 2019/20 came to EUR 551k (prior year: EUR 486k), while expenses totalled EUR 515k (prior year: EUR 414k).

12 Interests in other entities

Significant non-controlling interests are held in the following entities: Each list of shareholdings can be seen in exhibit A.

	FY 2018/19 EUR k		**FY 2019/20 EUR k**	
	Brocacef Group	Comifar Group	Brocacef Group	Comifar Group
Current assets	321,711	782,318	346,800	785,122
Non-current assets	678,484	121,205	825,021	130,461
Current liabilities	287,076	565,191	323,099	565,287
Non-current liabilities	236,988	22,985	343,503	30,256
Revenue	1,924,801	2,323,200	2,095,197	2,369,416
Gain/loss from continuing operations	60,490	13,829	53,655	11,387
Gain/loss after taxes from discontinued operations	0	0	0	0
Total comprehensive income	60,490	13,829	53,655	11,387
Cash inflow/outflow from:				
- operating activities	91,656	10,635	69,748	-1,539
- investing activities	-35,760	-8,659	-27,425	-7,745
- financing activities	-55,421	-1,984	-42,131	9,284
Gain/loss attributable to non-controlling interests	28,765	831	25,451	678
Accumulated non-controlling interests at the end of the reporting period	212,117	33,427	228,882	33,644
Dividends paid to non-controlling interests	7,191	447	11,927	447

The non-controlling interests disclosed in the consolidated financial statements are as follows:

	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
Brocacef Group	212,117	228,882
Comifar Group	33,427	33,644
Other	19,575	17,453
	265,119	**279,979**

The PHOENIX group holds investments in 20 associates (31 January 2019: 21). The aggregate amounts are presented below:

	FY 2018/19 EUR k	**FY 2019/20 EUR k**
Net carrying amount	7,220	6,272
Group share in gain/loss from continuing operations	8,650	1,270
Group share in total comprehensive income	8,650	1,270

Most associates have diverging fiscal years from the PHOENIX group, typically the calendar year.

13 Other financial assets

The table below presents the composition of non-current other financial assets:

	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
Trade receivables	309	589
Other financial assets		
Equity and debt instruments	51,081	52,423
Other loans	25,951	26,449
Lease receivables	10,699	33,852
Other financial assets	340	350
	88,071	**113,074**

14 Inventories

	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
Raw materials and supplies	13,841	13,715
Finished goods and merchandise	2,282,140	2,544,891
Prepayments	5,067	3,223
	2,301,048	**2,561,829**

During the fiscal year, inventories were written down by EUR 11,261k (prior year: EUR 11,618k). Impairment losses of EUR 3,651k (prior year: EUR 5,149k) were reversed during the period mainly due to the unexpected sale of written-down inventories. Inventories with a carrying amount of EUR 194,432k (31 January 2019: EUR 181,385k) are measured at net realisable value at the reporting date.

Inventories with a carrying amount of EUR 0k (31 January 2019: EUR 82,903k) have been pledged as a guarantee for loan agreements.

15 Trade receivables and other current financial assets

	31 Jan 2019 EUR k	**31 Jan 2020** **EUR k**
Trade receivables	2,552,312	2,624,818
Other financial assets		
Loans to and receivables from associates	1,660	643
Other loans	49,351	38,605
Derivative financial instruments	8,289	1,092
Lease receivables	2,800	9,078
ABS/factoring receivables	58,728	50,688
Other financial assets	26,158	21,622
	146,986	**121,728**

Trade receivables and other assets with a carrying amount of EUR 77,774k (31 January 2019: EUR 121,327k) have been pledged as a guarantee for loan agreements.

The trade receivables transferred under factoring and ABS transactions as of 31 January 2020 are presented below:

	31 Jan 2019 EUR k	**31 Jan 2020** **EUR k**
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IFRS 9		
Volume of receivables	234,224	214,387
Financial liabilities	204,433	177,651
Continuing involvement		
Volume of receivables	169,164	175,314
Continuing involvement	8,514	8,119
Financial liabilities	9,174	8,505
Transferred and fully derecognised receivables		
Volume of receivables	302,415	302,358
Retentions of title	58,728	50,688

The carrying amounts of receivables and liabilities correspond to their fair values.

In the case of the transferred but only partly derecognised receivables, the PHOENIX group has either fully or partly retained the risk of default as well as the risk of late payment attaching to the transferred receivables. The transferred receivables serve as collateral for the purchase price received for them. The amount received for selling these receivables is recognised as a liability. Cash receipts from these receivables have to be transferred to the factor, thus settling the liability.

Other current financial assets mainly include receivables from ABS and factoring programmes and other current receivables.

Loss allowances on trade receivables, other loans and lease receivables have developed as follows as of 31 January 2020:

	Development of impairment losses pursuant to IFRS 9		
	Lifetime ECL impaired trade receivables	Lifetime ECL simplified approach	Total
Trade receivables			
Loss allowances as of 1 Feb 2019	**-59,859**	**-26,072**	**-85,931**
Currency and other changes	-441	-115	-556
Transfer to lifetime ECL impaired trade receivables	-3,337	36	-3,301
Amortisation, depreciation and impairment (utilisation)	3,584	7	3,591
Interest	2	-1	1
Change due to new or derecognised trade receivables	-1,169	45	-1,124
Changes in risk parameter	-8,489	8,238	-251
Loss allowances as of 31 Jan 2020	**-69,709**	**-17,862**	**-87,571**

	Development of impairment losses pursuant to IFRS 9			
	12-month ECL	Lifetime ECL non-impaired loans	Lifetime ECL impaired loans	Total
Other loans				
Loss allowances as of 1 Feb 2019	**-285**	**-2,451**	**-27,519**	**-30,255**
Currency and other changes	42	-6	3,941	3,977
Transfer to 12-month ECL	0	0	0	0
Transfer to lifetime ECL non-impaired loans	0	0	0	0
Transfer to lifetime ECL impaired loans	0	0	0	0
Amortisation, depreciation and impairment (utilisation)	0	0	1,805	1,805
Interest	0	0	0	0
Change due to new or derecognised loans	15	-55	-1,565	-1,605
Changes in risk parameter	0	1,043	-117	926
Loss allowances as of 31 Jan 2020	**-228**	**-1,469**	**-23,455**	**-25,152**

	Development of impairment losses pursuant to IFRS 9		
	Lifetime ECL impaired lease receivables	Lifetime ECL simplified approach	Total
Lease receivables			
Loss allowances as of 1 Feb 2019	**0**	**-151**	**-151**
Changes due to the first-time application of IFRS 16	0	-333	-333
Loss allowances as of 1 Feb 2019 (restated)	**0**	**-484**	**-484**
Currency and other changes	0	0	0
Transfer to lifetime ECL impaired lease receivables	0	0	0
Amortisation, depreciation and impairment (utilisation)	0	0	0
Interest	0	0	0
Change due to new or derecognised lease receivables	0	-81	-81
Changes in risk parameter	0	161	161
Loss allowances as of 31 Jan 2020	**0**	**-404**	**-404**

Loss allowances on trade receivables, other loans and lease receivables have developed as follows as of 31 January 2019:

	Development of impairment losses pursuant to IFRS 9		
EUR k	Lifetime ECL impaired trade receivables	Lifetime ECL simplified approach	Total
Trade receivables			
Loss allowances as of 1 Feb 2018	**-50,912**	**-25,185**	**-76,097**
Currency and other changes	-14,683	-327	-15,010
Transfer to lifetime ECL impaired trade receivables	-3,071	56	-3,015
Amortisation, depreciation and impairment (utilisation)	4,492	23	4,515
Interest	80	0	80
Change due to new or derecognised trade receivables	5,268	-474	4,794
Changes in risk parameter	-1,033	-165	-1,198
Loss allowances as of 31 Jan 2019	**-59,859**	**-26,072**	**-85,931**

EUR k	Development of impairment losses pursuant to IFRS 9			
	12-month ECL	Lifetime ECL non-impaired loans	Lifetime ECL impaired loans	Total
Other loans				
Loss allowances as of 1 Feb 2018	**-334**	**-1,529**	**-17,374**	**-19,237**
Currency and other changes	64	2	-1,116	-1,050
Transfer to 12-month ECL	0	0	0	0
Transfer to lifetime ECL non-impaired loans	12	-19	0	-7
Transfer to lifetime ECL impaired loans	0	10	-702	-692
Amortisation, depreciation and impairment (utilisation)	0	0	4,190	4,190
Interest	0	0	13	13
Change due to new or derecognised loans	-9	230	341	562
Changes in risk parameter	-18	-1,145	-12,871	-14,034
Loss allowances as of 31 Jan 2019	**-285**	**-2,451**	**-27,519**	**-30,255**

EUR k	Development of impairment losses pursuant to IFRS 9		
	Lifetime ECL impaired lease receivables	Lifetime ECL simplified approach	Total
Lease receivables			
Loss allowances as of 1 Feb 2018	**0**	**-78**	**-78**
Currency and other changes	0	0	0
Transfer to lifetime ECL impaired lease receivables	0	0	0
Amortisation, depreciation and impairment (utilisation)	0	0	0
Interest	0	0	0
Change due to new or derecognised lease receivables	0	-114	-114
Changes in risk parameter	0	41	41
Loss allowances as of 31 Jan 2019	**0**	**-151**	**-151**

16 Other assets

	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
Prepayments	70,098	58,256
Tax claims – VAT and other taxes	46,111	54,406
Sundry other assets	19,235	21,623
Other assets	**135,444**	**134,285**

The item "Other assets" contains a number of individual items, such as prepayments and claims in connection with employee benefits.

17 Cash and cash equivalents

	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
Bank balances	147,267	241,340
Cash on hand	6,029	5,484
Cash equivalents	13	22
	153,309	**246,846**

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

18 Equity

Subscribed capital

As of 31 January 2020, the subscribed capital (share capital) amounted to EUR 2,786,624 (31 January 2019: EUR 2,786,624). It is divided into 2,786,624 (31 January 2019: 2,786,624) non-par value registered shares. A proportionate amount of EUR 1.00 in the share capital is deducted from each share.

Capital reserves

Capital reserves stem from the difference between the amount of assets contributed and the imputed value of the shares issued caused by the capital increases.

Reserves

Reserves primarily comprise retained earnings.

Accumulated other comprehensive income

Accumulated other comprehensive income includes exchange differences and actuarial gains and losses in connection with pension obligations.

Non-controlling interests

The profit for the period attributable to non-controlling interests came to EUR 33,748k (prior year: EUR 36,727k).

Capital management

The objective of capital management at the PHOENIX group is to ensure a solid financial profile and to secure business operations. In this connection, the aim is also to further strengthen the equity ratio by retaining profits.

Capital expenditures are determined in the annual budgeting process. The focus is on their impact on the consolidated statement of financial position and the consolidated income statement.

The capital structure is monitored based on the equity ratio and net debt. EBITDA and earnings before taxes are also important KPIs for corporate management purposes.

	31 Jan 2019 EUR k	**31 Jan 2020** **EUR k**
Equity	2,806,550	2,832,424
Total equity and liabilities	8,367,066	9,486,736
Equity ratio	**33.5%**	**29.9%**

	31 Jan 2019 EUR k	**31 Jan 2020** **EUR k**
+ Financial liabilities (non-current)	662,282	1,229,148
- Derivative financial instruments (non-current)	-187	-145
+ Financial liabilities (current)	525,215	899,181
- Derivative financial instruments (current)	-5,733	-5,324
– Cash and cash equivalents	-153,309	-246,846
+ Receivables sold in the course of factoring and ABS transactions	463,065	469,553
– Factoring receivables	-24,412	-24,681
– Receivables from ABS programmes	-34,316	-26,007
Net debt	**1,432,605**	**2,294,879**

Under the loan agreements in Germany and Italy, a commitment was undertaken to comply with various financial covenants, all of which were comfortably complied with in the reporting year. These include, for instance, the ratio of net debt to EBITDA or the interest cover. Failure to comply with the financial covenants poses a financing risk to the extent that the lenders could demand immediate repayment of the loans.

The agreements underlying our corporate bonds contain restrictions and obligations for the PHOENIX group as issuer as are customary in the market. Failure to comply with these restrictions and obligations could result in the amount of the bond plus the interest accrued falling due.

Compliance with the agreed covenants is strictly monitored as part of corporate planning and reported to the lenders on a quarterly basis.

19 Provisions for pensions and similar obligations

Depending on the economic, legal and tax framework in each country, the employees of the PHOENIX group have different old-age pension systems in place which are structured as defined contribution or benefit plans.

Obligations from defined benefit plans are financed by external pension funds and provisions. In accordance with IAS 19, these obligations are calculated using the projected unit credit method. To reduce an investment risk, investments in plan assets are made in various asset classes. Furthermore, the investment strategy is designed such that the age structure of the asset is matched with the expected time when the pension is paid out.

The majority of pension obligations relate to the countries Norway, Switzerland and the United Kingdom. These primarily relate to pension plans on a final salary basis, for which the pension payments to beneficiaries are adjusted annually in line with the inflation rate.

The obligations in Norway mainly relate to a pension plan set out especially for the pharmaceuticals segment, which is based on the regulations of public sector pension plans. The pension plan is managed by the Norwegian Public Service Pension Fund and the plan assets must, in accordance with the provisions of the pension fund, be sufficient to cover at least two-thirds of future pension payments.

The obligation in Switzerland is outsourced to an external insurer which ensures the agreed minimum coverage is secured in the event of a shortfall in pension assets.

The pension plans in the United Kingdom are also financed by external pension funds. The trustees decide on the minimum coverage of the obligations in consultation with the Company. Measurements are performed regularly to ensure the minimum coverage is secured as well as to determine the amount of the contributions.

The sum of all pension expenses in connection with defined contribution plans amounted to EUR 78,969k (prior year: EUR 71,555k). This amount includes the contributions the group made to statutory pension insurance funds which fall under the definition of defined contribution plans.

The table below shows the financing status of the pension plans and the calculation of the net defined benefit liability:

Calculation of net defined benefit liability	31 Jan 2019 EUR k	31 Jan 2020 EUR k
Present value of funded obligations	-649,992	-646,072
Plan assets at fair value	495,905	536,938
Defined benefit obligations in excess of plan assets	**-154,087**	**-109,134**
Present value of non-funded obligations	-102,827	-115,186
Net defined benefit liability	**-256,914**	**-224,320**

The defined benefit obligations contain the following amounts included in the consolidated financial statements:

	Defined benefit obligation		Fair value of plan assets		Net carrying amount from defined benefit plans	
	31 Jan 2019	31 Jan 2020	31 Jan 2019	31 Jan 2020	31 Jan 2019	31 Jan 2020
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Norway	513,194	489,486	389,209	414,634	-123,985	-74,852
Switzerland	76,126	90,036	62,434	73,103	-13,692	-16,933
United Kingdom	59,446	65,118	43,476	48,348	-15,970	-16,770
Other	104,053	116,618	786	853	-103,267	-115,765
Total	**752,819**	**761,258**	**495,905**	**536,938**	**-256,914**	**-224,320**

The net defined benefit liability developed as follows:

	Present value of the defined benefit obligation EUR k	Fair value of plan assets EUR k	Total EUR k
1 Feb 2018	**709,378**	**-466,692**	**242,686**
Service cost	23,789		23,789
Interest expenses/income	14,827	-10,374	4,453
Other	42		42
	38,658	**-10,374**	**28,284**
Remeasurements			
Return on plan assets excluding amounts contained in interest expenses/income		-7,654	-7,654
Gain/loss from changes in demographic assumptions	23,031		23,031
Gain/loss from changes in financial assumptions	4,246		4,246
	27,277	**-7,654**	**19,623**
Effects from business combinations	5,639	-4,394	1,245
Employer contributions		-28,166	-28,166
Employee contributions	2,185	-2,185	0
Benefits paid	-24,872	21,019	-3,853
Plan settlements	-640		-640
Exchange differences	-4,806	2,541	-2,265
31 Jan 2019	**752,819**	**-495,905**	**256,914**

	Present value of the defined benefit obligation EUR k	Fair value of plan assets EUR k	Total EUR k
1 Feb 2019	**752,819**	**-495,905**	**256,914**
Service cost	22,679		22,679
Past service cost	615		615
Interest expenses/income	16,648	-11,786	4,862
Other	52		52
	39,994	**-11,786**	**28,208**
Remeasurements			
Return on plan assets excluding amounts contained in interest expenses/income		-24,441	-24,441
Gain/loss from changes in demographic assumptions	-2,350		-2,350
Gain/loss from changes in financial assumptions	8,367		8,367
	6,017	**-24,441**	**-18,424**
Effects from business combinations	6,642	-5,065	1,577
Employer contributions		-34,097	-34,097
Employee contributions	2,335	-2,335	0
Benefits paid	-25,483	21,341	-4,142
Plan settlements	-1,663		-1,663
Exchange differences	-19,403	15,350	-4,053
31 Jan 2020	**761,258**	**-536,938**	**224,320**

Net interest expenses are recognised within the financial result.

Plan assets break down as follows:

	31 Jan 2019 EUR k	31 Jan 2020 EUR k
Plan assets with underlying active market		
Cash and cash equivalents	6,405	19,525
Equity instruments	36,962	66,501
Debt instruments	284,648	314,055
Property	46,992	69,456
Investment fund	48,271	59,846
Insurance assets	62,434	
Structured debt instruments	9,406	
Other	787	7,555
	495,905	**536,938**

The plan assets do not contain any of the PHOENIX group's own financial instruments or assets used by the group.

The group expects to contribute EUR 36,240k to its defined benefit plans in fiscal year 2020/21.

The principal assumptions used in determining pension obligations for the group's plans are shown below:

Discount rate by currency region	31 Jan 2019 %	31 Jan 2020 %
NOK	2.6	2.3
GBP	2.7	1.8
EUR	1.05 to 1.9	0.3 to 1.05
CHF	0.9	0.2
SEK	2.5	1.6
Future salary increases	1.2 to 4.5	1.0 to 3.8
Future pension increases	1.75 to 3.5	0.00 to 3.15

The mortality tables used for the individual countries are based on publicly available data.

