PHOENIX PIB Dutch Finance B.V.

(a private company with limited liability incorporated under the laws of The Netherlands)

EUR 400,000,000 2.375 % Notes due 5 August 2025

unconditionally and irrevocably guaranteed by

PHOENIX PHARMAHANDEL GMBH & CO KG

(a limited partnership organised under the laws of the Federal Republic of Germany, having its corporate seat in Mannheim, Germany)

and

PHOENIX International Beteiligungs GmbH

(a limited liability Company incorporated under the laws of the Federal Republic of Germany, having its corporate seat in Mannheim, Germany)

Issue Price: 99.419 %

PHOENIX PIB Dutch Finance B.V. (the "**Issuer**") will issue on or about 5 August 2020 (the "**Issue Date**") EUR 400,000,000 2.375 % Notes due 5 August 2025 (the "**Notes**"). The Notes will be redeemed at par on 5 August 2025. The Notes will bear interest from and including 5 August 2020 to, but excluding, 5 August 2025 at a rate of 2.375 % per annum, payable annually in arrear on 5 August in each year, commencing on 5 August 2021.

The obligations under the Notes will constitute unsubordinated and, except for the guarantees described below, unsecured obligations of the Issuer, ranking *pari passu* among themselves and *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law. The Notes will have the benefit of an unconditional and irrevocable guarantee (the "**Parent Guarantee**") from PHOENIX Pharmahandel GmbH & Co KG ("**PHOENIX KG**" or the "**Parent Guarantor**") and an unconditional and irrevocable guarantee (the "**Subsidiary Guarantee**" and, together with the Parent Guarantee, the "**Notes Guarantees**") from PHOENIX International Beteiligungs GmbH (the "**Subsidiary Guarantor**" and, together with the Parent Guarantor, the "**Guarantors**"). The Guarantors have also issued guarantees to secure other indebtedness of the PHOENIX Group.

Standard & Poor's Global Ratings ("**S&P**") has assigned a rating of BB+, outlook negative, to PHOENIX KG and a preliminary rating of BB+ to the Notes. A credit or security rating is not a recommendation to buy, sell or hold securities. S&P is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

For a discussion of certain significant factors affecting investment in the Notes, see "Risk Factors" on pages 1 through 20.

This prospectus (the "**Prospectus**") does not constitute a prospectus within the meaning of Regulation (EU) No 1129/2017 of the European Parliament and of the Council of 14 June 2017 (as amended, the "**Prospectus Regulation**"). Neither the Luxembourg Financial Supervisory Authority, the *Commission de Surveillance du Secteur Financier*, nor any other "competent authority" (as defined in the Prospectus Regulation) has approved this Prospectus or reviewed information contained in this Prospectus.

This Prospectus constitutes a prospectus for the purpose of the Luxembourg Law of 16 July 2019 on Prospectuses for Securities, as amended. Application has been made for admission of the Notes to the official list of the Luxembourg Stock Exchange and for trading on the Euro MTF market ("**Euro MTF**") operated by the Luxembourg Stock Exchange, which is a multilateral trading facility for the purposes of the Markets in Financial Instruments Directive 2014/65/EU (as amended, "**MiFID II**"), and therefore a non-EU-regulated market.

The Notes and the Notes Guarantees will be governed by the laws of the Federal Republic of Germany ("**Germany**").

The Notes are issued in bearer form with a denomination of EUR 100,000 each. The Notes have been assigned the following securities codes: ISIN XS2212959352, Common Code 221295935, WKN A280VZ.

Joint Bookrunners

Commerzbank	**Crédit Agricole CIB**	**ING**	**UniCredit Bank Austria**

The date of this Prospectus is 3 August 2020.

RESPONSIBILITY STATEMENT

Each of the Issuer and the Guarantors accepts in respect of itself only responsibility for the information contained in this Prospectus and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each of the Issuer and the Guarantors further confirms that (i) this Prospectus contains all information with respect to the Issuer and the Guarantors as well as PHOENIX KG and its subsidiaries and affiliates taken as a whole ("**PHOENIX**" or the "**PHOENIX Group**"), the Notes and the Notes Guarantees which is material in the context of the issue and offering of the Notes, including all information which, according to the particular nature of the Issuer and the Guarantors and of the Notes and the Notes Guarantees, is necessary to enable prospective investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantors and the PHOENIX Group and of the rights attached to the Notes and the Notes Guarantees; (ii) the statements contained in this Prospectus relating to the Issuer, the Guarantors, the PHOENIX Group, the Notes and the Notes Guarantees are in every material respect true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the Guarantors, the PHOENIX Group, the Notes or the Notes Guarantees the omission of which would, in the context of the issue and offering of the Notes, make any statement in the Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer and the Guarantors to ascertain such facts and to verify the accuracy of all such information and statements.

NOTICE

This Prospectus should be read and understood in conjunction with any supplement hereto and with any documents incorporated herein by reference.

No person is authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantors or the Managers (as defined in "SUBSCRIPTION AND SALE OF THE NOTES"). Neither the delivery of this Prospectus nor any sale made hereunder nor any other document incorporated herein by reference shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Guarantors or any of their affiliates since the date of this Prospectus, or that the information herein and in any other document incorporated herein by reference is correct at any time after such date.

To the extent permitted, by the laws of any relevant jurisdiction, neither the Managers nor any other person mentioned in this Prospectus, except for the Issuer and the Guarantors, are responsible for the information contained in this Prospectus or any other document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents. The Managers have not independently verified any such information and accept no responsibility for the accuracy thereof.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantors. This Prospectus does not constitute an offer of Notes or an invitation by or on behalf of the Issuer, the Guarantors or the Managers to the public generally to purchase any Notes. Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer, the Guarantors or the Managers to a recipient hereof and thereof that such recipient should purchase any Notes.

This Prospectus has been prepared by the Issuer solely for the purpose of offering the Notes described herein and the Prospectus may only be used for this purpose. Notwithstanding any investigation that the Joint Bookrunners may have made with respect to the information set forth herein, this Prospectus does not constitute, and shall not be construed as, any representation or warranty by the Joint Bookrunners as to the adequacy or accuracy of the information set forth herein.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The offer, sale and delivery of the Notes and the distribution of this Prospectus in certain jurisdictions are restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantors and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of the Notes and on the distribution of this Prospectus, see "SUBSCRIPTION AND SALE OF THE NOTES — Selling Restrictions". In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to United States tax law requirements. Subject to certain limited exceptions, the Notes may not be offered, sold or delivered within the United States of America ("**U.S.**") or to, or for the account of, U.S. persons.

In this Prospectus all references to "**€**", "**EUR**" or "**Euro**" are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended.

MIFID II PRODUCT GOVERNANCE

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients, each as defined in MiFID II; and (ii) all channels for distribution to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, COMMERZBANK AKTIENGESELLSCHAFT (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT COMMERZBANK AKTIENGESELLSCHAFT (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE OF THE RECEIPT OF THE PROCEEDS OF THE ISSUE BY THE ISSUER AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL LAWS, DIRECTIVES, REGULATIONS AND RULES OF ANY RELEVANT JURISDICTION.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and statements which are based on PHOENIX' own calculations and estimates, including statements using the words "believes", "anticipates", "intends", "expects", "according to its own calculations" or other similar terms and assumptions. This applies in particular to statements under the caption "INDUSTRY OVERVIEW" and statements elsewhere in this Prospectus relating to, among other things, the future financial performance, plans and expectations regarding developments in the business of the PHOENIX Group.

These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the Issuer and the Guarantors, to be materially different from or worse than those expressed or implied by these forward-looking statements. PHOENIX Group's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Prospectus: "Risk Factors", "General Information on the Issuer" and "General Information on the Parent Guarantor". These sections include more detailed descriptions of factors that might have an impact on PHOENIX Group's business and the markets in which it operates.

In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur. In addition, neither the Issuer nor the Guarantors assume any obligation, except as required by law, to update such forward-looking statements and to adapt them to future events or developments.