The table below shows the effect of each isolated change in the key actuarial assumptions on the present value:

31 Jan 2020	Change in actuarial assumption %	Increase in assumption EUR k	Decrease in assumption EUR k
Interest rate	0.5	67,320	-78,170
Future salary increases	0.5	-25,727	23,400
Future pension increases	0.5	-46,999	37,071
Life expectancy	10.0	-9,111	8,543

31 Jan 2019	Change in actuarial assumption %	Increase in assumption EUR k	Decrease in assumption EUR k
Interest rate	0.5	64,826	-74,849
Future salary increases	0.5	-24,538	21,996
Future pension increases	0.5	-46,213	30,556
Life expectancy	10.0	-7,467	6,930

The average duration of the defined benefit plans was 15 years (prior year: 16) in the reporting year.

In Norway and the Netherlands, the PHOENIX group has pension plans which are operated together with non-affiliated companies (multi-employer plans). In principle, these are both defined benefit and defined contribution plans. If the required information is available in connection with jointly operated defined benefit plans, these plans are accounted for like any other defined benefit plan; otherwise, they are accounted for as defined contribution plans. In the Netherlands, there are jointly operated defined benefit plans that are accounted for as defined contribution plans, as it is not possible to allocate the pension obligations and plan assets to the participating entities on account of the lack of information available. For these plans, the PHOENIX group expects contribution payments of EUR 12,350k for fiscal year 2020/21. The coverage ratio of these plans (ratio of plan assets to obligation) is between 93.5% and 96.0% (31 January 2019: between 99.3% and 101.0%). In Norway, there is a jointly operated government plan that qualifies as a defined benefit plan and is also accounted for as such. Furthermore, as of 31 January 2020, the PHOENIX group does not expect any major burdens to arise from the multi-employer plans; there is no intention to exit one of these plans.

The PHOENIX group is not aware of any likely significant risks from the multi-employer defined benefit plans accounted for as defined contribution plans.

20 Other provisions

	Restructuring EUR k	Personnel EUR k	Other EUR k	Total EUR k
1 Feb 2019	**4,993**	**16,522**	**18,312**	**39,827**
Changes due to the first-time application of IFRS 16	0	0	-462	-462
1 Feb 2019 (restated)	**4,993**	**16,522**	**17,850**	**39,365**
Currency translation	8	42	-33	17
Changes in the basis of consolidation	0	166	217	383
Addition	292	11,427	11,954	22,673
Utilisation	0	-3,379	-4,888	-8,267
Reversal	-2,041	-231	-995	-3,267
Interest	0	117	0	117
31 Jan 2020	**3,252**	**24,664**	**24,105**	**52,021**

The cash outflows for the restructuring provision are expected for the next fiscal year.

Personnel-related provisions mainly contain provisions for long-service awards. The corresponding cash outflow is expected within the next year(s) and depends on the occurrence of the respective events. The PHOENIX group does not expect reimbursements.

Other provisions include, among other things, litigation provisions of EUR 14,458k (31 January 2019: EUR 13,496k). The outflow of these funds is expected within the coming year(s) depending on the occurrence of the respective events or the end of court proceedings. The PHOENIX group does not expect reimbursements.

21 Financial liabilities

At the reporting date, financial liabilities were split between non-current and current liabilities as follows:

	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
Financial liabilities (non-current)		
Liabilities to banks	149,708	149,955
Bonds	497,631	199,296
Loans	252	110
Liabilities to associates and related parties	0	220,000
Lease liabilities	2,510	647,431
Other financial liabilities	12,181	12,356
	662,282	**1,229,148**

	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
Financial liabilities (current)		
Liabilities to banks	137,482	142,668
Bonds	0	299,696
Loans	116,242	109,585
Liabilities to associates and related parties	20,312	0
ABS/factoring liabilities	213,607	186,156
Lease liabilities	6,581	114,419
Other financial liabilities	30,991	46,657
	525,215	**899,181**

In May 2013, the PHOENIX group issued a corporate bond with a volume of EUR 300m, a term of seven years and an interest coupon of 3.125%.

At the end of July 2014, the PHOENIX group issued a corporate bond with a volume of EUR 300m, a term of seven years and an interest coupon of 3.625%. In November 2017, the PHOENIX group redeemed bonds with a nominal value of EUR 100m.

In June 2012, the PHOENIX group concluded a syndicated loan agreement for EUR 1.35b, of which EUR 1.05b was available after repayments as a revolving credit facility with an original term until June 2017. In April 2014, the PHOENIX group negotiated improvements to the loan conditions and at the same time extended the term to a new residual term of five years. The revolving credit facility was increased by EUR 200m in December 2015 and a residual term of five years agreed. In November

2016, the PHOENIX group made use of the option to extend the agreement by one year. In October 2017, the PHOENIX group made use of the option to extend the agreement by one year.

In October 2016, the PHOENIX group issued promissory notes with a total volume of EUR 150m. The loan comprises four tranches:

- Tranche 1 has a volume of EUR 22.5m, a fixed term of 5 years and an interest coupon of 0.8%
- Tranche 2 has a volume of EUR 53m, a term of up to 5 years and a variable interest coupon
- Tranche 3 has a volume of EUR 23.5m, a fixed term of 7 years and an interest coupon of 1.2%
- Tranche 4 has a volume of EUR 51m, a term of up to 7 years and a variable interest coupon

In April 2019, the PHOENIX group issued a promissory note with a total volume of EUR 220.0m, a term of 116 months and a fixed interest rate of 2.40%.

Further disclosures on financial liabilities to related parties can be found under Note 29.

22 Trade payables

Trade payables are non-interest bearing and are normally settled on usual business terms.

23 Other liabilities

	31 Jan 2019 EUR k	**31 Jan 2020 EUR k**
VAT and other tax liabilities	109,002	97,505
Personnel liabilities	154,835	155,796
Liabilities relating to social security/similar charges	32,013	36,453
Contract liabilities (IFRS 15)	16,009	19,566
Sundry other liabilities	16,075	8,924
Other liabilities	**327,934**	**318,244**

24 Non-current assets held for sale

Assets held for sale of EUR 19,786k (31 January 2019: EUR 39,417k) mainly relate to individual pharmacies that will be sold within the next 12 months in the course of portfolio optimisation and primarily contain pharmacy licences (31 January 2019: pharmacy licences and real estate).

In fiscal year 2019/20, pharmacy licences and property, which were classified as held for sale in the prior year, were sold. The proceeds from disposal amounted to EUR 15,349k (prior year: EUR 0k); a loss of EUR 393k (prior year: EUR 0k) was recorded, which is included under other operating expenses. In fiscal year 2019/20, an impairment loss of EUR 8,405k (prior year: EUR 8,576k) was recognised in order to recognise disposal groups at their fair value. The impairment loss is recognised in the income statement under amortisation, depreciation and impairment. The fair value was determined using expected selling prices (level 3).

Other notes

25 Contingent liabilities

Nomeco A/S, Denmark, is expected to be party to a legal action against one of its service providers. In management's opinion, the outcome of this expected upcoming legal action will not further affect thecompany’s financial position, apart from the receivables and payables recognised in the balance sheet as of 31 January 2020.

The investigations by the competition authorities into Tamro UAB, Lithuania, and BENU Vaistine UAB, Lithuania, have not yet been completed. Based on internal investigations and the information available, management is not aware of any instances of non-compliance with the law.

26 Additional 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 and the fair values for each class are presented in the table below for fiscal year 2019/20:

	Category pursuant to IFRS 9					
31 Jan 2020 EUR k	At amortised cost	Fair value through profit or loss	No category according to IFRS 9	Not within the scope of IFRS 7	Carrying amount	**Fair value**
Assets						
Equity and debt instruments	0	52,423	0	0	52,423	**52,423**
Trade receivables	2,411,020	214,387	0	0	2,625,407	**2,625,407**
Loans to and receivables from associates or related parties	643	0	0	0	643	**643**
Other loans	65,054	0	0	0	65,054	**65,980**
Derivative financial assets without hedge accounting	0	1,092	0	0	1,092	**1,092**
Other financial assets	72,660	0	0	0	72,660	**72,660**
Lease receivables	0	0	42,930	0	42,930	**42,930**
Cash and cash equivalents	246,846	0	0	0	246,846	**246,846**

The carrying amounts for each category and class and the fair values for each class are presented in the table below for fiscal year 2018/19:

	Category pursuant to IFRS 9					
31 Jan 2019 EUR k	At amortized cost	Fair value through profit or loss	No category according to IFRS 9	Not within the scope of IFRS 7	Carrying amount	**Fair value**
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	**13,499**
Cash and cash equivalents	153,309	0	0	0	153,309	**153,309**

Equity and debt instruments mainly include shares in unlisted companies and interests in limited partnerships. Shares in listed companies are measured at the market price 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 uses individually derived multipliers between 0.54 and 1.34 (31 January 2019: between 0.54 and 1.39). A 10% increase in the multipliers would increase the value by EUR 6,305k (31 January 2019: EUR 5,299k); a 10% decrease in the multipliers would decrease the value by EUR 6,302k (31 January 2019: EUR 5,300k).

Derivatives are carried at fair value (level 2).

Due to the short-term maturities of cash and cash equivalents (level 1), receivables and other current financial assets (level 2), their carrying amounts generally approximate the fair values at the reporting date.

The fair values 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 table below for fiscal year 2019/20:

31 Jan 2020 EUR k	Category pursuant to IFRS 9: At amortised cost	Fair value through profit or loss	No category according to IFRS 9	Not within the scope of IFRS 7	Carrying amount	**Fair value**
Financial liabilities						
Liabilities to banks	292,623	0	0	0	292,623	**292,748**
Bonds	498,992	0	0	0	498,992	**516,924**
Loans	109,695	0	0	0	109,695	**109,695**
Trade payables	3,768,964	0	0	0	3,768,964	**3,768,964**
Liabilities to associates and related parties	220,000	0	0	0	220,000	**220,000**
ABS/factoring liabilities	186,156	0	0	0	186,156	**186,156**
Other financial liabilities at amortised cost	49,430	0	0	0	49,430	**49,430**
Other financial liabilities at fair value	0	4,114	0	0	4,114	**4,114**
Lease liabilities	0	0	761,850	0	761,850	**n/a**
Derivative financial liabilities without hedge accounting	0	5,469	0	0	5,469	**5,469**

The carrying amounts for each category and class of financial liabilities and the fair values for each class are presented in the table below for fiscal year 2018/19:

	Category pursuant to IFRS 9					
31 Jan 2019 EUR k	At amortised cost	Fair value through profit or loss	No category according to IFRS 9	Not within the scope of IFRS 7	Carrying amount	**Fair value**
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/factoring liabilities	213,607	0	0	0	213,607	**213,607**
Other financial liabilities at amortised 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 carried at fair value (level 2).

The fair value of liabilities to banks corresponds to the present value of the payments associated with the liabilities (level 2).

The fair value of liabilities to associates and related parties corresponds to the present value of payments to be made calculated using a customary market discount rate (level 2).

Due to the short-term maturities of trade payables, liabilities for customer rebates and bonuses, ABS and factoring liabilities, loans and other current financial liabilities, their carrying amounts generally approximate the fair values at the reporting date (level 2).

The fair value of other financial liabilities measured at fair value (contingent consideration from business combinations) is determined using the purchase price formula agreed in the purchase agreements (level 3).

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			
31 Jan 2020 **EUR k**	Level 1	Level 2	Level 3	Total
Equity and debt instruments	0	0	52,423	52,423
Derivative financial assets without hedge accounting	0	1,092	0	1,092
Derivative financial liabilities without hedge accounting	0	5,469	0	5,469
Other financial liabilities	0	0	4,114	4,114
31 Jan 2019 **EUR k**	Level 1	Level 2	Level 3	Total
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 table below shows the reconciliation of the fair value based on level 3.

EUR k	Equity and debt instruments	Other financial liabilities
1 Feb 2018	**38,070**	**9,698**
Reclassification effects IFRS 9	2,717	0
Purchase	4,417	0
Sale of shares	-584	0
New measurements (through profit or loss)	4,330	0
Acquisitions	0	0
Issue	2,110	0
Payments due to acquisitions	0	-3,257
Other	0	566
31 Jan 2019	**51,081**	**7,007**
Purchase	0	0
Sale of shares	-709	0
New measurements (through profit or loss)	-1,197	
Issue	2,500	0
Acquisitions	0	2,085
Remeasurement of contingent purchase price obligations (through profit or loss)	0	0
Payments due to acquisitions	0	-4,795
Other	748	-183
31 Jan 2020	**52,423**	**4,114**

<u>Net gains or losses on each category of financial instruments</u>

	FY 2018/19 EUR k	**FY 2019/20 EUR k**
Financial assets measured at amortised cost	-21,479	4,477
Financial liabilities measured at amortised cost	-2,982	-209
Financial instruments measured at fair value	-6,176	-15,409
	-30,637	**-11,141**

The presentation of net gains or losses does not include interest income and expenses on the respective financial instruments.

Interest from financial instruments is recognised in interest income and expenses. Foreign exchange effects and fair value changes of derivatives are recognised in the other financial result from derivatives.

Offsetting within financial assets breaks down as follows:

31 Jan 2020 **EUR k**	Gross amount of financial assets	Gross amount of financial liabilities	Net amount of financial assets reported in the statement of financial position
Trade receivables (current)	2,681,249	-56,431	2,624,818
Other financial assets (current)	273,950	-152,222	121,728
31 Jan 2019 **EUR k**			
Trade receivables (current)	2,590,253	-37,941	2,552,312
Other financial assets (current)	294,579	-147,593	146,986

Offsetting within financial liabilities breaks down as follows:

31 Jan 2020 **EUR k**	Gross amount of financial liabilities	Gross amount of financial assets	Net amount of financial liabilities reported in the statement of financial position
Trade payables (current)	3,925,929	-157,400	3,768,529
31 Jan 2019 **EUR k**			
Trade payables (current)	3,709,484	-111,670	3,597,814

The table below presents the nominal and market values of the derivative financial instruments:

	31 Jan 2019		31 Jan 2020	
EUR k	Nominal amount	Market value	Nominal amount	Market value
Assets				
Derivatives held for trading				
Foreign currency contracts	648,919	5,142	364,577	1,092
Liabilities				
Derivatives held for trading				
Foreign currency contracts	204,423	2,660	539,421	5,324
Interest rate transactions	2,119	186	1,757	145

27 Financial risk management and derivative financial instruments

Objectives and principles of the financial risk management

Due to its multinational business activities, the PHOENIX group is exposed to financial risks. In particular, these include market risk (changes in foreign exchange rates, interest rates and prices) and credit risk. In addition, liquidity risks may arise due to the operating business, due to the financial risks named above and because of unexpected fluctuations in the financial markets.

These risks are monitored using comprehensive planning, approval and reporting structures and an early warning system, which together make up the risk management system of the PHOENIX group. Binding guidelines with regard to financial risks are prepared by the central areas Corporate Finance and Asset Management and Corporate Controlling and Accounting. These guidelines and requirements must be approved by the Executive Board, specifying how financial risks are to be controlled. The Executive Board is informed on an ongoing basis about the current risk exposure and the development on the global financial markets.

Derivatives are used by the PHOENIX group in specific cases to hedge against interest rate and currency risks. They are concluded only with banks with a high credit standing. These derivatives are regularly measured and their value in use continually and diligently monitored. Although the derivatives are contracted for hedging purposes, they are classified as held for trading under IFRS 9.

Only a small number of persons is authorised to trade with derivatives. The trading, control and reporting functions are separate and independent from each other. This control is employed strictly according to binding internal guidelines that utilise a two-person principle. The conclusion or disposal of derivatives is only allowed in accordance with the internal treasury guidelines of the PHOENIX group.

Market risk

Currency risk

Currency risk arises through fluctuations of the exchange rate of foreign currencies and their impact on the items of the statement of financial position which are not denominated in the functional currency. The currency risks for the PHOENIX group originate primarily from internal financing activities and investments in foreign entities. As the group entities largely settle their operating business in their respective functional currency, the operative currency risks are small.

Currency risks arise in the course of intra-group financing whenever loans are extended to group entities in currencies other than the euro. These currency risks are hedged by concluding forward exchange contracts with banks.

In the calculation of the currency exposure for the sensitivity analysis, those items of the statement of financial position are taken into account which are not in the functional currency of the respective reporting company. Those items of the statement of financial position are aggregated for the whole group. Also the internal loans which are not in the functional currency of the reporting unit are taken into account and the amounts aggregated. The currency effects for a 10% increase (decrease) of the euro against the respective currency are then measured. In the next step, the market value changes of derivative financial instruments (currency swap transactions and forwards), which were entered into to hedge these exposures, were calculated under the assumption of a 10% increase (decrease) of the spot exchange rates as of the closing date.

Finally, the hypothetical effect on profit or accumulated other comprehensive income of the sensitivity analysis was calculated by netting the effects of the assumed 10% increase (decrease) in the value of the euro against all other currencies as per 31 January 2020 for both the underlying and derivative financial instruments. The material results of the sensitivity analysis are as follows:

If the EUR depreciates (appreciates) by 10% against the HRK, profit before tax would be EUR 3,499k (prior year: EUR 3,418k) higher (lower). This is primarily due to trade payables.

If the EUR depreciates (appreciates) by 10% against the CZK, profit before tax would be EUR 1,081k (prior year: EUR 41k) higher (lower). This is primarily due to lease liabilities.

If the EUR depreciates (appreciates) by 10% against the MKD, profit before tax would be EUR 2,459k (prior year: EUR 1,980k) higher (lower). This effect results from internal loans.

If the EUR depreciates (appreciates) by 10% against the NOK, accumulated other comprehensive income would be EUR 44,740k (prior year: EUR 44,740k) higher (lower). This effect stems from internal loans classified as a net investment in a foreign operation.

If the EUR depreciates (appreciates) by 10% against the RON, profit before tax would be EUR 3,882k (prior year: EUR 1,880k) higher (lower). This effect stems from trade payables and IFRS 16.

If the EUR depreciates (appreciates) by 10% against the RSD, profit before tax would be EUR 2,124k (prior year: EUR 2,940k) and accumulated other comprehensive income would be EUR 9,248k (prior year: EUR 9,411k) higher (lower). This results from the trade payables and the internal loans that are classified as a net investment in a foreign operation.

If the DKK depreciates (appreciates) by 10% against the NOK, profit before tax would be EUR 684k (prior year: EUR 414k) higher (lower). This is primarily due to trade receivables.

If the DKK depreciates (appreciates) by 10% against the SEK, profit before tax would be EUR 1,325k (prior year: EUR 999k) higher (lower). This is primarily due to trade receivables.

Interest rate risk

Interest rate risks exist as a result of potential changes in the market interest rate and may lead to a change in fair value in the case of fixed interest-bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. As of 31 January 2020, there was only one interest option (collar) to hedge against increasing reference interest rates at an agreed minimum interest rate from 2010/11. This was accounted for as a derivative held for trading.

For financial instruments with fixed interest that are measured at amortised cost, changes in market interest rates have no impact on the earnings and equity. With regard to variable interest-bearing financial instruments, changes in market risk rates impact the earnings and are thus considered in the sensitivity analysis.

The interest sensitivity analysis presented below shows the hypothetical effects which a change in the market interest rate at the reporting date would have had on the pre-tax result. It assumes that the exposure at the reporting date is representative of the year as a whole.

The fixed interest periods of the PHOENIX group as of the reporting date are largely balanced. Because the reference interest rate (Euribor) was strongly negative on the reporting date, a further negative or positive shift in the market interest curve by 50 basis points would have had no material effect on net debt subject to floating interest rates.

A positive (negative) parallel shift of 50 basis points for the EUR interest rate curves, assuming other interest rate curves and exchange rates remain constant, would have a negative (positive) effect of EUR 2k (EUR 1k) on profit before tax on account of the interest derivatives in the portfolio as of the reporting date. In the prior year, the positive (negative) shift for the EUR yield curve by 50 basis points would have resulted in a negative (positive) effect of EUR 415k (EUR 416k).

For the interest rate collar in the portfolio, a positive (negative) parallel shift of 50 basis points (prior year: 50 basis points) for the EUR interest rate curves would have a positive (negative) effect of EUR 21k (EUR 22k) on profit before tax. In the prior year, the positive (negative) shift for the EUR yield curve would have resulted in a positive (negative) effect of EUR 32k (EUR 33k).

Credit risk

From the group's perspective, credit risk describes the risk that a party to a financial instrument will fail to meet its contractual obligations and thus cause a financial loss for the group. Credit risk comprises both the direct default risk and the risk that the creditworthiness of the counterparty will deteriorate, as well as the concentration of risks. The group is exposed to credit risk from its operating activities, from certain financial transactions and from the granting of financial guarantees for bank loans for pharmacy customers, mainly in Austria and the United Kingdom.

The maximum exposure of financial assets to credit risk is equal to the carrying amount of each class of financial assets plus the nominal volume of financial guarantee contracts issued.

The level of credit risk from operating activities is monitored and kept in check by an accounts receivable management system. Due to the structure of our customers, the risk of default is assessed to be rather low in the Group. This is because our customers, who in the wholesale segment are mostly pharmacies, generally have a high credit standing. Despite some bigger customers, our customer base is widely diversified with small amounts of receivables allocable to each individual customer. In the course of liberalisation of the pharmacy markets in Europe, however, pharmacy chains and new sales channels are increasingly emerging, creating a large number of major customers with a higher level of receivables outstanding. In addition, the group holds in some cases promissory notes from customers, pledged assets of pharmacies, mortgages and other personal guarantees as collateral for loans to pharmacies in the form of goods supplied. Collateral was utilised to an immaterial extent in the fiscal year.

For the measurement of expected credit losses on trade receivables and lease receivables, the PHOENIX group applies the simplified approach provided by IFRS 9. According to this standard, at initial recognition as well as at every subsequent reporting date, a risk provision is recognised in the amount equal to the lifetime ECL. The risk provision is determined separately for individual customer groups. Initially, the average default rates per customer group are determined using the historical default rates of the last three years in the respective countries. The historical default rates are then adjusted for developments expected in future. The PHOENIX group applies the CDS rate of the respective country as a relevant factor, which it uses to calculate a minimum default rate. At the same time, the CDS rate serves as the basis for determining the rate of loss for receivables from public institutions.

Based on this, the loss allowances on trade receivables and lease receivables as of 31 January 2020 is determined as follows:

31 Jan 2020 **EUR k**	Pharmacies	Hospitals	Health insurance companies	Other	Individual loss allowance	Total
Expected credit loss (%)	0.8%	0.4%	0.1%	1.6%	24.2%	
Trade receivables, gross	1,609,620	240,846	147,851	268,769	287,936	2,555,022
Lease receivables, gross	-	-	-	42,930	-	42,930
Loss allowance	12,286	888	179	4,913	69,709	87,975

Based on this, the loss allowances on trade receivables and lease receivables as of 31 January 2019 is determined as follows:

31 Jan 2019 **EUR k**	Pharmacies	Hospitals	Health insurance companies	Other	Individual loss allowance	Total
Expected credit loss (%)	1.1%	1.3%	0.6%	2.0%	30.1%	-
Trade receivables, gross	1,650,855	233,117	120,740	238,665	198,892	2,442,269
Lease receivables, gross	-	-	-	13,650	-	13,650
Loss allowance	17,515	2,921	705	5,082	59,859	86,082

As of 31 January 2020, loans granted are subdivided into the following default risk classes:

Class	**Description**	**Basis for the expected credit loss**	**Expected credit loss (%)**	**Carrying amount (before loss allowance)**
Performing	Debtor has a low credit risk	12-month ECL	1.2%	18,516
Underperforming	Default risk has increased significantly	Lifetime ECL	3.9%	37,654
Non-performing	Default event has occurred	Lifetime ECL (individual loss allowance)	68.9%	34,036
Write-off	Recoverability is not expected	Financial instrument is derecognised	100.0%	0

As of 31 January 2019, loans granted are subdivided into the following default risk classes:

Class	**Description**	**Basis for the expected credit loss**	**Expected credit loss (%)**	**Carrying amount (before loss allowance)**
Performing	Debtor has a low credit risk	12-month ECL	1.2%	23,650
Underperforming	Default risk has increased significantly	Lifetime ECL	5.6%	43,822
Non-performing	Default event has occurred	Lifetime ECL (individual loss allowance)	72.3%	38,085
Write-off	Recoverability is not expected	Financial instrument is derecognised	100.0%	0

The cash investments are spread between various banks with a high credit standing in order to avoid any concentration of risk. The PHOENIX group has a policy of only entering into derivatives with banks with a high credit standing and thus limits the default risk for derivatives with a positive market value. As the PHOENIX group spreads the derivatives between more than ten of our core banks, there is no concentration of risks of default with a single bank. Additionally, the PHOENIX group monitors the financial news and markets very closely and has therefore an early warning system to detect possible difficulties on the part of a bank.

Liquidity risk

Liquidity risk describes the risk that a company cannot fulfil its financial obligations when they become due. To monitor the group's liquidity, the PHOENIX group has implemented a daily rolling liquidity planning system. Additionally, regular discussions are held for special liquidity issues and developments as part of a rolling 12-month liquidity plan. Subsidiaries are integrated into the group's central financing system.

The table below shows the contractually agreed undiscounted interest payments and repayments of non-derivative financial liabilities and derivative financial assets and liabilities as of 31 January 2020.

EUR k	Cash flows 2020/21	Cash flows 2021/22	Cash flows 2022/23-2024/25	Cash flows 2025/26-2029/30	Cash flows > 2030/31
Liabilities to banks	149,819	82,334	91,384		
Bonds	316,625	207,250			
Loans	112,248				
Trade payables	3,768,529	435			
Liabilities to associates and related parties	5,280	5,280	15,840	241,120	
ABS/factoring liabilities	186,286				
Other financial liabilities	47,083	2,797	2,888	249	
Lease liabilities	132,305	109,103	224,095	329.168	66,428
Financial guarantee contracts	87,197				
Derivative financial liabilities without hedge accounting					
Cash outflow	540,095	3,109	48	0	
Cash inflow	-534,209	-2,944			
Total derivatives	5,886	165	48	0	

The table presented includes financial liabilities under the liabilities item of the statement of financial position in conjunction with assets held for sale.

The contractually agreed undiscounted payments as of 31 January 2019 are presented in the table below:

EUR k	Cash flows 2019/20	Cash flows 2020/21	Cash flows 2021/22-2023/24	Cash flows 2024/25-2028/29	Cash flows > 2029/30
Liabilities to banks	144,474	6,833	173,718		
Bonds	16,625	310,375	202,417		
Loans	119,033				
Trade payables	3,597,814				
Liabilities to associates and related parties	20,685				
ABS/factoring liabilities	213,799				
Other financial liabilities	26,934	5,722	4,819		
Finance lease liabilities	6,761	1,220	1,322	187	
Financial guarantee contracts	86,258				
Derivative financial liabilities without hedge accounting					
Cash outflow	206,904	51	72	2	
Cash inflow	-204,063				
Total derivatives	2,841	51	72	2	

Liabilities with early termination rights have been classified according to the first call date. For variable interest payments, the current floating interest rate is taken as a basis. Payments in foreign currency are translated using the exchange rate at year-end.

28 Notes to the cash flow statement

Cash and cash equivalents amounted to EUR 246,846k at the end of the reporting period (prior year: EUR 153,309k) and comprised cash of EUR 246,824k (prior year: EUR 153,296k) as well as cash equivalents of EUR 22k (prior year: EUR 13k). Restricted cash at the end of the period amounts to EUR 7,876k (prior year: EUR 9,050k) and corresponds to security deposits for revolving credit lines (e.g., ABS and factoring). There are also restrictions on cash and cash equivalents of EUR 28,441k (prior year: EUR 17,884k) of foreign subsidiaries at the end of the period, since local covenants or other agreements do not allow the subgroups to transfer those amounts directly or indirectly via other subsidiaries to the parent company.

Payments of EUR 60,755k (prior year: EUR 160,726k) made for acquisitions of consolidated entities and business units correspond to the payments of the purchase price less any cash and cash equivalents acquired of EUR 4,102k (prior year: EUR 11,839k). Cash received from the sale of consolidated entities and business units correspond to the sale proceeds received of EUR 3,314k (prior year: EUR 353k) less cash and cash equivalents disposed of EUR 321k (prior year: EUR 0k).

The reconciliation of finance lease liabilities is as follows:

EUR k	As of 1 Feb 2019	First-time application IFRS 16	As of 1 Feb 2019 adjusted	Thereof non-financing activities	Changes in cash	Change in the basis of consolidation	Exchange rate changes	Other	As of 31 Jan 2020
Loans from banks	287,190		287,190		71	7,685	543	-2,866	292,623
Bonds	497,631		497,631					1,361	498,992
Loans from associates and related parties	19,771		19,771		203,036	-2,910		103	220,000
ABS/factoring liabilities	213,607		213,607						186,156
ABS/factoring receivables	-58,728		-58,728						-50,688
ABS/factoring net liabilities	154,879		154,879		-23,187		4,016	-240	135,468
Lease liabilities	9,091	778,239	787,330		-127,502	95	154	101,773	761,850
Other liabilities	160,207		160,207	-7,035	5,142	546	45	9,803	168,708

Other changes in lease liabilities are mainly due to newly concluded contracts.

EUR k	As of 1 Feb 2018	Thereof non-financing activities	Changes in cash	Change in the basis of consolidation	Exchange rate changes	Off-balance	Other	As of 31 Jan 2019
Loans from banks	328,886		-74,706	34,401	-510		-881	287,190
Bonds	496,319						1,312	497,631
Loans from associates and related parties	264,500	2,595	-247,324					19,771
ABS/factoring liabilities	414,954							213,607
ABS/factoring receivables	-30,834							-58,728
ABS/factoring net liabilities	384,120		7,344		1,043	-237,500	-128	154,879
Lease liabilities	8,838		-982	1,057	-41		219	9,091
Other liabilities	178,941	-18,244	-297	300	-51		-442	160,207

29 Related party disclosures

General

In accordance with IAS 24, entities or persons, which are in control of or controlled by the PHOENIX group must be disclosed. Members of the Merckle family and entities controlled by them are considered as related parties. The ultimate controlling party of the PHOENIX group is Mr Merckle. In addition, the disclosure requirements of IAS 24 comprise persons and entities over which the PHOENIX group has significant influence or joint control.

Transaction volume

The goods and services sold as well as other income from transactions with related parties and goods and services received as well as other expenses from such transactions break down as follows:

EUR k	Goods and services sold as well as other income in the fiscal year		Goods and services received as well as other expenses in the fiscal year	
	2018/19	**2019/20**	2018/19	**2019/20**
Partners	0	0	8,920	74
from financing	0	0	1,949	74
from leases, other services	0	0	6,971	0
Associates	14,582	12,906	4,726	5
from financing	0	0	0	0
from leases, other services	35	14	4,726	5
from goods sold	14,547	12,892	0	0
Other related parties	0	0	18,456	5,938
from financing	0	0	3,175	4,187
from leases, other services	0	0	15,281	1,751
from goods sold	0	0	0	0

The goods and services sold mainly consist of goods supplied and other services.

The goods and services received relate primarily to goods, leases and financing transactions.

Outstanding balances

EUR k	Receivables as of 31 Jan 2019	Receivables as of 31 Jan 2020	Liabilities as of 31 Jan 2019	Liabilities as of 31 Jan 2020
Partners	0	0	19,771	0
from financing	0	0	19,771	0
from leases, other services	0	0	0	0
Associates	1,132	1,037	0	1
from financing	0	0	0	0
from leases, other services	3	2	0	1
from goods sold	1,129	1,035	0	0
Other related parties	0	0	66	220,059
from financing	0	0	0	220,000
from leases, other services	0	0	66	59
from goods sold	0	0	0	0
Loss allowances			0	0

For the most part, the outstanding balances are not secured nor have guarantees been issued on them. The receivables were settled by payment or by netting them against accounts payable.

In connection with the bond issued in July 2014, related parties hold bond certificates with a nominal volume of EUR 112,400k. In connection with the bond issued in 2013, related parties hold bond certificates with a nominal volume of EUR 30,200k. To the extent that these bond certificates are still held, interest was paid at the prevailing terms and conditions.

A related party granted a loan of EUR 100,000k to PHOENIX in fiscal year 2019/20, which was repaid within the reporting period. Interest expenses of EUR 37k were accrued thereon. In the prior year, related parties granted loans totalling EUR 821,156k to the PHOENIX group, which were repaid. Interest expenses of EUR 3,175k were accrued thereon. In addition, in the prior year, there were partner loans of EUR 157,019k, of which EUR 137,248k was repaid in the prior year. Interest of EUR 1,949k was accrued thereon. The remaining EUR 19,771k was repaid in the current fiscal year.

In April 2019, a related party issued a promissory note to the PHOENIX group with a total volume of a nominal EUR 220,000k, a term of 116 months and an interest rate of 2.40%.

Due to the first-time application of IFRS 16, there are lease liabilities to related parties of EUR 40k. Interest of EUR 8k was accrued thereon.

In the reporting period, the PHOENIX group acquired the majority of the shares in a company from a related party for a purchase price of EUR 9,000k. The assets of the acquired company largely consist of a distribution centre.

In the prior year, the equity of PHOENIX Pharma SE was increased by EUR 335,002k as part of a non-cash capital increase. The assets transferred were financial instruments, primarily equity instruments as well as receivables. PHOENIX Pharma SE subsequently sold the transferred financial instruments to related parties at a market price of EUR 315,254k. This resulted in a loss of EUR 19,748k.

Terms and conditions

Unless terms and conditions of related party transactions have been commented on specifically above, they were made on an arm's length basis. Outstanding balances at year-end are unsecured and settled by payment.

30 Remuneration of the Executive Board

Total Executive Board remuneration in the current fiscal year amounted to EUR 7,190k (prior year: EUR 9,361k) and is composed of short-term benefits of EUR 6,607k (prior year: EUR 9,361k), of which EUR 0k (prior year: EUR 885k) relates to the prior year, and other long-term benefits of EUR 583k (prior year: EUR 0k).

The current service cost for benefits earned by the Executive Board in the reporting period was EUR 342k (prior year: EUR 424k).

Former members of and the Executive Board and Management of PHOENIX Pharmahandel GmbH & Co KG received remuneration of EUR 5,470k in the current fiscal year (prior year: EUR 772k), of which EUR 3,753k is attributable to agreed compensation payments for contractual prohibition of competition and severances. Pension provisions of EUR 38,830k (prior year: EUR 28,496k) were recognised.

31 Remuneration of the Supervisory Board

The Supervisory Board remuneration amounted to EUR 765k in the fiscal year (prior year: EUR 539k).

32 Subsequent events

After a change to the law governing pharmacies, from 1 April 2020 in Estonia only pharmacies that are owned by a pharmacist who also runs this pharmacy may continue to operate. We do not expect this change in the law to have any significant effect on the assets, liabilities, financial position and financial performance of the PHOENIX group. For more information on the impact of coronavirus on the PHOENIX group's business activities, please refer to the comments in the group management report in the sections "Risk and opportunities report" and "Forecast report".