ALTERNATIVE PERFORMANCE MEASURES

The Issuer and the Guarantors believe that there are alternative performance measures (together, the "**Alternative Performance Measures**") which are useful in evaluating the PHOENIX Group's operating performance and the level of the PHOENIX Group's indebtedness. However, the Alternative Performance Measures are not recognized as measures under International Financial Reporting Standards as adopted by the EU ("**IFRS**") and should not be considered as substitutes for measures on profit before income tax, profit for the period, cash flow from operating activities or consolidated other income statement or consolidated statement of cash flows data, as determined in accordance with IFRS, or as measures of profitability or liquidity. The Alternative Performance Measures do not necessarily indicate whether cash flow will be sufficient or available for the PHOENIX Group's cash requirements, nor whether any such measure is indicative of the PHOENIX Group's historical operating profit or earnings. The Alternative Performance Measures are not meant to be indicative of future results. Because not all companies calculate these measures and figures in the same way, the PHOENIX Group's presentation of the Alternative Performance Measures is not necessarily comparable with similarly titled measures used by other companies.

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RISK FACTORS

*Before deciding to purchase the Notes, investors should carefully review and consider the following risk factors and the other information contained in this Prospectus. Should one or more of the risks described below materialise, this may have a material adverse effect on the cash flows, results of operations and financial condition of the Issuer, the Guarantors and the other members of the PHOENIX Group. Moreover, if any of these risks occur, the likelihood that the Guarantors will be in a position to fulfil their payment obligations under the Notes Guarantees and that the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease and the market value of the Notes may deteriorate, in which case the holders of the Notes (the "**Holders**") could lose all or part of their investments. Factors which the Issuer and the Guarantors believe may be material for the purpose of assessing the market risks associated with the Notes are also described below.*

The Issuer and the Guarantors believe that the factors described below represent the principal risks inherent in investing in the Notes as guaranteed by the Notes Guarantees. However, the Issuer or any Guarantor may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons than those described below. Additional risks and uncertainties, which are currently not known to the Issuer or the Guarantors or which the Issuer and the Guarantors currently believe are immaterial, could likewise impair the business operations of the PHOENIX Group and have a material adverse effect on the cash flows, results of operations and the financial condition of the Issuer, the Guarantors and the other members of the PHOENIX Group. In addition, investors should be aware that the risks described might combine and thus intensify one another.

RISK FACTORS RELATING TO THE ISSUER AND THE GUARANTORS

Risks related to the Business Activities of the PHOENIX Group, Industry and Competition

The recent novel coronavirus (COVID-19) outbreak could materially adversely affect the financial condition and results of operations of PHOENIX.

PHOENIX Group's business depends in many ways on global economic conditions. The COVID-19 outbreak and the illness caused by it as well as actions taken by governments and competent authorities and institutions to fight the outbreak of the virus and the illness caused by it may adversely affect the PHOENIX Group's business, financial condition and results of operation.

Coronaviruses (CoV) are a large family of viruses that cause illness ranging from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). The novel coronavirus (named COVID-19 by the World Health Organisation), reportedly first discovered in Wuhan, Hubei Province, China, in December 2019, is a new strain that has not been previously identified in humans.

The novel strain of the coronavirus has globally spread throughout other areas such as Europe, the Middle East, and America and has resulted in significant reductions in economic growth worldwide. Authorities have implemented measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter in place orders, and shutdowns. These measures have impacted and may further impact the workforce and operations of the PHOENIX Group and the operations of its customers, vendors and suppliers, for instance in case quarantines affect employees of the PHOENIX Group or members of the PHOENIX Group are required to close facilities, such as warehouses or office buildings, due to infections of employees with the coronavirus. As at the date of this Prospectus, there have been no serious cuts in the operations and the value chain of the PHOENIX Group. Only one warehouse located in Italy had to shut down its operations temporarily for the purpose of disinfecting office premises. The network of warehouses in Italy was able to compensate for this short-term closure. Regarding official regional quarantine and safety measures in particularly affected areas, e.g. in northern Italy at the peak of the COVID-19 pandemic, delivery frequencies and product ranges offered partly had to be reduced in order to mitigate less flexible workforce management and rising sales volumes. In the retail sector, since the beginning of the COVID-19 pandemic, pharmacy branches mainly located in shopping centres have been affected by closures (at peak times, 10 to 20 branches). Since April 2020, the situation has eased considerably throughout Europe. However, there is considerable uncertainty regarding such measures and potential future measures, and restrictions on the access to facilities of the PHOENIX Group or on its support operations or workforce, or similar limitations for vendors and suppliers of the PHOENIX Group, and restrictions or disruptions of transportation, such as reduced availability of air transport, port closures, and increased border controls or closures, may further impact the PHOENIX Group's capacity to meet customer demand and have a material adverse effect on its financial condition and results of operations. These restrictions and disruptions could affect the PHOENIX Group's performance on its contracts. Resulting cost increases may not be fully recoverable or adequately covered by insurance, which could impact the profitability of the PHOENIX Group. The COVID-19 pandemic might also lead to increased operational risks in the form of IT or cyber risk (*e.g.*, due to the increased remote use of resources such as split operations or home office working or criminal activity). COVID-19 has also impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates, and interest rates.

As at the date of this Prospectus, given the uncertainty of the lasting effect of the COVID-19 outbreak, the overall financial impact on the global economy cannot be determined. In the medium to long term, if the rapid spread of COVID-19 continues, it could adversely affect global economies and financial markets, resulting in a prolonged economic downturn. The economic recovery post-COVID-19 will depend on the continued spread of COVID-19. COVID-19 carries supply chain implications, including limitations on the global movement of people and goods, disruption of industrial production, restrictions on travel and public transportation, prolonged closures of workplaces and the reduction of private consumption. The COVID-19 outbreak, the illness caused by it as well as actions taken by governments and other competent authorities or institutions to fight the outbreak of the virus, its further spread and the illness caused by it may, either directly or indirectly, impact on the Issuer, its customers, suppliers, investors and credit markets which in turn may adversely affect the PHOENIX Group's financial performance. Risks related to economic conditions are described in in the risk factor titled "*PHOENIX might be adversely affected by changes and trends in the general economic conditions, the pharmaceutical sector as well as patient and consumer spending*" below.

PHOENIX operates in a competitive environment and faces margin pressure in the Wholesale business as it has to defend and strengthen its market position via attractive pricing models.

In its wholesale business, the PHOENIX Group operates in highly competitive national markets which, notwithstanding their mainly regulated nature, are subject to competition, both regarding price and service, from direct competitors including cooperatives, and alternative supply sources, including short-liners, importers (parallel trade) and domestic opportunistic traders. In Germany in particular, the PHOENIX Group has faced and continues to face strong margin pressure in its wholesale business.

The reasons for the severe competition in the wholesale markets in which the PHOENIX Group operates include that on the one hand, the PHOENIX Group has to negotiate with pharmaceutical manufacturers who are in a strong negotiating position and, on the other hand, the PHOENIX Group has to win and retain pharmacies as wholesale customers, often by granting discounts and by offering deferred payment options and offering various additional services which might reduce profit margins. In addition, it is commonplace in the wholesale business not to have long-term agreements with customers or with pharmaceutical manufacturers.

Pharmaceutical manufacturers might further choose to directly supply the pharmacies via logistics service providers. By directly supplying pharmacies, pharmaceutical manufacturers would be able to offer lower prices than pharmaceutical wholesalers. Consequently, the PHOENIX Group might be forced to reduce its wholesale margin to a minimum in order to be able to compete and retain its market share.

In addition, the ability of the PHOENIX Group to maintain its position in the European market will depend, among other things, on its ability to prevail over its competitors in the acquisition of new attractive wholesale and retail companies in new markets and in the markets in which the PHOENIX Group is already present. A strong market position and coverage is substantial in order to get selected as a wholesaler under alternative wholesale models (such as the reduced wholesale model and the exclusive wholesale model) as well as in single-channel markets, where the pharmaceutical manufacturers select only one or a few wholesalers for their distribution. A loss of market share in any market using such models could thus negatively affect the ability of the PHOENIX Group to be selected as preferred or exclusive wholesaler and weaken PHOENIX Group's position in negotiating with suppliers. Moreover, a strong market position and coverage is essential in order to achieve economies of scale in operations and to further grow its business.

There is also a risk that other participants in the wholesale marketplace might change their business or operational models in a way which could increase competition. For example, service providers and pharmaceutical and other healthcare products manufacturers might develop their own supply management capabilities, which could adversely affect the business operations of the PHOENIX Group. Furthermore, the liberalisation of pharmacy markets could result in other wholesalers and market participants starting to acquire pharmacies, which could reduce its wholesale customer base.