Mannheim, 9 April 2020

The Executive Board

Sven Seidel (Chair)   Helmut Fischer

Marcus Freitag   Frank Große-Natrop

Stefan Herfeld

Attachment A to the notes

PHOENIX Pharma SE, Mannheim

List of shareholdings as of 31 January 2020

Fully consolidated companies:

The following companies were fully consolidated as of 31 January 2020:

PHOENIX PHARMA SHPK	Tirana	Albania	100.00%
Phoenix Pharma d.o.o. Bijeljina	Bijeljina	Bosnia	100.00%
Evropa Lijek Pharma d.o.o. Sarajevo	Sarajevo	Bosnia	100.00%
transmed Transport doo	Bijeljina	Bosnia	100.00%
ZU Apoteka "EXPERA PHARMACY" Bijeljina	Bjeljina	Bosnia	100.00%
Phoenix Pharma EOOD	Sofia	Bulgaria	100.00%
Nomeco A/S	Copenhagen	Denmark	100.00%
Specific Pharma A/S	Copenhagen	Denmark	100.00%
Phoenix Danish Holding A/S	Copenhagen	Denmark	100.00%
PHOENIX Pharmahandel GmbH & Co KG	Mannheim	Germany	100.00%
PHOENIX Pharma-Einkauf GmbH	Mannheim	Germany	100.00%
transmed Transport GmbH	Regensburg	Germany	100.00%
ADG Apotheken-Dienstleistungsgesellschaft mbH	Mannheim	Germany	100.00%
Phoenix International Beteiligungs GmbH	Mannheim	Germany	100.00%
Param GmbH	Hamburg	Germany	100.00%
Nordic Beteiligungs GmbH	Mannheim	Germany	100.00%
Virion medizinische und pharmazeutische Handelsgesellschaft mbH	Hanau	Germany	100.00%
Health Logistics GmbH	Bruchsal	Germany	100.00%
Blister Center Aschaffenburg GmbH	Aschaffenburg	Germany	100.00%
JDM Innovation GmbH	Murr	Germany	80.00%
PHOENIX Noweropa Beteiligungs GmbH	Mannheim	Germany	100.00%
PXG Pharma GmbH	Mannheim	Germany	100.00%
PHOENIX Immobilien GmbH	Mannheim	Germany	94.00%
PXG Health Tech GmbH	Mannheim	Germany	100.00%
Tamro Eesti OU	Saue	Estonia	100.00%
Benu Apteek Eesti OU	Saue	Estonia	100.00%
Optipharm OÜ	Saue	Estonia	100.00%
Tamro Oyj	Vantaa	Finland	100.00%
Pharmac Finland Oy	Vantaa	Finland	44.30%
Medaffcon Oy	Espoo	Finland	100.00%
Olo-apteekkit Oy	Vantaa	Finland	73.79%
PHOENIX PHARMA SAS	Créteil	France	100.00%
PLUS PHARMACIE SA	Ivry-sur-Seine	France	80.27%
IVRYLAB SAS	Combs-la-Ville	France	100.00%
SCI CERP IMMO	Créteil	France	99.00%
SCI LA FONTAINE	Trémery	France	60.00%
Comifar Distribuzione SpA	Novate Milanese	Italy	100.00%
Difarma SpA	Sassari	Italy	60.00%
Spem SpA	Novate Milanese	Italy	100.00%
Comifar SpA	Novate Milanese	Italy	95.46%
Comifar Immobiliare SpA	Novate Milanese	Italy	100.00%
CMF TIF Srl	Novate Milanese	Italy	100.00%
Comifar Servizi S.r.l.	Novate Milanese	Italy	100.00%
Phoenix Pharma SH.P.K	Pristina	Kosovo	100.00%

PHOENIX Farmacija d.o.o.	Zagreb	Croatia	100.00%
Tamro SIA	Riga	Latvia	100.00%
BENU Aptieka Latvija SIA	Riga	Latvia	100.00%
PHOENIX Baltics Holding SIA	Riga	Latvia	100.00%
Farm Melisa	Riga	Latvia	100.00%
Apes Aptieka	Ape	Latvia	100.00%
PHOENIX Verwaltungs GmbH	Vaduz	Liechtenstein	100.00%
UAB Tamro	Kaunas	Lithuania	100.00%
BENU vaistine Lietuva, UAB	Kaunas	Lithuania	100.00%
UAB Pagalbos vaistine	Kaunas	Lithuania	67.00%
RASU vaistine UAB	Kaunas	Lithuania	100.00%
MIGDOLU vaistine UAB	Kaunas	Lithuania	100.00%
Phoenix Pharma Dooel	Skopje	Macedonia	100.00%
Evropa Lek Pharma Dooel	Skopje	Macedonia	100.00%
Evropa Lek Pharma doo Podgorica	Podgorica	Montenegro	100.00%
Farmegra doo Podgorica	Podgorica	Montenegro	100.00%
PRIVATNA ZDRAVSTVENA USTANOVA APOT."BENU"PODGORICA	Podgorica	Montenegro	100.00%
Brocacef BV	Maarssen	Netherlands	100.00%
Brocacef Facilitair Bedrijf BV	Maarssen	Netherlands	100.00%
BENU Nederland BV	Maarssen	Netherlands	100.00%
Brocacef Groep NV	Maarssen	Netherlands	55.00%
Phoenix PIB Finance BV		Netherlands	100.00%
Brocacef Supplies and Services BV	Maarssen	Netherlands	100.00%
Brocacef Centrale Diensten BV	Maarssen	Netherlands	100.00%
Brocacef Healthcare Services BV	Maarssen	Netherlands	100.00%
Brocacef Ziekenhuisfarmacie BV	Maarssen	Netherlands	100.00%
Brocacef Maatmedicatie BV	Maarssen	Netherlands	100.00%
Phoenix PIB Dutch Finance BV	Maarssen	Netherlands	100.00%
Brocacef Healthcare Logistics BV	Maarssen	Netherlands	100.00%
BENU Direct BV		Netherlands	100.00%
BENU Apotheken B.V.		Netherlands	100.00%
Farmassure Vastgoed BV	Maarssen	Netherlands	100.00%
Apotheek Nijmegen BV	Utrecht	Netherlands	100.00%
VOF Apotheek Badhoevedorp	Badhoevedorp	Netherlands	66.67%
VOF Apotheek Dirksland	Dirksland	Netherlands	51.00%
Thure Apotheken VOF	Dordrecht	Netherlands	80.00%
Apotheek IJsselmonde VOF	Rotterdam	Netherlands	90.00%
VOF Apoth Menheerse-Sint Joris	Sommelsdijk	Netherlands	80.00%
Apotheek Enkhuizen VOF	Enkhuizen	Netherlands	60.00%
Apotheek Oud-West VOF	Nijmegen	Netherlands	100.00%
VOF Apotheek Gorinchem	Gorinchem	Netherlands	66.67%
VOF De Gulden Scarabee	Helmond	Netherlands	70.00%
Apotheek Straver BV	Maarssen	Netherlands	100.00%
Apotheek Gorecht BV	Hoogezand	Netherlands	55.05%
Tielse Apotheken BV	Tiel	Netherlands	79.00%
VOF Apotheek Oostgaarde	Capelle aan den IJssel	Netherlands	66.67%
VOF Apotheken Soest-Hoevelaken	Hoevelaken	Netherlands	70.00%
Retail E-Commerce BV	Maarssen	Netherlands	100.00%
Declacare BV	Maarssen	Netherlands	100.00%
Apotheek Danielsplein BV	Nijmegen	Netherlands	100.00%
OpEx Holding BV	Maarssen	Netherlands	100.00%
Apotheek Binnendijk VOF	Nijmegen	Netherlands	100.00%
Opex Apotheken BV	Maarssen	Netherlands	100.00%
Apar B.V.	Maarsen	Netherlands	100.00%
Aparow B.V.	Maarssen	Netherlands	100.00%
BENU Top Apotheken	Maarssen	Netherlands	100.00%

BENU Pan-A-CE BV	Maarssen	Netherlands	100.00%
BENU Apotheek ’t Gouden Hert BV	Maarssen	Netherlands	100.00%
BENU Apotheken Waddinxveen BV	Maarssen	Netherlands	100.00%
BENU Apotheken Ridderkerk BV	Maarssen	Netherlands	100.00%
BENU Apotheek Fascinatio BV	Maarssen	Netherlands	100.00%
BENU Apotheek Etten-Leur “De Keen” BV	Maarssen	Netherlands	100.00%
Pharma Trade Norway AS	Lorenskog	Norway	100.00%
PHOENIX Norwegian Holding AS	Lorenskog	Norway	100.00%
Apotek 1 Gruppen AS	Lorenskog	Norway	100.00%
Apotek 1 Karlsrud AS	Oslo	Norway	51.00%
Apotek 1 Grorud AS	Oslo	Norway	51.00%
Grim Apotek AS	Krsitiansand	Norway	100.00%
Aquarama Apotek AS	Krsitiansand	Norway	100.00%
PHOENIX Arzneiwarengroßhandlung GmbH	Vienna	Austria	100.00%
PHOENIX PIB Austria Beteiligungs GmbH	Vienna	Austria	100.00%
EISENHUT Apothekenbedarf GmbH	Vienna	Austria	100.00%
Phoenix Pharma Polska Sp. Zo.o	Konotopa	Poland	100.00%
Farmexim S.A.	Bucharest	Romania	88.80%
Help Net Farma S.A.	Bucharest	Romania	100.00%
Tamro AB	Gothenburg	Sweden	100.00%
Tamro Holding AB	Gothenburg	Sweden	100.00%
Blue Ocean Sales Scandinavia AB	Stockholm	Sweden	100.00%
Amedis-UE AG	Unterentfelden	Switzerland	100.00%
Dr. Schmid AG	Oberdiessbach	Switzerland	100.00%
Sanavision AG	Oberdiessbach	Switzerland	100.00%
Oclanis AG	Unterentfelden	Switzerland	100.00%
Pharmacies BENU SA	Villars-sur-Glâne	Switzerland	100.00%
Pharmapost AG	Unterentfelden	Switzerland	100.00%
Phoenix Pharma Serbia doo Beograd	Belgrade	Serbia	100.00%
Evropa Lek Pharma doo Beograd	Belgrade	Serbia	100.00%
Inopharm doo Beograd	Belgrade	Serbia	100.00%
transmed Transport doo	Belgrade	Serbia	100.00%
Zdravstvena ustanova apoteka"BENU" Beograd	Belgrade	Serbia	100.00%
BENU DOO BEOGRAD	Belgrade	Serbia	100.00%
Zdravstvena ustanova apoteka "LIVSANE" Novi Sad	Novi Sad	Serbia	100.00%
Phabis IT Solutions d.o.o. Beograd	Belgrade	Serbia	100.00%
PHOENIX Zdravotnícke zásobovanie a.s.	Bratislava	Slovakia	96.06%
PHOENIX Slovakia Holding s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 56, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 57, s.r.o.	Bratislava	Slovakia	100.00%
BENU Slovensko, a.s.	Bratislava	Slovakia	100.00%
BENU SK 1, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 8, s. r. o.	Bratislava	Slovakia	100.00%
BENU SK 42, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 47, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 51, .s.r.o.	Bratislava	Slovakia	100.00%
	Bratislava	Slovakia	100.00%
BENU SK 55, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 3, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 4, k.s.	Bratislava	Slovakia	100.00%
BENU SK 6, k.s.	Bratislava	Slovakia	100.00%
BENU SK 7, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 9, k.s.	Bratislava	Slovakia	100.00%
BENU SK 10, k.s.	Bratislava	Slovakia	100.00%
BENU SK 11, k.s.	Bratislava	Slovakia	100.00%
BENU SK 12, s.r.o.	Bratislava	Slovakia	100.00%

BENU SK 13, k.s.	Bratislava	Slovakia	100.00%
BENU SK 14, k.s.	Bratislava	Slovakia	100.00%
BENU SK 15, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 16, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 17, k.s.	Bratislava	Slovakia	100.00%
BENU SK 18, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 19, k.s.	Bratislava	Slovakia	100.00%
BENU SK 20, k.s.	Bratislava	Slovakia	100.00%
BENU SK 21, k.s.	Bratislava	Slovakia	100.00%
BENU SK 22, k.s.	Bratislava	Slovakia	100.00%
BENU SK 24, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 25, k.s.	Bratislava	Slovakia	100.00%
BENU SK 26, k.s.	Bratislava	Slovakia	100.00%
BENU SK 28, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 29, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 30, k.s.	Bratislava	Slovakia	100.00%
BENU SK 31, k.s.	Bratislava	Slovakia	100.00%
BENU SK 32, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 33, k.s.	Bratislava	Slovakia	100.00%
BENU SK 34, k.s.	Bratislava	Slovakia	100.00%
BENUSK 35, k.s.	Bratislava	Slovakia	100.00%
BENU SK 36, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 37, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 38, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 39, k.s.	Bratislava	Slovakia	100.00%
BENU SK 40, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 41, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 43, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 44, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 45, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 46, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 48, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 49, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 50, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 52, k.s.	Bratislava	Slovakia	100.00%
BENU SK 53, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 58, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 59, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 60, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 61, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 62, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 63, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 64, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 65, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 66, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 67, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 5, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 2, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 23, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 27, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 68, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 69, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 70, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 71, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 72, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 73, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 74, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 75, s.r.o.	Bratislava	Slovakia	100.00%

BENU SK 76, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 77, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 78, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 79, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 80, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 81, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 82, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 83, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 84, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 85, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 86, k.s.	Bratislava	Slovakia	100.00%
BENU SK 87, k.s.	Bratislava	Slovakia	100.00%
BENU SK 88, k.s.	Bratislava	Slovakia	100.00%
BENU SK 89, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 90, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 91, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 92, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 93, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 94, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 95, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 96, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 97, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 98, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 99, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 100, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 101, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 102, s.r.o.	Bratislava	Slovakia	100.00%
BENU SK 103, s.r.o.	Bratislava	Slovakia	100.00%
Phoenix LV, s.r.o.	Prague	Czech Republic	100.00%
Apatyka servis, s.r.o.	Prague	Czech Republic	100.00%
BENU CR a.s.	Prague	Czech Republic	100.00%
LIVSANE s.r.o.	Prague	Czech Republic	100.00%
Lekarna Valdstejnova s.r.o.	Prague	Czech Republic	100.00%
Lekarna Dobruška s.r.o.	Prague	Czech Republic	100.00%
Lékárna U zlaté koruny Hostinné s.r.o.	Prague	Czech Republic	100.00%
Mgr. Jaroslava Němečková, s.r.o.	Prague	Czech Republic	100.00%
DIFFERENT PHARMA a.s.	Prague	Czech Republic	100.00%
Lopremos s.r.o.	Prague	Czech Republic	100.00%
LX-Line Kft.	Budapest	Hungary	100.00%
Novodata Zrt.	Budapest	Hungary	100.00%
Novopharma Kft.	Budapest	Hungary	67.00%
PHOENIX Hungária Holding Zrt.	Fót	Hungary	100.00%
PHOENIX Pharma Zrt.	Fót	Hungary	100.00%
Parma Produkt Kft.	Budapest	Hungary	100.00%
BENU Magyarorszag Zrt.	Budapest	Hungary	99.99%
Árpád úti Bt.	Gyor	Hungary	49.90%
Kabay János Gyógyszerész Bt.	Gyor	Hungary	49.90%
Nozsobe Bt.	Gyor	Hungary	49.90%
Terra-Pharma Bt.	Gyor	Hungary	49.90%
Thymi-Pharma Bt.	Érd	Hungary	49.90%
Kösas Bt.	Csorna	Hungary	49.90%
Benedek Pharma Bt.	Salgótarján	Hungary	49.00%
Argon-Pharma Bt.	Balassagyarmat	Hungary	49.90%
Besztercei Bt.	Salgótarján	Hungary	49.90%
Gratus Bt.	Salgótarján	Hungary	49.90%
Nógrádi Elixír Bt.	Bátonyterenye	Hungary	49.90%
Patika Kínokra Bt.	Bátonyterenye	Hungary	49.90%
Rétsági Kohárs Bt.	Rétság	Hungary	49.90%

Thor Patika Bt.	Balassagyarmat	Hungary	49.90%
PANACEA-PLUS Bt.	Balassagyarmat	Hungary	49.90%
Kiss-Korona Patika Bt.	Jánosháza	Hungary	10.00%
Pharmaroll Bt.	Szombathely	Hungary	2.70%
Sárvári Medicin Bt.	Sárvár	Hungary	9.80%
Vasi Calendula Bt.	Szombathely	Hungary	49.80%
Csontváry Bt.	Celldömölk	Hungary	40.00%
Aesculap 98 Bt.	Sármellék	Hungary	49.90%
Fotéri Helikon Bt.	Keszthely	Hungary	49.90%
Gromed Bt.	Zalaszentgrót	Hungary	49.85%
Horváth Gyógyszertár Bt.	Csesztreg	Hungary	49.90%
Katonaréti Ágnes Bt.	Nagykanizsa	Hungary	49.90%
Mixtura 36 Gyógyszertár Bt.	Zalaegerszeg	Hungary	49.90%
Pacsai Fekete Sas Gyógyszertár Bt.	Pacsa	Hungary	49.90%
Pelikán 51 Gyógyszertár Bt.	Keszthely	Hungary	49.90%
Platán 35 Bt.	Zalaegerszeg	Hungary	49.90%
Solidus Pharma Bt.	Zalaegerszeg	Hungary	49.90%
Tavirozsa 38 Bt.	Héviz	Hungary	40.00%
Zalaegerszegi Kigyo Bt.	Zalaegerszeg	Hungary	49.80%
Zalai Angyal Gyógyszertár Bt.	Zalakomár	Hungary	49.90%
Zalai Borostyánko Gyógyszertár Bt.	Zalalövo	Hungary	49.90%
Zalai Gyöngyvirág Gyógyszertár Bt.	Lenti	Hungary	49.90%
Zalai Hársfa Gyógyszertár Bt.	Zalaapáti	Hungary	49.90%
Zalai Nyirfa Gyógyszertár Bt.	Bázakerettye	Hungary	49.90%
Zalai Szent Mihály Gyógyszertár Bt.	Lenti	Hungary	49.90%
Zalakarosi Termál Gyógyszertár Bt.	Zalakaros	Hungary	49.90%
Kígyó Patika Bt.	Debrecen	Hungary	49.90%
Fórizs Patika Bt.	Budapest	Hungary	49.90%
Erzsébeti Menta Bt.	Budapest	Hungary	49.90%
Apolló Gyógyszertár Bt.	Budapest	Hungary	49.90%
Széna tér Patika Bt.	Budapest	Hungary	49.90%
Mohácsi Szent Ferenc Bt.	Mohács	Hungary	49.90%
Szent Ágnes Patika Bt.	Veszprém	Hungary	49.90%
Pálffy Patika Bt.	Gyor	Hungary	49.90%
Aranyfu Gyógyszertár Bt.	Budapest	Hungary	49.90%
Arany Angyal Patika Bt.	Budapest	Hungary	49.90%
Tétényi Patika Bt.	Budapest	Hungary	49.90%
Dorottya Patika Bt.	Budapest	Hungary	49.90%
Avasi Patika Bt.	Miskolc	Hungary	49.90%
Kobányai Bellis Bt.	Budapest	Hungary	49.90%
Honvéd Bt.	Budapest	Hungary	49.90%
Szent Lukács BENU Bt.	Székesfehérvár	Hungary	49.90%
Rózsa Medicina Bt.	Budapest	Hungary	49.90%
Szent Imre Bt.	Budapest	Hungary	49.90%
Budai Szent Klara Bt.	Budapest	Hungary	49.90%
Örs Vezér Bt.	Budapest	Hungary	49.90%
Orszagalma BENU Bt.	Székesfehérvár	Hungary	49.90%
Budafoki Szentlélek Bt.	Budapest	Hungary	49.90%
Panacea Patika Bt.	Budapest	Hungary	49.90%
Palatinus Bt.	Budapest	Hungary	49.90%
Szentimrei Diana Bt.	Budapest	Hungary	49.90%
PETERFY-PHARMA COR Bt.	Budapest	Hungary	49.90%
Skorpio Pharma Bt.	Budapest	Hungary	49.90%
Kata Patika Bt.	Budapest	Hungary	49.90%
Calendula Pharma Bt.	Gyöngyös	Hungary	49.90%
Habrantus Pharma Bt.	Budapest	Hungary	49.90%
Mixtura Patika Bt.	Gyöngyös	Hungary	49.90%
Jób Bt.	Szécsény	Hungary	49.90%