PHOENIX might be adversely affected by changes and trends in the general economic conditions, the pharmaceutical sector as well as patient and consumer spending.

The business of the PHOENIX Group might be adversely affected by changes in the relevant domestic and global political and economic environment. Even if its pharmaceutical distribution business is less affected by general economic trends, a general decline in the purchasing power and a state health care policy increasingly focusing on cost-containment measures might negatively affect its business. The PHOENIX Group also depends on market growth in the pharmaceutical distribution sector, which is primarily dependent on the development of sales volumes and the ability of pharmaceutical companies to market top-selling pharmaceuticals. In addition, its business depends on patient and consumer spending, in particular with regard to sales of over-the-counter ("**OTC**") products, which might be negatively affected during economic downturns and/or other periods of weaker consumer confidence. The market for prescription-only drugs is typically more stable and less dependent on general economic conditions since the purchase price for such drugs is generally reimbursed by the public health system. Changes in general economic conditions, in the market volume of the pharmaceutical market as well as patient and consumer spending could therefore adversely affect the financial position and results of operations of the PHOENIX Group.

PHOENIX is exposed to competition in the retail business from a diverse range of competitors some of which have larger resources.

In the retail business, the PHOENIX Group faces competition from a variety of competitors depending on the market and regulatory environment of the different jurisdictions in which it operates. The competitors in these markets include national, regional and local pharmacies as well as in some countries supermarket retailers and mail-order pharmacies. Some of PHOENIX Group's competitors have larger resources and might try to expand their market shares by offering more attractive prices, in particular for OTC products. This could lead to a price pressure for the retail business and potentially a loss of market shares of the PHOENIX Group. The intensity of competition also depends on the level of liberalisation. In countries that are opening up to liberalisation, PHOENIX Group's success will depend in part upon the purchase of a representative cluster of pharmacies.

PHOENIX faces competition from alternative business models, in particular from mail order pharmacies and e-health platforms.

Rising importance of mail order pharmacies and e-health platforms could adversely affect both the retail and the wholesale business of the PHOENIX Group as these alternative business models could likely diminish market volume accessible for the established pharmaceutical distribution chain that the PHOENIX Group operates in. In the first place, both mail-order companies and e-health platforms are important competitors for the PHOENIX Group's own retail business as well as the business of its wholesale customer base (i.e. pharmacies) as these competitors aim at becoming the first point of contact for consumer and thus might achieve a significant role in the value chain. Moreover, these companies might source directly from pharmaceutical manufacturers thus bypassing the pharmaceutical wholesale, such as the PHOENIX Group's wholesale business, completely or only deploying it for minor and less attractive parts of the product portfolio. This could adversely affect the business and the results of operations of the PHOENIX Group.

PHOENIX operates its pre-wholesale services business in a competitive environment.

In most of the countries in which the PHOENIX Group operates, logistic-related services are being offered to pharmaceutical manufacturers. In the event of worsening economic conditions, traditional logistic companies seek more intensively for market niches and increasingly try to enter into the pharmaceutical distribution business. Furthermore, especially major multinational pharmaceutical manufacturers might prefer to select pharma services providers operating at least regionally. Any such effect would adversely affect the financial position and results of operations of the PHOENIX Group.

PHOENIX faces risks related to lease agreements – especially for its retail business.

PHOENIX Group faces risks related to lease agreements – especially for its retail business. In the retail business, the location of the individual shop is one of the most important success factors. Within PHOENIX Group's large and multi-national network of more than 2,700 own pharmacies, more than 95 % of the locations are leased from many different landlords. As the usual term of such lease agreements is between 5 to 10 years, in individual cases combined with an option for PHOENIX to extend the term for additional 5 to 7 years, in each year the lease contracts for a notable number of shops of the portfolio have to be renewed. In the respective negotiations with landlords, the PHOENIX Group might be faced with strongly increased lease rates, potentially leading to a negative effect on the future profitability of the relevant shop and to higher operative costs incurred by the

PHOENIX Group, or with a non-renewal of the contract itself, which would make it necessary to find another attractive location to continue the pharmacy operations. In case that PHOENIX is not in a position to lease premises for a number of pharmacies in attractive locations, the PHOENIX Group's business and results of operations might be adversely affected given that the locations of the pharmacies operated by the PHOENIX Group are a main factor for PHOENIX' retail business to generate high sales volumes.

PHOENIX faces inflationary cost pressure and might not be able to fully pass this on to its customers.

In the pharmaceutical wholesale and retail business, a significant part of the cost base consists of fixed costs. The costs tend to grow year by year due to, among others, inflationary pressure. As the pricing and margin structures are in many cases determined by government regulations, the PHOENIX Group might face difficulties to pass cost increases on to its customers. This could adversely affect the business and the results of operations of the PHOENIX Group.

PHOENIX faces specific country risks.

The PHOENIX Group operates in 27 countries in Europe. It is exposed to a number of political, social, economic, financial and market-related risks in these countries such as currency control regulations, currency exchange rules, the United Kingdom's ongoing exit process from the EU, as well as potential difficulties in staffing and managing foreign operations and sustaining the supply chain. Foreign countries could further impose additional taxes or restrict the import of PHOENIX Group's products.

PHOENIX' good relationships with pharmaceutical manufacturers may change and pharmaceutical manufacturers may be impacted by financial difficulties.

Until some years ago, generally all pharmaceuticals were distributed through a number of competing full-line wholesalers. However, several pharmaceutical manufacturers within the European markets, initially in the UK, have established alternative distribution models such as direct-to-pharmacy and the reduced wholesale model. In certain countries, such as Sweden and Finland, they have adopted the single channel strategy. By using these models, pharmaceutical manufacturers try to gain more transparency and consequently, more influence over the distribution chain. As a consequence, in certain countries only preferred wholesalers are allowed to distribute pharmaceutical products of certain pharmaceutical manufacturers. It is therefore of essence to establish good relationships with the pharmaceutical manufacturers in order to be chosen as preferred wholesaler. The choice depends, *inter alia*, on a strong and leading market position and coverage and a high quality of service and handling of the products. If the PHOENIX Group is not chosen, it would not have access to the full assortment of products in the market. Major pharmaceutical manufacturers might extend these distribution models to other European markets in which the PHOENIX Group operates. In addition, due to a strong negotiating position of the pharmaceutical manufacturers and the in general short-term contracts between pharmaceutical manufacturers and wholesalers, the PHOENIX Group might be forced to accept unfavourable terms of payment in order to be chosen as preferred wholesaler. If the PHOENIX Group is not able to maintain and expand its position as preferred wholesaler, its results of operations would be adversely affected.

If pharmaceutical manufacturers experience financial difficulties, they might increase their prices, reduce their output or change their terms of sale, in particular introduce shorter payment terms, or be unable to fulfil their payment obligations towards the PHOENIX Group for fees, returned products or incentives which might have a material adverse impact on its results of operations.

In addition, in recent years the pharmaceutical manufacturers have been subject to ongoing consolidation. As a result, a small number of very large companies have a significant share of the market. Accordingly, the PHOENIX Group depends on fewer pharmaceutical manufacturers for its products which might result in a weakening of its bargaining position for conditions and rebates and favourable payment terms with the pharmaceutical manufacturers, which could have a material adverse impact on the results of operations.

Quota limitations have affected and may further adversely affect the quantity of products PHOENIX can order from certain pharmaceutical manufacturers.

In some European markets certain pharmaceutical manufacturers limit the quantities of certain products the PHOENIX Group is allowed to order for purposes of preventing parallel exports. The caps are determined according to market share and past order volumes. Due to these quota limitations, the PHOENIX Group might be unable to accommodate the demand of its customers and complete the orders placed with it, and therefore lose revenue and customers. Further, since its maximum order volumes are related to its present market share, the

PHOENIX Group might be unable to further expand its business and to increase its market share potentially resulting in an adverse effect on its financial position and results of operations.

PHOENIX may face substantial defaults in payment, a material reduction in purchases or the loss of a large customer or group purchasing organisation.