Centaurium Patika Bt.	Aszód	Hungary	49.90%
Nadály Bt.	Budapest	Hungary	49.90%
Rubinpharma Bt.	Budapest	Hungary	49.90%
Sikari Patika Bt.	Pilisvörösvár	Hungary	49.90%
Iranyi Bt.	Budapest	Hungary	49.00%
Hajnal Bt.	Budapest	Hungary	49.90%
Aveszt Bt.	Kunszentmárton	Hungary	49.90%
Kamilla Fotér Bt.	Salgótarján	Hungary	49.90%
Aurora Bt.	Budapest	Hungary	49.00%
Belvárosi Kígyó Bt.	Miskolc	Hungary	49.90%
Kisberi Ezüstkehely Bt.	Kisbér	Hungary	49.90%
Gömör Patika Bt.	Ózd	Hungary	49.90%
BENU Stromfeld Úti Gyógyszertár Kft	Szombathely	Hungary	49.67%
Lehel Piac Patika Kft.	Budapest	Hungary	49.67%
Várdapharma Kft.	Kisvárda	Hungary	49.67%
Nyíregy-Nova Kft.	Nyíregyháza	Hungary	49.67%
Veszter Kft.	Budapest	Hungary	49.67%
Aesculap 64 Kft.	Szekszárd	Hungary	49.67%
Királyfi és Társa Bt.	Tiszafüred	Hungary	49.90%
Rézkígyó Patika Bt.	Dunakeszi	Hungary	49.90%
Dosis Alfa Bt.	Dombóvár	Hungary	49.90%
Gyógyító Patikus Bt.	Zalaegerszeg	Hungary	49.95%
Immánuel Gyógyszertár Kft.	Ózd	Hungary	49.67%
Fehérvár-Pharma Kft.	Székesfehérvár	Hungary	49.67%
Patikapartner Kft	Budapest	Hungary	100.00%
Zalár Patika Kft.	Eger	Hungary	49.67%
Salve Rex Kft.	Debrecen	Hungary	0.00%
Co-Pat Kft	Szeged	Hungary	0.00%
BENU Arany Kehely Gyógyszertár Kft.	Pécs	Hungary	49.67%
BENU Aranyszarvas Gyógyszertár Kft	Nagykanizsa	Hungary	49.67%
BENU Balassa Gyógyszertár Kft.	Szekszárd	Hungary	49.67%
BENU Bástya Gyógyszertár Kft.	Veszprém	Hungary	49.67%
BENU Béke Téri Gyógyszertár Kft.	Budapest	Hungary	49.67%
BENU Belvárosi Gyógyszertár Kft.	Zalaegerszeg	Hungary	49.67%
BENU Csaba Center Gyógyszertár Kft.	Békéscsaba	Hungary	49.67%
BENU Csillag Gyógyszertár Kft.	Budapest	Hungary	49.67%
BENU Eupark Gyógyszertár Kft.	Budapest	Hungary	49.67%
BENU Fo Téri Gyógyszertár Kft.	Szombathely	Hungary	49.67%
BENU Gólyavár Gyógyszertár Kft.	Dombovár	Hungary	49.67%
BENU Kabay Gyógyszertár Kft.	Abony	Hungary	49.67%
BENU Két Oroszlán Gyógyszertár Kft.	Keszthely	Hungary	49.67%
BENU Kígyó Gyógyszertár Kft.	Szombathely	Hungary	49.67%
BENU Király Gyógyszertár Kft.	Szécsény	Hungary	49.67%
BENU Küttel Gyógyszertár Kft.	Koszeg	Hungary	49.67%
BENU Madách Téri Gyógyszertár Kft.	Budapest	Hungary	49.67%
BENU Nyírpalota Gyógyszertár Kft.	Budapest	Hungary	49.67%
BENU Piac Gyógyszertár Kft.	Budapest	Hungary	49.67%
BENU Sportaréna Gyógyszertár Kft.	Budapest	Hungary	49.67%
BENU Sugár Gyógyszertár Kft.	Budapest	Hungary	49.67%
BENU Szent György Gyógyszertár Kft.	Nagykanizsa	Hungary	49.67%
BENU Szent Miklós Gyógyszertár Kft.	Szigetszentmiklós	Hungary	49.67%
BENU Szent Rókus Gyógyszertár Kft.	Vác	Hungary	49.67%
BENU Thököly Gyógyszertár Kft.	Budapest	Hungary	49.67%
BENU Határ Úti Gyógyszertár Kft.	Csömör	Hungary	49.67%
BENU Péterfia Úti Gyógyszertár Kft.	Debrecen	Hungary	49.67%
BENU Szabadhegyi Gyógyszertár Kft.	Gyor	Hungary	49.67%
BENU Kapos Gyógyszertár Kft.	Kaposvár	Hungary	49.67%
BENU Földvári Úti Gyógyszertár Kft.	Kecskemét	Hungary	49.67%

BENU Városmajor Úti Gyógyszertár Kft.	Kisvárda	Hungary	49.67%
BENU Magau Gyógyszertár Kft.	Maglód	Hungary	49.67%
BENU Misau Gyógyszertár Kft.	Miskolc	Hungary	49.67%
BENU Hosök Tere Gyógyszertár Kft.	Nyíregyháza	Hungary	49.67%
BENU Tolnai Úti Gyógyszertár Kft.	Paks	Hungary	49.67%
BENU Sóstói Gyógyszertár Kft.	Székesfehérvár	Hungary	49.67%
BENU Jász-Kürt Gyógyszertár Kft.	Szolnok	Hungary	49.67%
BENU Orangyal Gyógyszertár Kft.	Szombathely	Hungary	49.67%
BENU Bevásárló Gyógyszertár Kft.	Budapest	Hungary	49.67%
Livsane Kft.	Budapest	Hungary	100.00%
Patitur Kft.	Budapest	Hungary	100.00%
FLEXPHARMA Kft.	Budapest	Hungary	100.00%
DR-WEST Kft.	Budapest	Hungary	100.00%
Phoenix Medical Supplies Limited	Runcorn	United Kingdom	100.00%
L. Rowland and Company Limited	Runcorn	United Kingdom	100.00%
Phoenix Healthcare Distribution Limited	Runcorn	United Kingdom	100.00%
Numark Trading Ltd.	Tamworth	United Kingdom	100.00%
L.Rowland and Company (Retail) Limited	Runcorn	United Kingdom	100.00%
Station Avenue Pharmacy Limited	Bridlington	United Kingdom	74.00%
G.F. O'Brien Limited	Runcorn	United Kingdom	100.00%
Numark Limited	Tamworth	United Kingdom	100.00%
G-Pharma Limited	Runcorn	United Kingdom	100.00%
Nupharm Limited	Runcorn	United Kingdom	100.00%
Nijkar and Tozer Limited	Runcorn	United Kingdom	100.00%
J.A. Hainstock Limited	Runcorn	United Kingdom	100.00%
Mistry Pharmacy Limited	Runcorn	United Kingdom	100.00%
B.B.R. (Skelmersdale) Limited	Runcorn	United Kingdom	100.00%
Practice Services UK Limited	Runcorn	United Kingdom	100.00%
Phoenix Distribution Systems Limited	Runcorn	United Kingdom	100.00%
Springburn Dispensary Limited	Glasgow	United Kingdom	50.00%
Caversham HC Consortium Limited	Caversham	United Kingdom	55.00%
Jenner's Pharmacy Limited	Runcorn	United Kingdom	100.00%
Nucare Limited	Runcorn	United Kingdom	100.00%
PAS Holding Company Limited	Runcorn	United Kingdom	100.00%
PharmAssist (Solutions) Limited	Runcorn	United Kingdom	100.00%
Scripts Limited	Jersey	United Kingdom	0.00%
Numark Chemists Limited	Tamworth	United Kingdom	100.00%
Numark Pharmacists Limited	Tamworth	United Kingdom	100.00%
G.F OBrien Holdings Limited	Runcorn	United Kingdom	100.00%

The exemption provision of Sec. 313 (3) Sentence 1 HGB was exercised.

Associates:

The following entities were included in the consolidated financial statements using the equity method:

Mai Apteek OU	Paarnu	Estonia	49.00%	[1]
C.I.M Srl	Rome	Italy	30.00%	[1]
Apotheek America CV	Maastricht	Netherlands	35.00%	[1]
Fernandes Farma BV	Enschede	Netherlands	35.00%	[1]
R.M.M. Pijnenburg Farmacie BV	Maarssen	Netherlands	27.50%	[1]
Farmaceutisch Centrum Maxima BV	Eindhoven	Netherlands	35.00%	[1]
Euro Registratie Collectief BV	Maarssen	Netherlands	50.00%	[1]
Gezondheidscentrum Woldzoom Beheer BV	Noordenveld	Netherlands	20.00%	[1]
BENU Apotheek Waterlinie VOF	Uithoorn	Netherlands	55.00%	[1]
Apotheek Willekens VOF	Vught	Netherlands	50.00%	
Apotheek Neerbosch-Oost BV	Nijmegen	Netherlands	100.00%	
Apotheek Noord BV	's-Hertogenbosch	Netherlands	100.00%	[1]
Gezondheidscentrum Middelburg-Zuid B.V.	Middelburg	Netherlands	32.00%	[1]
Gezondheidscentrum Woldzoom C.V.	Noordenveld	Netherlands	20.00%	[1]
Pharmdata s.r.o.	Prague	Czech Republic	33.33%	[1]
Adyvarosi Bt.	Gyor	Hungary	49.90%	[1]
Vitafarma Bt.	Gyor	Hungary	49.87%	[1]
Vasi Szent Marton Bt.	Szombathely	Hungary	49.90%	[1]
Octapharm Limited	Havant	United Kingdom	32.50%	[1]
Colne (HCC) Limited	Burnley	United Kingdom	50.00%	[1]

[1] Diverging fiscal year

GROUP MANAGEMENT REPORT

2019/20

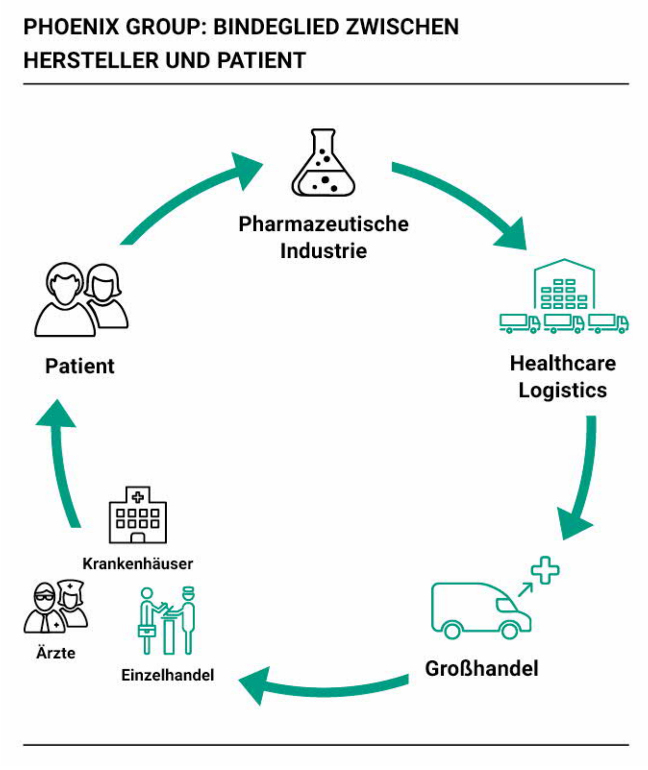
FUNDAMENTAL INFORMATION ABOUT THE GROUP

Leading market position in European pharmaceutical wholesale // Corporate strategy builds upon three pillars // Digitalisation brings direct communication with end customers // Projects and initiatives aim to achieve process optimisation and cost efficiency

The PHOENIX group

Leading European healthcare provider

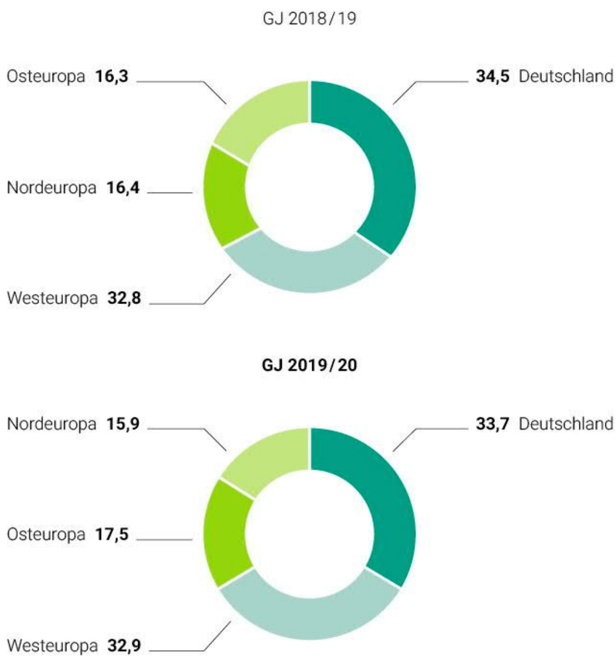
The PHOENIX group, with headquarters in Mannheim, Germany, is a leading European healthcare provider and is one of the largest family businesses in both Germany and Europe. Its core business is pharmaceutical wholesale and pharmacy retail. Subsidiaries also operate in related business areas, whose activities include services for the pharmaceutical industry, pharmacy goods management systems for pharmacies and logistics solutions. The PHOENIX group aims to be the best integrated health services provider wherever it operates.



The PHOENIX group is active in 27 European countries and has a very diversified geographic portfolio. In its core business, the company was operating 161 distribution centres as of the end of the reporting year.

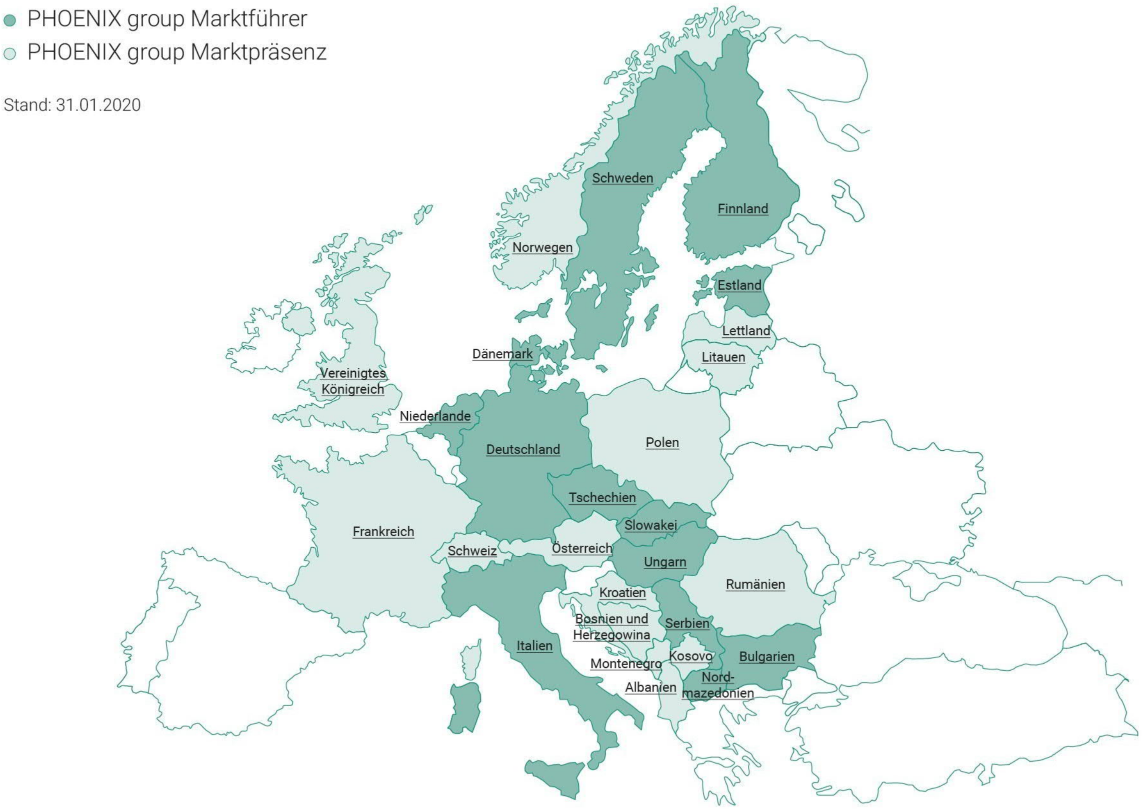
UMSATZSTRUKTUR

in %



In pharmaceutical wholesale, the PHOENIX group is number one in 13 countries. Since November 2019, the Company has had more than 2,700 of its own pharmacies in 15 European countries and is thus Europe's leading pharmacy operator. In pharmacy retail, it mainly operates in the following countries: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, Netherlands, Norway, Romania, Switzerland, Serbia, Slovakia, and the UK. On top of this, it offers its competencies to the pharmaceutical industry as a service provider.