Revenue in the wholesale business is usually generated through a large number of customer relationships. In certain jurisdictions in which the PHOENIX Group operates, a significant portion of its revenue is generated from a limited number of large customers with a higher level of receivables outstanding. This is especially the case in jurisdictions where pharmacy chains and new distribution channels have been created following the liberalisation of the market. The PHOENIX Group also has agreements with group purchasing organisations, each of which functions as a purchasing agent on behalf of member hospitals, pharmacies and other healthcare providers in a particular jurisdiction. Should one of these large customers or group purchasing organisations materially reduce its purchases from the PHOENIX Group or terminate its purchasing agreements or supply relationships with it or cease to recommend the PHOENIX Group to their customers as preferred wholesaler or go bankrupt, the PHOENIX Group would experience a potentially substantial loss in revenue.

The PHOENIX Group generally sells products in its wholesale business to customers on often unsecured short payment terms, varying from one country to another. The credit risk at the PHOENIX Group, measured in relation to total receivables, is, in general, comparatively low, as healthcare institutions, subject to certain exceptions, commonly have a high credit standing. However, in the course of the liberalisation of the pharmacy markets in Europe pharmacy chains and new sales channels are becoming increasingly important, resulting in a larger number of major customers with higher levels of receivables outstanding. Although potential customer payment risks are addressed through an accounts receivables management system assessing existing and new customers on an on-going basis, it cannot be completely ruled out that payment defaults due to adverse changes in general economic conditions or reduced reimbursements of pharmaceuticals could adversely reduce sales to end customers and cause customers to delay or default on trade receivables owed to the PHOENIX Group. This would consequently reduce PHOENIX Group's revenue growth and cause a decrease in its profitability and cash flow. As of and for the fiscal year ended 31 January 2020 ("**fiscal year 2019/20**"), net impairments of receivables amounted to EUR 7.1 million and impairments of further financial assets amounted to EUR 0.6 million.

Failure to identify suitable acquisition targets or to successfully integrate acquired businesses might slow down further growth.

An important element of the PHOENIX Group's strategy for continued growth consists of acquisitions of selected businesses and interests in the European pharmaceutical wholesale and retail sectors as well as related markets to strengthen its market position or to enter into new markets. Failure to identify suitable acquisitions or to identify all relevant risks associated with an acquisition and properly integrate and manage the acquired business could adversely affect the financial position, results of operation and growth prospects of the PHOENIX Group. If the integration processes were not concluded as planned, the creation of operational synergies might not be possible or could be delayed. The PHOENIX Group cannot assure that forecasts and assumptions made prior to or at the time of the consummation of the relevant transaction materialise. Should any such forecast or assumption not materialise, this may adversely affect the results of the PHOENIX Group.

Furthermore, the PHOENIX Group might not be able to participate in acquisitions due to the limitations set out in the EUR 1,250 million syndicated facility agreement for PHOENIX KG entered into on 21 June 2012 and last amended pursuant to an amendment request dated 4 March 2020 (the "**Syndicated Credit Facility Agreement**"). As a consequence, entry into new markets or expansion of its market shares in markets in which the PHOENIX Group already operates might be restricted.

In concentrated markets in which the PHOENIX Group is active, the PHOENIX Group may not be able to identify suitable acquisition targets at all or may only be able to identify a limited number of large targets. In certain markets, the PHOENIX Group may decide to entirely or partially divest its local business units for instance due to the lack of growth prospects, the respective economic outlook or to optimize its portfolio of business activities. Such divestitures may, in general, improve the capital structure of the PHOENIX Group. However, the PHOENIX Group may not be able to divest its activities as planned in which case such divestitures might have a negative impact on its business, financial position, results of operations and reputation. In addition, a purchaser may successfully bring claims against the PHOENIX Group, e.g. based on alleged violations of representations and warranties. In the case of a partial divestiture, the PHOENIX Group may be forced to liquidate the remaining part of the business which could trigger significant one-off costs and expenses and lead to a reputational damage. Alternatively, the PHOENIX Group may decide to acquire a large target enterprise or business in order to strengthen its market position and to actively shape its pan-European footprint. Such an acquisition may result in additional financing needs which could have a material adverse effect on the capital structure and financial position of the PHOENIX Group. In addition, large transactions may lead to significant transaction costs, taxes and other expenditures, and the integration of the acquired business into the PHOENIX Group may pose specific difficulties, such as, *inter alia*, the negotiation and implementation of antitrust remedies.

The business expansion of the PHOENIX Group might also be restricted due to antitrust restraints. In concentrated markets in which the PHOENIX Group has a strong market position, it might not be able to further expand its business due to merger control regulations. Further, the regulatory environment might also be adverse to its business strategy. In some European countries, the PHOENIX Group is currently not allowed to operate pharmacies due to regulations which, for instance, do not allow so-called third-party ownership (pharmacies owned by persons other than pharmacists, for example in Germany) and so-called multiple ownership (the ownership of several pharmacies by one and the same person or company, for example to some extent in Germany). In several larger European pharmaceutical markets (*e.g.*, Germany, France), third-party ownership of pharmacies is not permitted. It cannot be excluded that ownership regulations might change in the future in these countries and ownership of pharmacy chains by pharmaceutical wholesalers would become possible. If the PHOENIX Group is unable to enter into attractive markets at all or in a timely manner, its financial position and results of operation might be adversely affected.

An expansion of PHOENIX Group's retail business also involves risks for its core wholesale business. By acquiring pharmacies or pharmacy chains, the PHOENIX Group enters into competition with customers of its wholesale business. If the PHOENIX Group tries to gain market share in the retail business at the expense of its pharmacy customers, the increase in revenue and EBITDA might be offset by corresponding losses in revenue in the wholesale business if customers discontinue or reduce business with the PHOENIX Group. Therefore, any acquisitions in the retail business if not carefully chosen could result in adverse impacts on the customer base in the wholesale business potentially adversely affecting its financial position and results of operations.

An increase in the market share of generic drugs might negatively influence PHOENIX' margin generated in the wholesale business.

Healthcare and public policy trends indicate that the number of generic drugs will increase over the next few years as a result of the expiration of certain drug patents and cost-containment measures introduced by governments to increase the market share of lower priced generic drugs. The price difference between a patent protected drug and a generic drug is considerable. Lower prices lead to lower revenue, even if the PHOENIX Group might add higher margins on low priced drugs these risks could adversely affect the financial position and results of operations of the PHOENIX Group.

Risks associated with industrial disruption and other causes of business interruption.

The PHOENIX Group faces general operational risks including the risk of industrial disruptions and other causes of business interruptions. Its operations are dependent on the continued operation of its inventory management (in particular in the wholesale business), logistics infrastructure, information technology systems, warehousing and the operational systems of third party service providers. In particular, sophisticated information technology systems are a central part of the business operations and distribution and logistics functions. Business interruptions might be caused by equipment failure, information technology systems failures, computer viruses, product supply disruptions, stock handling procedure breakdown, labour force shortages or work stoppages, natural disasters, inadequate public infrastructure, events impeding transport of products and failure of pharmaceutical manufacturers or other events beyond PHOENIX Group's control. The occurrence of major operational problems might adversely affect its financial position and results of operations.

Due to changes in pharmaceutical manufacturers' distribution prices, PHOENIX might be forced to sell products in stock at prices below the price it paid, which might reduce its margins or even lead to a write-down of its inventories.

In certain countries, as a full-line wholesaler, the PHOENIX Group has a statutory duty to ensure an appropriate and continuous supply of all pharmaceutical products it trades in. The PHOENIX Group is therefore obliged to have an appropriate number of each pharmaceutical product in stock. In case of changes in pharmaceutical manufacturers' distribution prices regarding particular products it might be required to sell the products to its customers at lower prices than anticipated. This would reduce its margin or, in case the PHOENIX Group has to decrease the price to below the price it paid for the product, lead to a write-down of its inventories. Each of these risks might adversely affect its financial position and results of operations.

PHOENIX may face failures in the functioning of its IT systems or software, a failure to ensure their continued availability or software interoperability as well as cyber threats.

The functioning of IT systems, software as well as the software interoperability with PHOENIX Group's customers is of great importance since most orders of its customers are placed electronically. In addition, the logistics of most of its distribution centres is also controlled electronically. Therefore, the correct functioning of the IT systems and the software and data processing systems is vital in order to ensure a proper and error-free business performance. Any software error could lead to material service interruptions and might consequently adversely affect the results of operations of the PHOENIX Group. This would also be the case if software essential for its business becomes unavailable for the PHOENIX Group other than for technical reasons.

In addition, the PHOENIX Group is obliged to ensure data protection of all data it receives from its customers. Any software error could lead to a violation of statutory obligations regarding the protection of data privacy, which could result in loss of its reputation and customers.

There is increasing demand among customers, industry groups and government authorities that healthcare software and systems provided by various vendors are compatible with each other. The PHOENIX Group might therefore incur increased development costs if it is required to upgrade its software and systems to be in compliance with evolving interoperability standards and related data protection requirements. In addition, these changes might lengthen the sales and implementation cycle and it might incur costs without or prior to any corresponding increase in revenue. Moreover, in case it does not develop its software in a timely manner, its business might be negatively affected. Each of these risks might adversely affect financial position and results of operations of the PHOENIX Group.

Breaches of security from increasingly sophisticated cyber threats could lead to the loss or disclosure of confidential information, result in business interruption or malfunction or regulatory actions and have a material adverse effect on PHOENIX Group's operations, reputation and financial results.

Reduced capacity in the commercial property insurance market exposes PHOENIX to potential losses.

In order to provide prompt and complete service to its customers in the wholesale business, the PHOENIX Group maintains significant product inventory at its distribution centres. While the PHOENIX Group strives to maintain property insurance coverage in amounts it believes are sufficient for its business, there can be no assurance that its property insurance will be adequate or further available on acceptable terms. One or more large casualty losses caused by fire, earthquake or other natural disasters in excess of its coverage limits would have an adverse impact on the financial position and results of operations.

Potential negative changes in the value of PHOENIX' assets could result in impairments.

The consolidated financial statements of the PHOENIX Group as of and for the fiscal year ended 31 January 2020 contain goodwill in the amount of EUR 1,411.4 million, pharmacy licenses in the amount of EUR 286.7 million as well as right-of-use assets in the amount of EUR 809.1 million, and deferred tax assets of EUR 77.4 million as of 31 January 2020, respectively. Goodwill is not amortised, but subject to impairment tests. These tests are carried out on an annual basis or as required if as there are indications of impairment. Intangible assets such as pharmacy licenses and tangible assets such as right-of-use assets might be subject to impairment if the prospects of the business to which the license or the right-of-use assets relates deteriorate or if the business is sold. Deferred tax assets for tax loss carry-forwards are only recognised if it is probable that taxable income will be available in the future which can be set-off against tax loss carry-forwards. Deferred tax assets are calculated on the basis of management estimates on the expected timing and amount of taxable income to be generated and the future tax planning strategies. It cannot be ruled out that negative changes in the value of the assets might result in impairments, which – depending on their size – could have a material adverse effect on the financial position and results of operations of the PHOENIX Group.

Assumptions, including legal findings, increases in discount rates and rates of return, for PHOENIX' employee retirement and health care schemes may be subject to change.

The PHOENIX Group operates both funded and unfunded defined-benefit pension schemes in various countries. As of 31 January 2020, the present value of the non-funded obligations was EUR 107.1 million. All of its funded pension plans are underfunded, *i.e.*, the present value of the defined benefit obligation is greater than the fair value of the plan assets leading to a defined benefit liability. For example, underfunding resulted in a net carrying amount from defined benefit plan amounting to EUR 74.9 million as of 31 January 2020 in Norway, and amounting to EUR 16.9 million in Switzerland. Total net underfunding of pension schemes operated by the

PHOENIX Group resulted in a net defined benefit liability amounting to EUR 216.3 million as of 31 January 2020.

PHOENIX Group's net defined benefit liability is based on certain actuarial assumptions which vary from country to country, including discount rates, life expectancies and rates of increase in compensation levels. If actual results, especially discount rates and/or rates of return on plan assets, were to differ from those assumptions taken to measure the defined benefit obligation and fair value of plan assets, the pension, retirement and other post-employment obligations could be higher than expected, and the cash flows could be adversely impacted should additional funding of these obligations according to local funding rules become necessary. Increased benefit obligations could also arise if plan rules or parts thereof and/or their practical application would be found not to comply with local law.

Changes in assumptions or low-performing plan assets could also adversely affect the consolidated statement of financial position of the PHOENIX Group. The consolidated financial statements for the fiscal year 2019/20 show in accordance with IAS 19 (revised) for the fiscal year ended 31 January 2019 ("**fiscal year 2018/19**") a return on plan assets excluding amounts contained in interest expenses/income amounting to EUR 7.7 million, and for the fiscal year 2019/20 a return on plan assets excluding amounts contained in interest expenses/income amounting to EUR 24.4 million. Future declines in the value of plan assets or lower-returns might require the PHOENIX Group to make additional or larger than the current cash contributions to pension plans.

Legal, Regulatory and Taxation Risks

PHOENIX' business and results of operations are exposed to changes to healthcare regulations and regulatory decisions, in particular measures to contain healthcare costs.

The business of the PHOENIX Group is subject to governmental regulation in every jurisdiction in which it operates. Such regulation especially affects the pricing levels and margin structures of the distribution and sale of pharmaceuticals and the offering of related services. Over the years, the ageing of the society and the associated increased demand for pharmaceuticals has led to rising healthcare costs. Governments therefore continuously endeavour to reduce costs in the healthcare segment. This leads to cost-containment measures such as cuts in reimbursement levels, eligibility of drugs for reimbursement, reductions of prices of pharmaceutical manufacturers, promotion of the substitution of branded pharmaceuticals by generics, and an increase of patient contribution to pharmaceutical spending. Changes to the regulatory regime in which the PHOENIX Group operates, whether as wholesaler, provider of pharma services (*i.e.*, provider of value added services along the pharmaceutical value chain mainly for pharmaceutical manufacturers but also for pharmacies and individual patients, including pre-wholesale and logistical services or blistering) or retailer, could have an adverse effect on its business, financial position and/or the results of its operations.

Regulatory Exposure of the Wholesale business in particular.

Regulation affects all major aspects of the wholesale business, especially the distribution chain, reimbursement, pricing levels and margin structures of the distribution of pharmaceuticals and the offering of related services. In particular, reimbursement for pharmaceuticals by the respective national health system constitutes an essential component of the remuneration of both pharmacies and wholesalers. In many countries, reimbursement for pharmaceuticals is subject to comprehensive regulation. Therefore, regulatory changes may lead to an exclusion of reimbursement rates in general or with respect to certain pharmaceuticals or affect the actual level of reimbursement (*e.g.*, by promoting the use of lower priced drugs or outright limitations on the margins that pharmaceutical wholesalers are allowed to charge). Regulatory changes resulting in lower reimbursement rates influence the pharmaceutical manufacturers' price or sales volume and, therefore, affect PHOENIX Group’s wholesale profit margin and thus, could have an adverse impact on the results of operations of the PHOENIX Group. Furthermore, in case certain drugs become excluded from reimbursement, the PHOENIX Group will no longer benefit from fixed reimbursement rates. In addition, end consumers might even refrain from buying such pharmaceuticals, resulting in lower sales volumes of PHOENIX' wholesale business and pharmacies operated by the PHOENIX Group.

As a pharmaceutical wholesaler the PHOENIX Group is also subject to regulations regarding, *inter alia*, licensing and permit requirements, Good Distribution Practice ("**GDP**") guidelines, service quality and product ranges, public service obligations, the conditions under which products must be handled, stored and distributed, the integrity of the supply chain, the packing and documentation obligations. The EU Directive 2011/62/EU (so-called Falsified Medicines Directive, ("**FMD**")) aims to prevent counterfeit medicines from entering the legal supply chain. To this end, the FMD provides in principle for the introduction of additional safety features for pharmaceutical products such as authenticity verification and individual identification of each package and gives the European Commission the competence to adopt further detailed provisions. On this basis, the European Commission Delegated Regulation 2016/161 was issued in 2016 and came into force for most EU member states on 9 February 2019. In the course of this, additional safety features for many pharmaceutical products such as a unique identifier allowing the identification and authentication of the individual pack and a device allowing the verification of whether the packaging of the medicinal product has been tampered (anti-tampering device) have been implemented. These measures and specifications may trigger additional costs for the PHOENIX Group. In addition, the European Union Medical Device Regulation (Council Regulation 2017/745 of 5 April 2017, "**MDR**") and the Regulation on in-vitro-diagnostic medical devices (Council Regulation (EU) 2017/746 "**IVDR**") provide for, among other things, uniform and more stringent criteria for so-called "Notified Bodies" particularly carrying out conformity assessments and approvals with respect to relevant products, the procedure for the approval of clinical trials and will also impose further obligations on wholesalers, e.g. in relation to the required documentation. The MDR and IVDR may result in additional efforts and costs for the wholesale business of the PHOENIX Group due to partly adjusted procedures with respect to the receipt of goods and the qualification of suppliers which have to be implemented by members of the PHOENIX Group. Additional costs could adversely affect the results of operations of the PHOENIX Group.