PHOENIX GROUP ALS FÜHRENDER PHARMAGROSSHÄNDLER IN 13 LÄNDERN EUROPAS



Our corporate mission statement defines our values

Our corporate mission statement plays a key role in our day-to-day actions. This makes the PHOENIX corporate philosophy and its vision, mission, strategy, and values transparent. As a family business, we make our own decisions and pursue a long-term strategy. Our vision of being the best integrated healthcare provider – wherever we are, can only be achieved with motivated and loyal employees. Therefore, our employees and their motivation are a high priority for us.

In 2019, we adjusted the group-wide corporate mission statement at a local level in order to account for country-specific special considerations even better. All of the national subsidiaries have developed their own version of the corporate mission statement or have specified its content even further. By the end of 2019, we had implemented the country-specific versions with accompanying communication across the various countries.

Differentiation from the competition

The PHOENIX group sets itself apart on the market using the following competitive advantages:

- Unique geographical coverage across Europe, thanks to our presence in 27 European countries
- Our integrated range of services in wholesale and retail in 15 European countries
- Our pharmacy brands spread across all of Europe: BENU, Apotek 1, Rowlands Pharmacy and Help Net
- The pharmacy network with more than 13,500 pharmacies and 13 brands in the PHOENIX group's partnership and cooperation programmes. The PHOENIX Pharmacy Partnership functions as a Europe-wide umbrella for the cooperation programmes in 16 countries.
- Our integrated services in the Pharma Services business, which we bundle under the All-in-One service brand

PHOENIX GROUP MIT PRÄSENZ IM GROSS- UND EINZELHANDEL IN 15 LÄNDERN EUROPAS

Strategy and group management

Strategy for further growth

The PHOENIX group's overarching goal is to achieve sustainable values through a corporate culture geared to the customers, high cost-effectiveness and profit-oriented growth. Market leadership, customer satisfaction and cost efficiency are top priorities for us.

The Company's strategy focuses on the following elements:

- We are strengthening our core business in pharmaceutical wholesale and pharmacy retail by focusing Europe-wide on the operational excellence of our central basic services such as the ability to quickly, reliably and safely deliver drugs and health products.
- We are expanding cross-border and interdisciplinary cooperation in order to provide even stronger integrated services for our customers.
- Our aim is to increase quality and productivity in the Company by rigorously focusing on process orientation.
- We are taking advantage of the opportunities presented to us by digitalisation in order to intensify our focus on the needs of end customers. Digital interfaces to customers open up new revenue and business models.
- We are integrating sustainability into our business to an even greater extent. This means that we can strengthen even further the link between economic efficiency and the preservation of ecological resources. To this end, we are stringently developing the sustainability goals published in 2019.

In terms of digital offerings, such as smartphone apps, we want to identify niche markets and new ways of business as well as actively drive forward the trends and innovations in the health sector at different levels. For end customers, we are focusing on user friendliness, simple communication and a wide range of services. To this end, in summer 2019 we founded the digital unit PXG Health Tech GmbH as a wholly owned subsidiary of the PHOENIX group. The aim is to offer digital solutions to customers across Europe.

Furthermore, we are also collaborating with start-ups. For example, a pilot project in the area of telemedicine has been kicked off in this connection in the UK. In Germany, we launched the smartphone app “deine Apotheke” on the market (more information under “Business development at a glance” on p. 9).

Our strategy envisions that the PHOENIX group will grow organically and through targeted acquisitions and continually expand its position in the areas of pharmacy retail and pharmaceutical wholesale and extend its range of services. In fiscal year 2019/20, we acquired further pharmacies in the Netherlands, Romania, the Czech Republic, Slovakia and Serbia and have thus grown to become Europe's leading pharmacy operator.

In pharmaceutical wholesale, the PHOENIX group has partnerships with around 60,000 pharmacy customers, of which many are part of our pharmacy cooperation programmes. We offer franchise systems for independent pharmacies in some countries. With the PHOENIX Pharmacy Partnership, we have a European umbrella for our existing pharmacy cooperation programmes. With cross-border cooperation and the strengthened exchange of knowledge and experience, the PHOENIX group with its subsidiaries allows the members access to numerous sales and marketing services as well as purchasing advantages.

We want to focus on strengthening, expanding and continuing to professionalise the pharmacy retail business. Strategic measures in the previous year included the establishment of PXG Pharma GmbH for Europe-wide trade with our own brand LIVSANE as a key element for the further development of our white label brand activities. In the Pharma Services business, we offer the pharmaceutical industry comprehensive services along the entire pharmaceutical supply chain with our All-in-One service brand.

We also make targeted investments across the group in technology and automation in order to further increase efficiency and productivity.

Using key financial indicators in management

The corporate management is primarily based on the key financial indicators of the income statement and the statement of financial position. The key figures in the income statement are revenue and earnings before taxes; in the statement of financial position it is the equity ratio.

Processes and organisation

Ongoing optimisation

The continuous review of our processes and structures serves to secure a high level of efficiency and flexibility in our ability to act and the ability to react to changes on the market at short notice.

In order to safeguard our market leadership, we have harmonised our processes and structures in Germany. We are implementing numerous initiatives in the UK. In wholesale, we aim to foster further growth in the hospital supply sector, among others, and expand our pharmacy cooperation “Numark”. With “Fit4Two”, we have introduced a project to optimise internal structures and centralise services for pharmacies. The latter is the focus of on the MediPAC facility in Runcorn, UK, which has been in operation since June 2019. This offers our pharmacy chain Rowlands Pharmacy a central solution to fill repeat prescriptions. The central filling saves time in the pharmacies, which can be used for advising, consulting and patient services.

Furthermore, we are continuing to work on initiatives to optimise the operational processes of our logistics network and increase efficiency. Our established Warehouse Excellence initiative plays an important role when it comes to identifying the causes of damage and implementing ideas for improvement that are aimed at avoiding risks. We have also incorporated the topic into our procurement strategy. In fiscal year 2019/20, we also kicked off a project with the aim of modernising and digitising our logistics infrastructure and processes.

EU Directive 2011/62/EU (EU Falsified Medicine Directive, "FMD") aimed at combating the falsification of medicines entered into force on 9 February 2019. To this end, the PHOENIX group has developed a solution that hinges on the PHOENIX FMD Cloud, which serves as a link to our partners' systems. We have also commenced Europe-wide projects for electronically transmitting batch tracking.

The PHOENIX group continues to invest in IT

In the past year, the focus of corporate IT continued to be on harmonising the goods management systems and optimising and modernising the IT architecture landscape across the PHOENIX group as a whole.

After the strategic planning to gradually consolidate and modernise the goods management systems was completed, we kicked off a pilot project to introduce a new ERP system in Austria. Here we are replacing our internally developed ERP system PHARMOS with SAP. We started with corresponding analyses and design activities in fiscal year 2019/20 and will continue these in the current fiscal year. After the proof of concept has been successful, the new software is to be introduced in further national entities.

The PHOENIX group has also made IT investments to tackle the continuously increasing technical, legal and economic requirements. The investments were made in IT infrastructure in particular in order to improve the performance and security of data integration with suppliers and customers. In this regard, the advanced PHOENIX integration platform is the key technology that ensures reliable data exchange.

Furthermore, corporate IT has also supported PHX Health Tech with its developments in relation to digitalisation. In addition, we have also collaborated with other units of the PHOENIX group that develop IT solutions, such as ADG.

From an IT perspective, the PHOENIX group has steadily improved the daily cooperation and communication of all its employees. To this end, we have continued the roll-out of the social employee app for mobile communication "PHOENIX Speakap", meaning that this is now available at virtually all national subsidiaries. We have also pressed ahead with the standardisation of our communication infrastructure including phone calls, video conference systems and computer workstations.

ECONOMIC REPORT

Economic growth slows // Market environment characterised by strong competition // Total operating performance, revenue and total operating performance increase compared to prior year // Goodwill impairment in the United Kingdom, Romania and Germany // Results of employee survey translated into targeted measures

Economic environment

Overall economic dynamic eases off

The European economy again recorded growth in 2019, with growth momentum once again easing off compared to 2018. The gross domestic product (GDP) in the eurozone was up 1.2% on the prior year (prior year: 1.8%). The German economy was also weaker than in the prior year, with GDP (adjusted for price and calendar effects) up 0.6% (prior year: 1.5%).

Development in the European pharmaceutical markets was varied. The German pharmaceutical wholesale market increased 4.2% in 2019 compared to the prior year. This was primarily attributable to a noticeable increase in revenue from prescription-only drugs. The German market continued to be shaped by fierce competition.

Business development at a glance

Leading position in the European pharmaceutical wholesale sector

The healthcare sector continues to grow, especially on account of demographic changes. Europe's pharmaceutical wholesale sector is experiencing increasing consolidation. The PHOENIX group has been able to benefit from this with its presence in 27 countries. At the same time, regulatory requirements are becoming ever stricter, however this also puts up barriers for new players on the market. Growing pressure on prices within Europe's healthcare systems is also an increasingly important factor for the pharmaceutical wholesale business. The PHOENIX group is countering this effect in all countries with diverse measures to improve earnings and efficiency.

At the same time, we are actively driving forward the development of innovative business models and omnichannel solutions. Our aim is to offer digital platform solutions with a B2C focus to customers across Europe and intensify cooperation with start-ups. In order to bolster this area, in June 2019, we founded PXG Health Tech GmbH. This company developed an e-commerce platform for the Serbian market in the reporting year. We are therefore able to sell our customers medicines online. In this way, PHOENIX is also simultaneously strengthening its position as the market leader in the Serbian pharmacy business. (More information on digital solutions can be found under "Pharmacy retail strengthened through the purchase of further pharmacies" on p. 10).

The PHOENIX group also continues to focus on expanding its services. This includes the ongoing development of its various pharmacy cooperation programmes.

The PHOENIX group's network of more than 13,500 independent pharmacies in its cooperation and partner programmes is the largest of its kind in Europe and part of the services of the PHOENIX service brand "All-in-One". The PHOENIX Pharmacy Partnership acts as a Europe-wide umbrella for the PHOENIX group's 13 pharmacy cooperation programmes in 16 different countries. The cooperation programme PHOENIX Pharmacy Partnership is being continually refined thanks to the work of pharmacists on the advisory board. The PHOENIX group also wants to support pharmacies with an omnichannel solution for the offline and online segment.

Together with our subsidiary ADG, we have developed a concept that we have been offering since February 2019 across all pharmacies in Germany and which we presented at Europe's largest trade fair in the pharmacy market, exopharm, in September 2019, among others. The concept includes an entire bundle of services with which PHOENIX is supporting all community pharmacies with digitalisation and marketing. This includes an app "deine Apotheke", which allows end customers to scan in their prescriptions and pre-order medicine and health products directly at their pharmacy. The app also allows end customers to find pharmacies near to them and communicate with the desired pharmacy using secure encryption. At the same time, the app serves as preparation for e-prescriptions that is to be introduced in Germany in 2020. The second component that is currently important is the exclusive access to PAYBACK, the largest customer loyalty programme in Germany with 31 million users. PHOENIX is working on successively expanding its digital and stationary offering into an integrated concept with a customer focus.

We are looking to further internationalise ADG, which produces tills, goods management and management systems. In addition to using the potential in the existing markets, additional attractive markets outside Germany are to be tapped for further growth. Furthermore, we bundle all activities in the business areas pharmacy software, hardware and services under the Europe-wide umbrella brand Pharmacy Solutions.

One new development from ADG Pharmacy Solutions is the blister dispenser "Smila", which has an easy-to-use app and corresponding cloud connection for the organisation of care. The device simplifies providing care to those who require care in their own homes in a sustainable manner by providing patients with medicines according to their individual medication plan at predefined times and in predefined quantities.

Pharmacy retail strengthened through the purchase of further pharmacies

The PHOENIX group's pharmacy retail business again recorded growth in the past fiscal year. At the end of fiscal year 2019/20, the Company had more than 2,700 pharmacies and was thus Europe's leading pharmacy operator. The takeover of pharmacy chains in various European countries in the reporting year contributed to this (further information can be found under "Acquisitions contribute to profitable growth", p. 12).

We introduced a new store concept for our largest pharmacy brand BENU and will gradually implement this in pharmacies in all retail markets in Europe in which the brand is active. New features include interactive screens, for example, with which customers can access important information about selected products and receive advice.

Our white label brand "LIVSANE" has been exclusively available from the PHOENIX group since 2017. The LIVSANE range currently includes more than 160 products and is available in 15 European countries. As a subsidiary of the PHOENIX group, PXG Pharma GmbH is responsible for central product development and sales. In particular, it is responsible for purchasing conditions and product quality and is working on continuously expanding the product range. Alongside the currently available product categories such as medicinal products, cosmetics and nutritional supplements, PXG Pharma is currently setting up the framework to also be able to offer drugs under its white label brand. The LIVSANE product portfolio is aimed at independent pharmacies in the PHOENIX cooperation programmes as well as individual pharmacies that the Company supplies as part of its pharmaceutical wholesale business. In addition, LIVSANE products are also sold and distributed across Europe to PHOENIX's own pharmacy chains BENU and Help Net.

Furthermore, as a leading healthcare provider, PHOENIX is also working on the increasing digitalisation and further development of sales channels. The Company already has its own e-commerce solutions in most retail countries. In the reporting year, new solutions were added in Slovakia, Serbia and Switzerland. Further solutions are planned in the Baltic countries and Romania. Moreover, further apps have also been launched on the market under the BENU brand, in the Czech Republic and other countries. In the Baltic countries, we have also brought out the first solution in the area of telemedicine. These digital instruments enable digital communication between all involved parties such as doctors, therapists, pharmacists and patients.

Pharma Services offers services for the pharmaceutical industry

Under the service brand "All-in-One" Pharma Services coordinates services for the pharmaceutical industry across Europe – in the pharmaceutical wholesale sector and across the industry's entire supply chain. Whether this is logistics solutions in "Healthcare Logistics" with hubs across Europe, such as the new location in Køge near Copenhagen, awareness campaigns or digital B2C campaigns via the pharmacy channel – Pharma Services analyses demand together with its industry partners and develops individual solutions – at a local level, regional level or Europe-wide.

In fiscal year 2019/20, Pharma Services developed services further, in particular in the "Regulatory" and Representation" fields. Using these services, PHOENIX supports its industry partners with approvals and its own medical specialists working directly with customers.

With the opening of the largest logistics centre in Northern Europe, including a pre-wholesale warehouse and distribution centre in Køge, Denmark, and the expansion of capacity in Prague, Czech Republic, and Sofia, Bulgaria, we have expanded our logistics network internationally (more information can be found under "The PHOENIX group invests in the future" on p.12).

The number of European partnerships is also continuing to grow. Alongside the prolongation of existing partnerships, new partners have also been acquired at a local, regional and international level.

Acquisitions contribute to profitable growth

Alongside organic growth, acquisitions are also part of our profitable growth strategy. These allow us to strengthen our core business, that is to say wholesale, retail and services. Business acquisitions in fiscal year 2019/20 led to a cash outflow of EUR 56.7m (prior year: EUR 148.9m). Cash received from divestitures amounted to EUR 3.0m (prior year: EUR 0.4m).

We acquired several pharmacy chains in fiscal year 2019/20. We took over 20 Thio Pharma pharmacies in the Netherlands, which have become part of the now roughly 340 Dutch BENU pharmacies. This allowed us to strengthen our position as a leading healthcare provider in the Netherlands and Europe as a whole. Furthermore, over the course of the fiscal year, we took over 17 Proxi Pharm pharmacies in Romania and 10 FAJN pharmacies in the Czech Republic. In Romania, the PHOENIX group expanded the number of locations belonging to the Help Net pharmacy chain to around 260, while the number of Czech BENU pharmacies expanded to around 250 due to the takeover. In Serbia, we also took over 20 ZU Julija pharmacies and 28 PPP Novi Sad pharmacies in fiscal year 2019/20 and have since already renamed these as BENU pharmacies.

The integration of companies acquired in the prior year, the Romanian pharmaceutical wholesaler Farmexim S.A. as well as the country-wide pharmacy chain Help Net Farma S.A. has mostly been completed. We want to continue to grow in Romania in the future and acquire additional pharmacies.

The PHOENIX group invests in the future

The PHOENIX group is facing up to the requirements of tomorrow by investing in intangible assets and property, plant and equipment. In past years, the PHOENIX group has invested in expanding and modernising its pharmacy network and distribution centres, in automation technology and logistics services for the pharmaceutical industry. Investments primarily relate to replacement and modernisation investments and less so to expansion investments. In fiscal year 2019/20, investments amounted to EUR 201.7m (prior year: EUR 175.8m).

After three years of construction, in November 2019 the PHOENIX group opened the largest logistics centre for drugs and health products in the Nordic countries in Køge, Denmark. At around EUR 80m, this represented the single largest investment in infrastructure made by the PHOENIX group. The 25,000 m^2 building has a fully-automated warehouse for more than 55,000 pallets.

In June 2019, we started operations at a new central filling station for medicines in Runcorn near Liverpool, United Kingdom. Thanks to what is known as an offsite dispensing solution (ODS), various medicines for one person can be collected at this location and directly packaged together so that they can be made available to the patient in a single bag in the pharmacy. In the future, the MediPAC facility should be able to fulfil around 16 million prescriptions per year for our own pharmacy chain Rowlands Pharmacy. The time saved due to greater efficiency can be invested in consulting and advising customers in the pharmacy. Automated filling is worthwhile for the PHOENIX group in particular in countries where it has its own pharmacy chains.

In the Czech Republic, we are currently planning the new construction of the wholesale location in Prague as part of the "Project 2020". The primary aims are automation and increasing efficiency. We are modernising the existing hall in Prague and converting this into a pre-wholesale warehouse and are simultaneously building a new distribution centre. Two machines will bring the level of automation at this facility up to 48%. Furthermore, we are also expanding our storage capacity and efficiency in this growing market. Commissioning is planned for the first half of 2021. We also continue to pursue the strategy of automating slow-moving items in countries with a large variety of products such as Germany and Italy.