The deadline for implementing the MDR was extended by one year due to the COVID-19 pandemic, so that it will start to apply from 26 May 2021. This has no effect on the start of the IVDR which will become effective as from 26 May 2022.

Regulatory Exposure of the Retail business in particular.

The PHOENIX Group operates more than 2,700 pharmacies in 14 countries. In these countries, regulations governing the pricing levels and margin structures as well as reimbursement rates influence the retail profit margin for sales of the regulated products.

If statutory public health systems limit or exclude reimbursement rates for certain groups of drugs and thereby influence the pharmaceutical manufacturers' price, the profit margin will be lower if it is calculated as a percentage surcharge to the pharmaceutical manufacturers price or if sales volumes for such drugs decline. In addition, if drugs are excluded from reimbursement, the PHOENIX Group will no longer benefit from fixed reimbursement rates.

In addition, in many countries in which the PHOENIX Group operates pharmacies, reimbursement granted by the national public health system to pharmacies is regulated by law, granting pharmacies *e.g.,* a fixed service charge or a percentage surcharge to the pharmaceuticals distributor price. In some countries, pharmacies are required to grant mandatory discounts to statutory health insurance funds resulting in lower profit margins. In addition, PHOENIX Group might experience delays in the reimbursement of expenses granted to wholesalers and pharmacies for drugs dispensed by pharmacies at the expense of national public health systems.

In addition, the operation of pharmacies by the PHOENIX Group is subject to regulation, including viability tests, qualification of personnel, the occupation of duly qualified pharmacists as shop managers, the sale of pharmaceuticals, product composition and storage, packing, labelling, handling and safety of pharmaceuticals. Changes to the corresponding regulations might result in higher operative costs and thereby adversely affect the business and/or results of operations of the PHOENIX Group.

The PHOENIX Group is further subject to regulation relating to the ownership or shareholder structure of pharmacies (*e.g.*, requirement of participation of a duly qualified pharmacist). In particular, a legislative change in Hungary in 2017 has required the PHOENIX Group to divest the majority of the shares previously held in local pharmacies. Another example is the Estonian market where a new law has entered into effect as of 1 April 2020 stipulating that pharmacies must be owned and operated by a pharmacist, leading to a complete divestment of all retail activities of the PHOENIX Group in Estonia in 2020. In case of a future de-liberalisation of further pharmacy markets, it cannot be excluded that the PHOENIX Group might be forced to restructure or even give up the retail business in such markets which might have an adverse effect on the business and results of operations of the PHOENIX Group.

PHOENIX is exposed to legal risks regarding antitrust fines and related damage claims.

Due to PHOENIX Group's activities in 27 European countries and its strong market positions, it might be subject to adverse decisions of competition authorities. In the past, the PHOENIX Group has been subject to investigations and fining decisions of competition authorities for alleged anti-competitive behaviour.

On 21 March 2018, the competition authorities in Lithuania started investigations in respect of Tamro UAB's and BENU Vaistine Lietuva UAB's involvement in an alleged price fixing of retail prices of pharmaceuticals due to not decreasing prices after the reduction of VAT applied to certain types of pharmaceuticals from 21 % to 5 % as of 1 January 2018. On 20 November 2019, the competition authorities in Lithuania started further investigations in respect of Tamro UAB's and BENU Vaistine Lietuva UAB's involvement in an alleged fixing of wholesale and retail mark-ups of reimbursable medicines by having the Ministry of Health persuaded (through the Lithuanian pharmacy association) to adopt regulations supposed to have such effect. The investigations have not yet been completed.

On 16 September 2019, the competition authorities in Finland formally requested from Tamro Oyj and Olo-apteekki Oy information regarding Olo-apteekki Oy's online sales as well as the planned customer loyalty programme; the procedure of the competition authority has not yet been completed. In June 2020, formal information requests by the respective competent competition authorities were received in connection with the cooperation of Czech PHOENIX Group companies with Astellas Pharma Europe and in connection with DATACARE Datenpflege des Pharmagroßhandels Ges.m.b.H. (formerly Datacare GmbH), Austria, being a joint venture of PHOENIX Arzneiwarengroßhandlung GmbH, Austria, and several companies which are no members of the PHOENIX Group. Both information procedures are ongoing.

The PHOENIX Group has a high market share in most jurisdictions in which it operates. This could, *inter alia*, limit its ability to enter into vertical agreements (*e.g.*, exclusive arrangements) with pharmaceutical manufacturers and its customers. There can be no assurance that one of the members of the PHOENIX Group is not a party to agreements that might be found to infringe applicable competition laws. In addition to the consequences mentioned below (*e.g.*, imposition of significant fines), the respective agreements could be void.

A successful competition law challenge against the PHOENIX Group could result in the imposition of significant fines by one or more authorities, and/or in decisions preventing the PHOENIX Group from further expanding its business, and/or third parties (such as competitors and customers) initiating civil litigation, claiming damages caused by anti-competitive practices. Furthermore, compliance with competition laws and regulations might involve significant costs or require changes in business practices that might result in reduced revenue and, accordingly, could have an adverse effect on PHOENIX Group's business and results of operations.

PHOENIX faces risks in connection with litigation and administrative proceedings.

The companies of the PHOENIX Group have been involved in administrative proceedings and litigation involving, in particular, antitrust, commercial, environmental, data protection, intellectual property, as well as regulatory, tort, employment and other various claims. All such legal proceedings are inherently unpredictable and the outcome can result in verdicts and/or injunctive relief that might affect how the PHOENIX Group operates its business or could require the PHOENIX Group to enter into settlements of claims for monetary damages. Future court decisions and legislative activity might increase its exposure to litigation and regulatory investigations. For some complaints filed against certain group companies of the PHOENIX Group, the amount of potential losses that might be incurred should these legal proceedings be resolved against the relevant group company remains uncertain.

In addition, litigation is costly, time-consuming and disruptive to normal business operations. The defence of these matters could also result in continued diversion of management's time and attention away from business operations, which could also harm the business. Even if these matters are not resolved against the PHOENIX Group, the uncertainty and expense associated with unresolved legal proceedings could harm its business and reputation.

It is part of the strategy of the PHOENIX Group to acquire selected businesses and interests in the European wholesale and retail sector as well as related markets to strengthen its market position or to enter into new markets. As a result, the PHOENIX Group is exposed to legal, tax, financial and operational risks resulting from such acquisitions.

PHOENIX could become subject to liability claims that are not adequately covered by insurance and could be required to pay damages and other expenses which could have an adverse impact on results of operations.

The PHOENIX Group is subject to risks that are inherent in the distribution and dispensing of pharmaceuticals and other products, such as medical devices, medical-surgical supplies, food products and the provision of ancillary services. In particular in the retail business, the PHOENIX Group is responsible for product composition, and the storage, packing, labelling, handling and safety of pharmaceuticals. If the PHOENIX Group was to breach its obligations and end customers suffer damage, it might be liable. If customers assert liability claims in relation to products and/or services distributed or rendered by the PHOENIX Group, any ensuing litigation, regardless of the outcome, could result in substantial costs, divert management's attention from operations and decrease market acceptance of the PHOENIX Group's products. Where the PHOENIX Group re-packages or re-labels pharmaceutical products or has pharmaceutical products manufactured by contract manufacturers under its own brand names, it is considered as manufacturer under product liability law and therefore subject to potential product liability claims. PHOENIX Group's general liability coverage or its product liability coverage might neither be sufficient nor continue to be available on acceptable terms to cover one or more large claims against the PHOENIX Group or might include larger self-insured retentions.

In the retail business, the PHOENIX Group faces the risk of violating laws regarding the sale of narcotics or special drug laws. In case of a positive finding, this could potentially result in a revocation of its retail permit.

PHOENIX might be obliged to pay damages and/or to cease selling certain products, which might be found to infringe the rights of third parties.

Although the PHOENIX Group believes that the products it distributes do not infringe the proprietary rights of third parties, there can be no assurance that third parties will not assert infringement claims against the PHOENIX Group (*e.g.*, with respect to trademark or patent rights). In particular, generic drug manufacturers are challenging the validity or enforceability of patents on branded pharmaceutical products. While these legal challenges are pending, a generics manufacturer might already begin manufacturing and selling a generic version of the branded product. To the extent the PHOENIX Group sources and distributes such generic products launched "at risk", the brand-name company could assert infringement claims against the PHOENIX Group. If the PHOENIX Group were found to infringe third party rights, it might be required to pay substantial damages and, *inter alia*, cease selling the related infringing products. The resulting costs (including the costs of litigation) and reputational damage could have a material adverse effect on its results of operations.

PHOENIX' compliance programme may fail to prevent or detect improper practices, fraud and violations of law on the part of its employees.

Due to its highly diversified and decentralised corporate structure with operations in 27 countries and 32,009 employees (full-time-equivalent) on average for the fiscal year 2019/20, it may – despite a group-wide implemented Compliance Management Systems – not always be possible to prevent individual cases of violations of the law, *e.g.*, competition or anti-bribery legislation. The employees of the PHOENIX Group are obliged to act in accordance with all applicable laws and all group companies are subject to regular internal audits. Any non-compliance with laws in conducting business is strictly sanctioned. Despite preventive action, non-compliance may still occur. Due to such violations of the law, the PHOENIX Group could, in particular, become subject to civil and criminal penalties, fines by public authorities and/or decisions preventing the PHOENIX Group from further expanding the business and/or third parties (such as competitors and customers) initiating civil litigation claiming damages caused by anti-competitive practices that, in each case, could have a material adverse impact on its financial position and also have a negative effect on its results of operations.

Changes in law or legal practice regarding the conditions of self-employment might have adverse effects on PHOENIX' business and results of operations.

PHOENIX might be subject to changes in law, legal practice or labour disputes regarding the conditions of self-employment relationships. Such developments might lead to a qualification of self-employment relationships as employment relationships. In such case social security contributions or dues would be payable with respect to such employees, potentially also for the past (*e.g.*, in Germany for up to four years). In addition, statutory employment termination protection would become applicable to such persons. Such change would result in a significant increase in the cost of labour. Any requalification of self-employment relationships as employment relationships might therefore have an adverse effect on its business and results of operations.

Pending and future tax audits within the PHOENIX Group might lead to additional tax payment obligations.

Additional tax expenses could accrue as a result of ongoing or future tax audits. Tax laws and regulations are complex and subject to varying interpretations. Therefore, there is a general risk that tax authorities could have a different view on certain tax matters than the PHOENIX Group. As a result, the tax authorities might not concur with certain positions taken in its tax reports/returns or could revise original tax assessments, and substantially increase the tax burden (including interest and penalty payments) of the affected group companies. This could adversely affect the business, financial condition and results of operations of the PHOENIX Group. Currently, in particular PHOENIX KG, along with certain of its German subsidiaries, is undergoing a routine tax audit for the assessment periods 2010 through 2013 (periods 2009 through 2012 for VAT purposes). Since the tax audits have not been completed yet, it cannot be ruled out that the tax payment obligations actually arising from the tax audit will exceed the amount accounted for as a provision, though at present there is no indication for a material increase of the tax burden beyond the current findings. For VAT assessment periods from 2005 to 2008 appeals are filed to the respective tax authorities and are still pending. Potential additional tax payment obligations are accrued. Tax audits are also pending with respect to group entities in other jurisdictions.

Restrictions of the deduction of interest expenses or forfeiture of interest carry-forwards could adversely affect the business, financial condition and results of operations of the PHOENIX Group.

PHOENIX KG and several of the group entities annually incur significant interest expenses. Subject to certain prerequisites, the tax laws of Germany and other countries which are important to the business, disallow the deduction of interest expenses for tax purposes or reclassify interest expenses as deemed dividends which are non-deductible from the tax base and subject to withholding tax (so-called interest stripping, anti-base erosion or thin capitalisation rules). In some jurisdictions, non-deductible interest expenses can be carried forward in the forthcoming fiscal years. However, under special circumstances, the utilisation of the interest carry-forwards could be restricted or the interest carry-forwards might even be forfeited in part or in whole. The tax burden of future tax periods would be increased if profit is generated that cannot be set off against interest expenses or interest carry-forwards. The restricted utilisation of interest expenses or the forfeiture of interest carry-forwards could adversely affect the business, financial condition and results of operations of the PHOENIX Group.

PHOENIX might be restricted from utilising tax loss carry-forwards.

PHOENIX KG and other group entities have considerable tax loss carry-forwards. For some of them, deferred tax assets have been recognised in the consolidated statement of financial position. The utilisation of such tax loss carry-forwards could be restricted, for instance, pursuant to Section 8c German Corporate Income Tax Act or due to a time limitation. To the extent that the utilisation of tax loss carry-forwards is restricted or tax loss carry-forwards are forfeited, such tax loss carry-forwards cannot be set-off against future taxable profits which could increase the tax burden. In addition, any such restriction might require a write-down of the deferred tax assets in the consolidated statement of financial position. As a result, any restriction of the utilisation of tax loss carry-forwards could have an adverse effect on the financial condition and results of operations of the PHOENIX Group.

If German tax authorities do not recognise one or more of PHOENIX' tax groups for corporate income and trade tax purposes, it might be subject to additional tax payment obligations.

In Germany, a tax group for corporate income and trade tax purposes (*körperschaftsteuerliche und gewerbesteuerliche Organschaft*) has been established between entities of the PHOENIX Group. At present, German tax authorities have not challenged the validity of that tax group. Given the strict requirements applied by the German tax authorities for the recognition of tax groups, it cannot be ruled out with certainty, however, that the tax group might not be recognised partly or as such in whole by the German tax authorities. This could result in additional tax payment obligations that might adversely affect the financial condition and results of operations of the PHOENIX Group.

Fiscal regulations or the interpretation of tax laws might be subject to change.

Changes in fiscal regulations or the interpretation of tax laws by the courts in all jurisdictions in which the PHOENIX Group is conducting its business might have adverse effects on its business, for example if certain tax exemptions no longer apply. Changes in the tax law or the invalidity of granted tax rulings or tax agreements (*e.g.*, as a result of cancellation, withdrawal, termination) might also lead to higher tax impacts on the PHOENIX Group, and potentially have adverse consequences for its financial condition and results of operations.

Risks related to PHOENIX' Financial Position

PHOENIX is exposed to financial risks.

Due to its international business activities, the PHOENIX Group is exposed to a variety of financial risks. In particular, these include market risks (changes in foreign currency exchange rates and interest rates) and credit risks. In addition, liquidity risks might arise due to the financial risks mentioned above and because of unexpected fluctuations in the financial markets. Although the PHOENIX Group aims to mitigate these risks in part by using derivatives in specific cases to hedge against interest rate and currency risks, it cannot be ruled out that the PHOENIX Group has significantly misjudged the extent to which such hedges would have been required.

Currency risk arises through fluctuations of the exchange rate of the currencies of countries that are not part of the European Monetary Union and their impact on the items of the statement of financial position which are not denominated in PHOENIX Group's functional currency, the Euro. PHOENIX is, in particular, exposed to fluctuations in Croatian Kuna ("**HRK**"), Czech Koruna ("**CZK**"), Danish Krone ("**DKK**"), Hungarian Forint ("**HUF**"), Macedonian Denar ("**MKD**") Norwegian Krone ("**NOK**"), Polish Zloty ("**PLN**"), Pound Sterling ("**GBP**"), Romanian Leu ("**RON**"), Serbian Dinar ("**RSD**"), Swedish Krona ("**SEK**") and Swiss Franc ("**CHF**"). The currency risks originate primarily from the external and internal refinancing activities and investments in foreign entities. As the group companies largely settle their operating business in their respective local currency (the cash out flow to the suppliers and the cash inflows from the customers are in local currency), the operative (transactional) currency risks are small. Profits generated in a foreign currency by group companies need to be converted into Euro for consolidation purposes. Any loss in value of the local currency of such group companies to the Euro might lead to lower reported profit of the PHOENIX Group.