Further investment measures related, inter alia, to the implementation of batch tracking, which has been a legal requirement since 9 February 2019, and the area of data protection. In addition, we have invested in our IT to increase stability and reliability (more information can be found under "The PHOENIX group continues to invest in IT", p. 8). We also want to make targeted investments in the future in further modernisation, automation and building maintenance.

Executive Board's overall assessment of the situation

The PHOENIX group was able to strengthen its market position in fiscal year 2019/20 as a leading healthcare provider in Europe and successfully expand its wholesale and retail activities. Despite challenging conditions, the PHOENIX group has once again managed to grow at a higher rate than the overall market and further increase its total operating performance and revenue, thereby achieving our forecast for the past fiscal year.

Financial performance

Key figures of the PHOENIX group	FY 2018/19 in EUR m	FY 2019/20 including IFRS 16 in EUR m	Impact of IFRS 16 in EUR m	FY 2019/20 excluding IFRS 16 in EUR m	Change excluding IFRS 16 in EUR m	Change including IFRS 16 %
Total operating performance	33,045.1	34,513.8	4.1	34,517.9	1,472.8	4.5
Revenue	25,812.2	27,322.8	4.1	27,326.9	1,514.7	5.9
EBITDA	471.1	603.6	-133.8	469.8	-1.3	-0.3
EBIT after goodwill impairment	40.8	176.3	-10.8	165.5	124.7	305.6
EBIT before goodwill impairment	320.3	307.0	-10.8	296.2	-24.1	-7.5
Financial result	-71.6	-67.3	24.4	-42.9	28.7	-40.1
Profit before tax	-30.8	109.0	13.6	122.6	153.4	-498.1
Profit or loss for the period after goodwill impairmer	-112.0	39.5	4.9	44.4	156.4	-139.6
Profit or loss for the period before goodwill impairm	167.5	164.9	4.9	169.8	2.3	1.4
Equity	2,806.6	2,832.4	6.2	2,838.6	32.0	1.1
Equity ratio (%)	33.5	29.9	2.6	32.5	-1.0	-3.0
Net debt	1,432.6	2,294.9	-761.7	1,533.2	100.6	7.0

The mandatory first-time application of IFRS 16 “Leases” as of 1 February 2019 had a significant impact on the PHOENIX group’s consolidated financial statements. Payment obligations from leases previously classified as operating leases are now discounted and recognised as lease liabilities with a corresponding right-of-use asset being recognised at the same time. This leads to an increase in net debt. Lease payments in connection with operating leases were previously recognised as operating expenses. Pursuant to IFRS 16, amortisation on right-of-use assets or interest expenses for lease liabilities are now to be recognised. This leads to an increase in EBITDA without a change in the economic conditions. In the statement of cash flows, the principal component of lease payments for leases previously classified as operating leases now reduces cash flow from financing activities and no longer reduces cash flow from operating activities. Interest payments continue to remain under cash flow from operating activities.

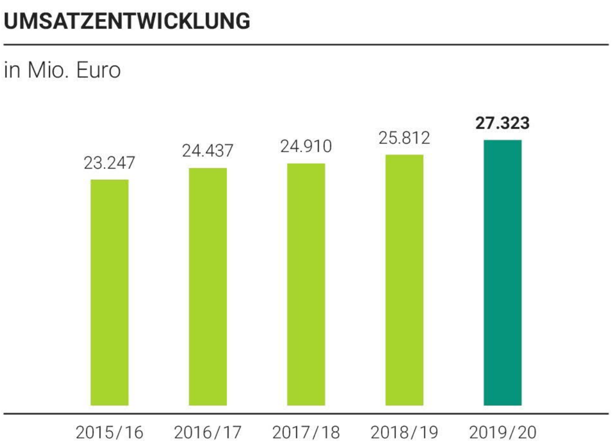
IFRS 16 was applied for the first time using the modified retrospective method, i.e. without restating the prior-year figures. In order to facilitate comparability, the impact of IFRS 16 in fiscal year 2019/20 has once again been adjusted for in the following representations:

	FY 2018/19 in EUR k	FY 2019/20 including IFRS 16 in EUR k	Impact of IFRS 16 in EUR k	FY 2019/20 excluding IFRS 16 in EUR k	Change excluding IFRS 16 in EUR k	Change including IFRS 16 %
Revenue	**25,812,179**	**27,322,803**	**4,108**	**27,326,911**	**1,514,732**	**5.9**
Cost of purchased goods and services	-23,188,211	-24,411,176	0	-24,411,176	-1,222,965	5.3
Gross profit	**2,623,968**	**2,911,627**	**4,108**	**2,915,735**	**291,767**	**11.1**
Other operating income	157,219	30,278	-817	29,461	-127,758	-81.3
Personnel expenses	-1,420,825	-1,510,166	0	-1,510,166	-89,341	6.3
Other operating expenses	-899,832	-831,650	-137,020	-968,670	-68,838	7.7
Result from associates and joint ventures	8,650	1,270	0	1,270	-7,380	-85.3
Result from other investments	1,922	2,201	0	2,201	279	14.5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**471,102**	**603,560**	**-133,729**	**469,831**	**-1,271**	**-0.3**
Amortisation of intangible assets and depreciation of property, plant and equipment	-141,857	-259,856	116,591	-143,265	-1,408	1.0
Impairment of intangible assets and property, plant and equipment	-288,448	-167,391	6,351	-161,040	127,408	-44.2
Earnings before interest and taxes (EBIT)	**40,797**	**176,313**	**-10,787**	**165,526**	**124,729**	**305.7**
Financial result	**-71,563**	**-67,268**	**24,337**	**-42,931**	**28,632**	**-40.0**
Profit before tax	**-30,766**	**109,045**	**13,550**	**122,595**	**153,361**	**-498.5**
Income taxes	-81,209	-69,530	-8,644	-78,174	3,035	-3.7
Profit for the period	**-111,975**	**39,515**	**4,906**	**44,421**	**156,396**	**-139.7**
Profit for the period before goodwill impairment	**167,538**	**164,927**	**4,906**	**169,833**	**2,295**	**1.4**

Increase in total operating performance and revenue

Total operating performance (excluding IFRS 16), which comprises revenue and handled volume not recognised as revenue but instead charged as a service fee, increased by 4.5% to EUR 34,517.9m in fiscal year 2019/20. Adjusted for foreign exchange rate effects, the growth amounts to 4.7%.

Revenue increased by 5.9% to EUR 27,322.8m in fiscal year 2019/20 (prior year: EUR 25,812.2m). Growth was recorded in all regions. This development is in line with the statement made in the forecast report of the 2018/19 group management report, where we expected revenue to be slightly above the level of growth on the European pharmaceutical markets. Adjusted for foreign exchange rate effects, the increase in revenue came to 6.0%. 0.2% stemmed from changes in the basis of consolidation.



Revenue by region (before consolidation) breaks down as follows:

	FY 2018/19 in Euro m	FY 2019/20 in Euro m	Change in Euro m	Change %
Germany	8,922.3	9,239.9	317.6	3.6
Western Europe	8,496.7	9,020.8	524.1	6.2
Eastern Europe	4,206.5	4,786.7	580.2	13.8
Northern Europe	4,256.1	4,345.8	89.7	2.1

EBITDA significantly higher than in the prior year due to the first-time application of IFRS 16

Gross profit increased by EUR 287.7m in the reporting year to EUR 2,911.6m. The gross profit margin, calculated as gross profit in relation to revenue, increased from 10.17% to 10.66%. Without taking IFRS 16 into consideration, gross profit increased by EUR 291.8m to EUR 2,915.8m. The gross profit margin excluding IFRS 16 amounted to 10.67% in fiscal year 2019/20. This can mainly be attributed to an improved cost of sales ratio. Pressure on margins primarily in the United Kingdom caused by market conditions had the opposite effect.

Personnel costs rose from EUR 1,420.8m to EUR 1,510.2m. Adjusted for currency effects, personnel expenses increased by 6.6% on the prior year. This is primarily attributable to acquisitions, collectively bargained wage increases and an increase in headcount due to the expansion of business.

Other expenses decreased by EUR 68.2m to EUR 831.7m. This is largely due to the first-time application of IFRS 16 in fiscal year 2019/20. Without taking IFRS 16 into consideration, other expenses increased by EUR 68.8m to EUR 968.7m. This is largely due to higher transport costs, IT costs, marketing costs and rental expenses. In relation to revenue, other expenses (excluding IFRS 16) came to 3.5% (prior year: 3.5%).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose from EUR 471.1m to EUR 603.6m. Without taking into account the impact of IFRS 16, in deviation from our forecast for fiscal year 2019/20, which anticipated a slight year-on-year increase, EBITDA declined to

EUR 469.8m. The lower EBITDA (excluding IFRS 16) is due in particular to non-recurring expenses.

Adjusted EBITDA (excluding IFRS 16) of EUR 487.8m was down EUR 16.6m on the prior-year figure. It is calculated as follows:

	FY 2018/19 in EUR k	FY 2019/20 including IFRS 16 in EUR k	Impact of IFRS 16 in EUR k	FY 2019/20 excluding IFRS 16 in EUR k	Change excluding IFRS 16 in EUR k	Change including IFRS 16 %
EBITDA	471,102	603,560	-133,729	469,831	-1,271	-0.3
Interest from customers	9,608	9,519		9,519	-89	-0.9
Factoring fees	1,318	1,244		1,244	-74	-5.6
Other non-recurring effects	22,333	7,159		7,159	-15,174	-67.9
Adjusted EBITDA	**504,361**	**621,482**	**-133,729**	**487,753**	**-16,608**	**-3.3**

Goodwill impairment

Amortisation of intangible assets and depreciation of property, plant and equipment amounted to EUR 259.9m (prior year: EUR 141.9m). Amortisation and depreciation and impairment in fiscal year 2019/20 contained amortisation of right-of-use assets under IFRS 16 of EUR 116.6m for the first time. Adjusted for this effect, the increase is primarily due to acquisition effects and investments.

In fiscal year 2019/20, impairment losses were recognised on intangible assets in the amount of EUR 160.7m (prior year: EUR 290.3m). This was largely due to goodwill impairment of EUR 130.7m (prior year: EUR 279.5m) and impairment on pharmacy licences of EUR 27.5m (net) (prior year: EUR 8.1m). Goodwill impairment largely relates to the cash-generating units United Kingdom and Romania (prior year: United Kingdom and Bosnia/North Macedonia/Serbia). In the United Kingdom, a further reduction in pharmacy remuneration led to a decline in future income forecasts and thus to impairment of goodwill. An extensive optimisation programme aimed at improving the earnings situation in the medium term was already in the implementation phase. A growing need for working capital at the cash-generating units Romania and Germany also led to the impairment of goodwill.

The effects described resulted in earnings before interest and taxes (EBIT) of EUR 176.3m overall (prior year: EUR 40.8m). Without taking IFRS 16 into account, EBIT amounted to EUR 165.5m. EBIT (excluding IFRS 16) before goodwill impairment amounted to EUR 296.2m compared to EUR 320.3m in the prior year. The return on sales (excluding IFRS 16) based on EBIT before goodwill impairment amounted to 1.08% (prior year: 1.24%).

The financial result improved by EUR 4.3m to EUR -67.3m. On account of the first-time application of IFRS 16 in fiscal year 2019/20, the financial result contains additional interest expenses on lease liabilities of EUR 24.3m. Adjusted for this effect, the financial result improved by EUR 28.7m to EUR -42.9m. In the prior year, the financial result was impacted due to a negative effect of EUR 19.8m on account of the sale of financial assets and impairments of financial assets in the amount of EUR 14.3m.

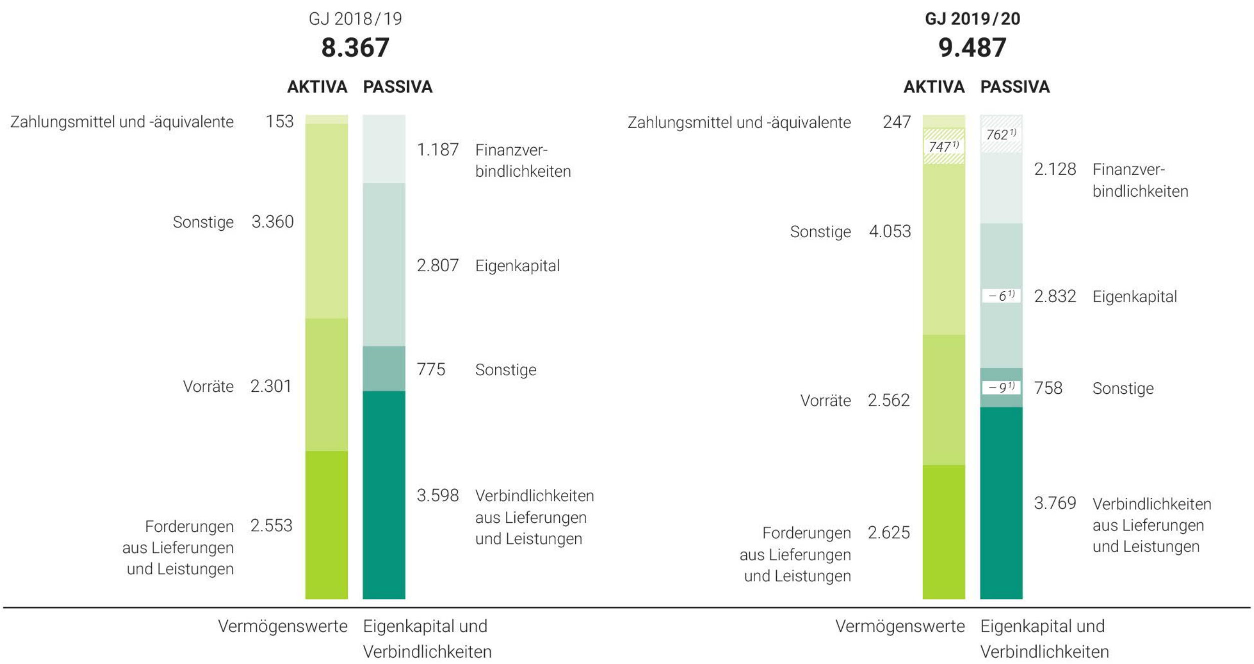
Earnings before income tax amounted to EUR 109.0m (prior year: EUR −30.8m). Excluding the effects of IFRS 16, earnings before income taxes amount to EUR 122.6m.

Income taxes of EUR 69.5m (prior year: EUR 81.2m) were recorded. The ratio of tax expense to earnings before income tax of 63.8% (prior year: −264.0%) is largely impacted by non-tax-deductible goodwill impairment. Income taxes excluding IFRS 16 amounted to EUR 78.2m (prior year: EUR 81.2m) and contain expenses from current taxes of EUR 70.8m (prior year: EUR 64.9m) as well as deferred tax expenses of EUR 7.4m (prior year: EUR 16.3m).

Profit for the period came to EUR 39.5m (prior year: loss of EUR 112.0m). Excluding the effects of IFRS 16, profit for the period amounted to EUR 44.4m. Profit for the period (excluding IFRS 16) before goodwill impairment amounted to EUR 169.8m compared to EUR 167.5m in the prior year.

BILANZSTRUKTUR

in Mio. Euro



[1] Auswirkung von IFRS 16.

Assets and liabilities

The Group's total assets increased compared to 31 January 2019 in particular due to the first-time application of IFRS 16 by 13.4% to EUR 9,486.7m. The currency translation difference on total assets, which is recognised in the statement of changes in equity, amounted to EUR −97.1m (31 January 2019: EUR −100.6m).

Property, plant and equipment increased from EUR 993.1m in the prior year to EUR 1,733.4m. As of 31 January 2020, property, plant and equipment contains right-of-use assets of EUR 734.0m due to the first-time application of IFRS 16.

Intangible assets decreased by EUR 24.2m to EUR 1,813.6m. In fiscal year 2019/20, additions amounted to EUR 148.7m (prior year: EUR 207.0m). This was counterbalanced primarily by impairment of goodwill in the United Kingdom, Romania, Germany, Bosnia and Herzegovina, and Austria totalling EUR 130.7m (prior year: EUR 279.5m). As of 31 January 2020, intangible assets essentially comprised goodwill (EUR 1,411.4m; prior year: EUR 1,460.3m) and pharmacy licences (EUR 286.7m; prior year: EUR 287.3m).

Inventories rose in comparison to the prior year by 11.3% to EUR 2,561.8m. The average number of days sales of inventory rose from 32.9 to 33.9 days.

Trade receivables increased slightly from EUR 2,552.6m in the prior year to EUR 2,625.4m. The average number of days of sales outstanding remained more or less at the prior-year level at 41.2 (prior year: 41.0).

Receivables amounting to EUR 302.4m had been sold as of 31 January 2020 (prior year: EUR 302.4m) 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 175.3m had been sold as of 31 January 2020 (prior year: EUR 169.2m). The Group’s continuing involvement came to EUR 8.1m (prior year: EUR 8.5m).

Other current financial assets fell by EUR 25.3m to EUR 121.7m.

Financial position

The objective of financial management is to ensure a sound capital structure to finance operating business.

Increased equity

Equity increased from EUR 2,806.6m as of 31 January 2019 to EUR 2,832.4m as of 31 January 2020. Excluding the effects of IFRS 16, equity amounted to EUR 2,838.6m. In contrast to our forecast, the equity ratio (excluding IFRS 16) declined from 33.5% in the prior year to 32.5% largely due to the increase in total assets.

	FY 2018/19 in EUR m	FY 2019/20 including IFRS 16 in EUR m	Impact of IFRS 16 in EUR m	FY 2019/20 excluding IFRS 16 in EUR m	Change excluding IFRS 16 in EUR m	Change including IFRS 16 %
Profit or loss for the period	-112.0	39.5	4.9	44.4	156.4	-139.6
Non-cash expenses/income, p&l neutral payments	509.3	479.2	-132.4	346.8	-162.5	-31.9
Change in working capital	-35.5	-236.0	0.0	-236.0	-200.5	564.8
Cash flow from operating activities	**361.8**	**282.7**	**-127.5**	**155.2**	**-206.6**	**-57.1**
Cash flow from investing activities	**-300.1**	**-230.8**	**0.0**	**-230.8**	**69.3**	**-23.1**
Free cash flow	**61.7**	**51.9**	**-127.5**	**-75.6**	**-137.3**	**-222.5**

Cash flow from operating activities came to EUR 282.7m (prior year: EUR 361.8m). This was impacted in particular by the change in the fiscal year in the recognition of lease payment in the cash flow from financing activities due to the first-time application of IFRS 16 as well as a higher year-on-year increase of working capital of EUR 200.5m. Excluding the effects of IFRS 16, cash flow from operating activities came to EUR 155.2m. Cash flow from investing activities came to EUR -230.8m after EUR -300.1m in the prior year. In the prior year, this was largely affected by the acquisition of Farmexim S.A. and Help Net Farma S.A.

Free cash flow decreased from EUR 61.7m in the prior year to EUR 51.9m. Excluding the effects of IFRS 16, free cash flow amounted to EUR -75.6m in fiscal year 2019/20. For the change in free cash flow and cash and cash equivalents, please refer to the statement of cash flows.

Provisions for pensions decreased from EUR 256.9m in the prior year to EUR 224.3m in the reporting year.

Non-current financial liabilities came to EUR 1,229.1m (31 January 2019: EUR 662.3m). These include lease liabilities pursuant to IFRS 16 of EUR 647.4m (31 January 2019: EUR 0.0m). Moreover, this item contains bonds of EUR 199.3m (31 January 2019: EUR 497.6m) and promissory notes of EUR 370.0m (31 January 2019: EUR 149.7m).

Current financial liabilities amount to EUR 899.2m as of the reporting date (31 January 2019: EUR 525.2m) and contain lease liabilities pursuant to IFRS 16 of EUR 114.3m (31 January 2019: EUR 0.0m). This item includes bonds of EUR 299.7m (31 January 2019: EUR 0.00m), liabilities to banks of EUR 142.7m (31 January 2019: EUR 137.5m), liabilities from ABS and factoring agreements of EUR 186.2m (31 January 2019: EUR 213.6m) and other loans of EUR 109.6m (31 January 2019: EUR 116.2m).

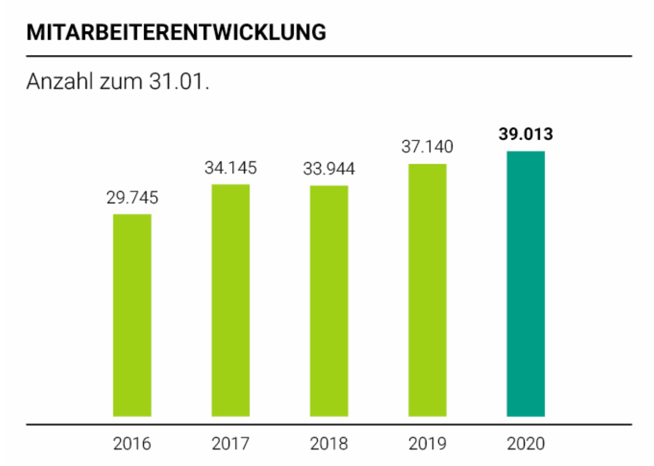
On the whole, net debt increased compared to 31 January 2019 (excluding IFRS 16) by EUR 100.6m to EUR 1,533.2m according to the following calculation.

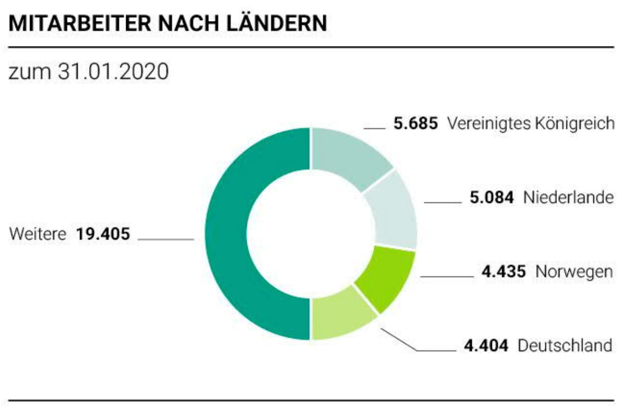
	31 January 2019 in EUR k	31 January 2020 including IFRS 16 in EUR k	Impact of IFRS 16 in EUR k	31 January 2020 excluding IFRS 16 in EUR k	Change excluding IFRS 16 in EUR k	Change including IFRS 16 %
+ Financial liabilities (non-current)	662,282	1,229,148	-647,393	581,755	-80,527	-12.2
– Derivative financial instruments (non-current)	-187	-145		-145	42	-22.5
+ Financial liabilities (current)	525,215	899,181	-114,320	784,861	259,646	49.4
– Derivative financial instruments (current)	-5,733	-5,324		-5,324	409	-7.1
– Cash and cash equivalents	-153,309	-246,846		-246,846	-93,537	61.0
+ Receivables sold in the course of factoring and ABS transactions	463,065	469,553		469,553	6,488	1.4
– Factoring receivables	-24,412	-24,681		-24,681	-269	1.1
– Receivables from ABS programmes	-34,316	-26,007		-26,007	8,309	-24.2
Net debt	**1,432,605**	**2,294,879**	**-761,713**	**1,533,166**	**100,561**	**7.0**

Trade payables increased by EUR 171.2m on the prior year to EUR 3,769.0m primarily due to acquisitions.

For further information on the PHOENIX group's financial liabilities, please refer to the sections on "Financial liabilities" and "Other notes" in the notes to the consolidated financial statements.

Employees





At the end of fiscal year 2019/20, the PHOENIX group employed 39,013 employees in 27 European countries. Consequently, headcount increased by 5.0% compared to the prior year. This increase is due in particular to the takeover of pharmacies in the Netherlands, Romania, Serbia and the Czech Republic along with our general business expansion. The number of full-time equivalents increased by 6.7% to 24,563.

Follow-up process derived from the employee survey

The opinions, satisfaction and motivation of its employees are particularly important to the PHOENIX group. In order to foster dialogue further, we conducted the second group-wide employee survey in autumn 2018. The participation rate stood at 64% of the workforce and was thus slightly higher than in our first survey in 2015.

One important result: In countries and business segments with a consistent follow-up process to the 2015 employee survey, employees felt a significantly stronger affiliation to the national subsidiaries of the PHOENIX group. Therefore, after the second survey, we focused on an optimised follow-up process, which we kicked off under the motto "#bettereveryday". In this regard, the divisions and distribution centres purposefully translated the results of the survey into measures, including workshops amongst others.

In addition, idea spaces were set up at PHOENIX Germany, for example, in order to actively take advantage of the opportunities available for improvement. These spaces allow employees to develop ideas for improvement. These are subsequently worked on in small groups in what are known as idea workshops. Our aim is that the results from these workshops ultimately trickle down into our day-to-day operations.

The binding follow-up process is followed by the Pulse-Check 2020, in which we once again conduct surveys to assess the status quo in the overarching actions areas and use the Employee Commitment Index ECI to determine whether the measures that have been derived have led to improvements. The Executive Board of the PHOENIX group has received progress reports from the various countries on all of the measures introduced.

The PHOENIX group also receives important feedback on potential for improvement from the annual talks with employees. We also want to improve digital employee communication and to this end have gradually started to introduce an employee app in the various countries. For example, since the end of November 2019 employees in Germany have been able to use the "Speakap" app for communication and information as well as for dialogue and exchange.

Furthermore, in October and November 2019, the PHOENIX group carried out a feedback process for management. We wanted to use this to check how our Leadership Guidelines are being implemented. This is to help management to continuously improve their leadership skills.

Focused further training

We build upon further training in order to recognise the potential of our employees and systematically foster their abilities. This allows the PHOENIX group's employees to expand their professional competence and develop personally. In fiscal year 2019/20, employees and managers took part in a total of 95 training measures.

Depending on their function, employees participate in targeted on-boarding programmes and training. The mandatory elements include training on the subjects of Good Distribution Practice (GDP), Code of Conduct, the Anti-Corruption Policy, the Competition Compliance Policy and the General Data Protection Regulation (GDPR). In addition to classroom training sessions, we are continuing to use e-learning systems, which are also an efficient form of providing training in a corporate group that is active across Europe. Our excellence programmes also strengthen the exchange of best practices.

We would like to fill senior staff positions internally where possible. To this end, we have put in place succession planning for top positions that offers more extensive career opportunities for management and strengthens their connection with the Company. Our Talent Management process identifies top performers in the Company and provides them with support using optimal staff development instruments - both at a Group level and a national level.

Furthermore, the PHOENIX group has also set up international development programmes to support talented managers:

- the Top Management Education Programme (TMP) for all of the PHOENIX group's top management,
- the Senior Management Education Programme (SMP) for selected managers at the second-highest management level, and
- the Middle Management Education Programme (MMP) for (future) managers in middle management (team leaders).

The SMP and MMP programmes both consist of three classroom-based events with interactive training sessions and workshops in various European cities. There are also online meetings or webinars in between these sessions. As part of these, not only do participants learn useful methods and skills for their day-to-day work, but they also get to know colleagues from other countries and divisions.

In Germany, we also offer the Talent Development Programme (TDP) for employees with the potential to embark upon a specialist or management career path. Group and divisional leaders with the potential to make the step up to the next highest level have the opportunity to develop further in Management Development Programme I (MDP I). Further development programmes (MDP II and III) for higher levels of management are in the planning stage.

Committed to training

The PHOENIX group offers young people a diverse range of opportunities to join the firm, such as internships, apprenticeships and combined courses of study. We are regularly involved in different careers and degree information events as well as training fairs in order to raise awareness of our company amongst interested applicants.

In fiscal year 2019/20, the German sub-group of the PHOENIX group employed 109 trainees and 14 combined degree students. The traineeships available in our company include an apprenticeship as a merchant in wholesale and foreign trade, a warehouse logistics specialist, an IT specialist or as a Bachelor's student of commerce or information systems. During the combined degree programme, young people also have the opportunity to spend a period abroad and experience in another country and another language. In fiscal year 2019/20, these included placements at the national subsidiaries in Estonia, Croatia, Latvia and Serbia.

RISK AND OPPORTUNITY REPORT

Risk management system allows risks to be monitored // Risks and opportunities identified as part of risk management // Quality and stability of operating processes serve as a foundation // The PHOENIX group exploits opportunities

Risk management

The risk management system within the PHOENIX group consists of planning, approval and reporting structures and an early warning system. The internal audit department examines this system regularly for adequacy, operability and efficiency. The Executive Board regularly receives reports on the audit findings of the internal audit.

Risks

The PHOENIX group is subject to market risks. As a rule, the pharmaceutical market is less affected by cyclical swings than other industries, but the loss of purchasing power and cost-saving measures in government spending on healthcare can have a negative impact on the market and our business activities.

The earnings situation in the pharmaceutical wholesale business is also influenced by the terms and conditions granted to customers and by suppliers. These depend, in particular, on the level of competition in the individual countries, which is why they are continually monitored on both the sales and purchasing side.

In the operating business, the quality and stability of the operating processes is decisive. In many areas, there are contingency plans for maintaining operations even in the event of unforeseen interruptions. The standardisation of the IT systems also helps ensure the stability of the operating processes.

With the advance of digitalisation, new competitors are seeking to establish themselves in the market with online offerings in competition with traditional pharmacies and the wholesale business. We are monitoring these activities and are reviewing in which areas it is expedient and admissible to set up or expand our own online offering.

Brexit, which took place on 31 January 2020, could give rise to economic and political uncertainty. It still cannot be predicted whether and to what extent this will have on the wholesale and retail pharmaceutical business. There could also be unexpected fluctuations in the exchange rate, which could cause the translation risk to increase.

The global spread of coronavirus has given rise to growing risks for global macroeconomic development since the start of 2020, which could also have a negative effect on our businesses. Given the high level of uncertainty, it is difficult to estimate the impact this will have on the economy. We initially expect a rise in revenue due to increased demand for medicines. In the mid-term, there could be a reversal of this effect. On the procurement side, there are risks in terms of the availability of certain drugs whose production requires basic components from Asia in particular. Furthermore, there are personnel risks if employees miss work due to sickness. Plans are in place within the PHOENIX group that should ensure the continuation of the Group's operations.

Credit risk and accounts receivable management

The credit risk at the PHOENIX group, measured as total receivables, is comparatively low. Regardless of this, payment terms in the public healthcare system tend to vary from one country to another, with longer payment terms customary in southern and eastern Europe. In our experience, the risk is also distributed over a large number of customer relationships. In the course of liberalisation of the pharmacy markets in Europe, however, pharmacy chains and new sales channels are increasingly emerging, creating a large number of major customers with a higher level of receivables outstanding.

A group-wide guideline for accounts receivable management aims to systematically monitor receivables risks.

Acquisition projects

The PHOENIX group's strategy is to acquire pharmacies and wholesale companies in order to expand its own market position. As a result, the Group is exposed to legal, fiscal, financial and operational risks from acquisitions. The central mergers & acquisitions department therefore analyses and reviews acquisition projects before they are approved by the Executive Board. It may, however, happen that developments anticipated at the date of acquisition do not eventuate. This can, in turn, lead to an impairment loss being recognised on goodwill in the course of impairment testing.

Legal risks

The PHOENIX group is active in 27 countries in Europe. In light of its strong market position, there is a risk that competition authorities will occasionally rule in a way that is unfavourable for us. Trade with pharmaceutical products requires compliance with certain legal requirements in the different countries. Infringements of these requirements may result in corresponding penalties by the authorities.

Financial risks

In a financing context, the PHOENIX group is exposed to various risks.

In the course of the refinancing measures concluded in June 2012, certain financial covenants were agreed, the breach of which presents a risk to financing. The development of liabilities and covenants is monitored regularly as a result. In fiscal year 2019/20, we complied with the agreed covenants comfortably.

Derivatives are used to hedge against interest rate and currency risks. Their use is monitored intensively on a timely basis. Derivative financial instruments are only used for hedging purposes; counterparty risks are minimised by the careful selection of trading partners.

The agreements underlying our corporate bonds contain restrictions and obligations for the PHOENIX group as issuer as are customary in the market. Failure to comply with these restrictions and obligations could result in the amount of the bond plus the interest accrued falling due.

As regards the currency translation risk, the exchange rates of the pound sterling, the Norwegian krone and the Hungarian forint are of relevance for the PHOENIX group. Currency transaction risks are relevant in some eastern European countries where deliveries by the pharmaceutical manufacturers are sometimes invoiced in euro and sometimes in US dollars. For the Group, however, these are not material. Fluctuations on the financial markets may also lead to shortfalls in the pension funds and the inherent risk of an unplanned increase in personnel expenses.

Tax risks

The companies of the PHOENIX group based in Germany are subject to tax field audits. Foreign subsidiaries are subject to the audit requirements of their local tax authorities. Tax backpayments cannot be ruled out as a result of tax audits performed at German and foreign companies.

Please also refer to the comments in the notes to the consolidated financial statements.

Opportunities

The PHOENIX group is active in 27 countries in Europe. The broad geographic diversification reduces the impact of changes in healthcare policy in individual markets on the Group’s business development. Thanks to its broad geographical coverage, for instance, the PHOENIX group can also offer the pharmaceutical industry services across Europe.

Strong market position in wholesale

The PHOENIX group holds a leading market position in pharmaceutical wholesale in almost all countries in which it operates. It is the market leader in a large number of countries and has a particularly strong position in northern and eastern Europe and in Germany. No competitor has comparable geographic coverage or market position in these regions.

Many of our pharmacy customers take part in the Company's cooperation programmes. In some countries, the PHOENIX group also offers franchise systems for independent pharmacies.

Financial prerequisites for future growth established

The integration of the wholesale and retail pharmaceutical business also offers opportunities.

In the area of logistics, the PHOENIX group is aiming to implement process improvements across Europe and on an ongoing basis (more information can be found under "Ongoing optimisation" on p.7). Process optimisation measures that are successful in one country serve as a starting point for improvement measures in other countries and can help to reduce costs there.

The sound financing structure with an equity ratio of around 30% and financing with a long-term outlook have established the financial prerequisites for the future growth of the PHOENIX group. This applies as regards both organic growth and appropriate acquisitions.

Executive Board's overall assessment of the risks and opportunities

On the whole, the PHOENIX group is active on a stable market and is well equipped to conduct activities in the areas of wholesale, retail and pre-wholesale. This allows it to take advantage of any opportunities that present themselves in order to build on its strong market position in the future. The risks and opportunities in the pharmaceutical retail business are not subject to any major changes over time. There are currently no discernible risks to jeopardise the Company's ability to continue as a going concern.

FORECAST

High levels of uncertainty expected regarding economic growth in the eurozone and Germany // The PHOENIX group's revenue set to increase at a slightly higher rate than European pharmaceutical markets // The Company is well equipped to achieve further positive business development

Future economic environment

There is a high level of uncertainty regarding economic development for 2020 in Germany and the eurozone owing to of the coronavirus pandemic. Whilst the economic implications were initially felt in China, since the end of January, the crisis has also increasingly impacted Europe. Based on the information currently available, it is difficult to estimate the impact this will have on the economy. However, the longer the pandemic lasts, the more severe the consequences could be. Leading German economic research institutes currently expect a decline in gross domestic product (GDP) in the eurozone of 5.3% and 4.2% in Germany. From a current perspective, the PHOENIX group does not expect there to be any significant impact on the Group's assets, liabilities, financial position and financial performance. However, the economic risks as a consequence of the coronavirus crisis have recently heightened significantly.

We expect the pharmaceutical markets in Europe to record market growth of around 2.5% overall in 2020. In Germany, our largest market, we anticipate market growth of approximately 2.6%. Consequently, growth should increase compared to 2019.

Future development of the PHOENIX group

For fiscal year 2020/21, 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 2020/21, we expect earnings before taxes to be significantly above the level seen in 2019/20.

We also expect a slight increase in the equity ratio.

Executive Board's assessment of the Group's future position

The Executive Board is convinced that with its presence in 27 European countries and its sound financing structure, the PHOENIX group is well-positioned to continue to achieve positive business development over the medium- and long-term. In addition to the organic and acquisition-related growth, increasing cost efficiency should also be an important contributing factor.

Mannheim, 9 April 2020

The Executive Board

Sven Seidel (Chair)
Helmut Fischer
Marcus Freitag
Frank Große-Natrop
Stefan Herfeld