If and to the extent that cash out flows of the respective group company in any foreign currency are not, as is usual, offset by cash flows resulting from operational business in such currency, the PHOENIX Group aims to hedge the remaining net foreign currency exposure on a case-by-case basis by using appropriate derivative financial instruments, in particular currency forwards and currency swaps. Currency fluctuations and cost of hedging instruments could have a negative impact on the results of operations of the PHOENIX Group. In addition, the PHOENIX Group faces certain transactional currency risks relating to cross-border delivery relations when purchases and sales are factored in different currencies or when cash flows are converted between currencies. In the fiscal year 2019/20, a change in the exchange rate of the Euro to the HRK of 10 % would have had an impact on profit before tax of EUR 3.5 million, a change in the exchange rate of the Euro to the CZK of 10 % would have had an impact on profit before taxes of EUR 1.1 million, a change in the exchange rate of the Euro to the MKD of 10 % would have had an impact on profit before taxes of EUR 2.5 million, a change in the exchange rate of the Euro to the NOK of 10 % would have had an impact on accumulated other comprehensive income of EUR 44.7 million, a change in the exchange rate of the Euro to the RON of 10 % would have had an impact on profit before tax of EUR 3.9 million, a change in the exchange rate of the Euro to the RSD of 10 % would have had an impact on profit before tax of EUR 2.1 million and on accumulated other comprehensive income of EUR 9.2 million, a change in the exchange rate of the DKK to the NOK of 10 % would have had an impact on profit before tax of EUR 0.7 million and a change in the exchange rate of the DKK to the SEK of 10 % would have had an impact on profit before tax of EUR 1.3 million.

Despite funding being available under the Syndicated Credit Facility Agreement as well as several bilateral asset backed securities and factoring programmes and credit facilities and from the debt capital markets, the PHOENIX Group might be exposed to liquidity risk (*i.e.*, the risk that it is not able to fulfil its payment obligations when they fall due). In particular, the PHOENIX Group may increase its financial indebtedness to expand its working capital position from time to time.

Credit risk might occur if a party to a financial instrument fails to meet its contractual obligations and thus causes a financial loss for PHOENIX Group. Credit risk comprises both the direct default risk and the risk that the creditworthiness of the counterparty will deteriorate, as well as concentration risks. The PHOENIX Group is exposed to credit risk from its operating activities (primarily from trade receivables and loan notes), from certain financial transactions and from the granting of financial guarantees for bank loans for pharmacy customers mainly in Austria and the UK.

Interest rate risks exist as a result of potential changes in the market interest rate and might lead to a change in fair value in case of fixed interest-bearing financial instruments and to fluctuations in interest payments in case of variable interest-bearing financial instruments. With regard to variable interest-bearing financial instruments, changes in market rates impact the earnings of the PHOENIX Group. Increasing interest rates might result in higher interest costs and might adversely affect the PHOENIX Group's financial position and the results of operations.

Volatility and disruption to the global capital and credit markets might adversely affect PHOENIX Group's ability to access credit and increase its cost of credit.

Volatility and disruption in the global capital and credit markets, including (without limitation) the bankruptcy or restructuring of certain financial institutions, reduced lending activity by other financial institutions, decreased liquidity and increased costs in the commercial paper market and the interbank market or the reduced market for securitisations, might adversely affect the availability and cost of current or future credit, including any arrangements to renew or replace the current credit or financing arrangements or to finance strategic acquisitions. There can be no assurance that continued or increased volatility and disruption in the global capital and credit markets will not impair the liquidity or increase the costs of borrowing of the PHOENIX Group.

RISK FACTORS RELATING TO THE NOTES

Risks related to the Nature of the Notes

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of the investment in light of its own circumstances and financial condition. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the Conditions of Issue governing the Notes; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are permitted investments for it, (ii) where relevant, the Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The Issuer's ability to fulfil its obligations under the Notes depends upon PHOENIX Group*'s *future financial and operating performance.

The Notes will be obligations of the Issuer. The Issuer is a funding vehicle for the PHOENIX Group. As such, it raises funds through the issuance of securities and private placements or by the acceptance of loans from credit institutions. The Issuer on-lends these funds, as in the case of the proceeds of the issuance of the Notes, to the PHOENIX Group. The Issuer's ability to pay interest on the Notes and to redeem the Notes at maturity depends upon the future financial and operating performance of the PHOENIX Group and upon its ability to renew or refinance borrowings or to raise additional equity capital. Prevailing economic conditions and financial, business and other factors, many of which are beyond PHOENIX Group's control, will have an impact on its ability to generate funds which in turn will affect the Issuer's ability to make the payments on the Notes. A significant drop in operating cash flow resulting from adverse economic conditions, competition or other uncertainties beyond its control would increase the need for alternative sources of liquidity. If the PHOENIX Group is unable to generate sufficient cash flow to meet the Issuer's debt obligations, it will have to pursue one or more alternatives, such as:

- reducing or delaying capital expenditures;
- restructuring or refinancing debt, including the Notes;
- selling assets; or
- obtaining additional debt or raising equity capital.

There is no assurance that any of these alternatives could be accomplished on satisfactory terms, if at all, or that those actions would yield sufficient funds to redeem the Notes.

PHOENIX has substantial further indebtedness and may incur further indebtedness in the future.

PHOENIX KG, PHOENIX International Beteiligungs GmbH and PHOENIX PIB Finance B.V. are borrowers under the Syndicated Credit Facility Agreement. Following the exercise of two extension options, the maturity date of the facility granted under the Syndicated Credit Facility Agreement will be 16 December 2022. Also, PHOENIX has transferred trade receivables under factoring and asset backed securities programmes in an amount of EUR 692.1 million as of 31 January 2020. The Issuer (PHOENIX PIB Dutch Finance B.V.) issued the 2014 Bonds (as defined below) which mature on 30 July 2021. In addition, PHOENIX KG is a borrower under the 2016 Loan Notes (as defined below) which mature in October 2021 (EUR 75.5 million) and in October 2023 (EUR 74.5 million).

If the PHOENIX Group is unable to generate sufficient cash flows to meet the debt obligations, it will have to pursue one or more alternatives as described in the preceding paragraphs. There is no assurance that any of these alternatives could be accomplished on satisfactory terms, if at all, or that those actions would yield sufficient funds to redeem the Notes.

Other than the limitation of indebtedness undertaking in the Conditions of Issue, the 2014 Bonds, the 2016 Loan Notes and the Syndicated Credit Facility Agreement and financial covenants in the Syndicated Credit Facility Agreement, there is no restriction on the amount of debt which the PHOENIX Group may issue which ranks equal to the Notes. Any issuance of further debt – to the extent permitted under the Conditions of Issue, the 2014 Bonds, the 2016 Loan Notes and the Syndicated Credit Facility Agreement – may further reduce the amount recoverable by the Holders upon winding-up or insolvency of the Parent Guarantor.

The Notes are effectively subordinated to other obligations to the extent such obligations are secured.

Although the Notes and the claims under the Notes Guarantees will rank equally with all other obligations of the Issuer and the Guarantors which are not preferred by mandatory law, they will be effectively subordinated to the extent such other obligations are secured by charging or pledging any of its assets to secure such other debt.

The Notes may be effectively subordinated to the obligations under the Syndicated Credit Facility Agreement, the 2014 Bonds and the 2016 Loan Notes if the lenders of the Syndicated Credit Facility Agreement, the holders of the 2014 Bonds or the lenders under the 2016 Loan Notes draw under their guarantees prior to the Holders.

The obligations under the Syndicated Credit Facility Agreement and the 2014 Bonds are also guaranteed by the Guarantors of the Notes as well as by PHOENIX PIB Finance B.V. In addition, PHOENIX KG's obligations under the 2016 Loan Notes are guaranteed by the Subsidiary Guarantor. In case of a default or event of default under either or all of the Syndicated Credit Facility Agreement, the 2014 Bonds, the 2016 Loan Notes and the Notes, the lenders of the Syndicated Credit Facility Agreement, the holders of the 2014 Bonds or the lender under the 2016 Loan Notes may be faster to draw under the guarantees under the Syndicated Credit Facility Agreement, the 2014 Bonds or the 2016 Loan Notes than the Holder under the Notes Guarantees. This is also because the Notes Guarantees do not constitute guarantees upon first demand (*Garantie auf erstes Anfordern*), but can with respect to principal only be drawn following the acceleration of the principal of the Notes which in some instances requires certain notices by the Holders. In such instance, the Notes Guarantees could prove worthless to the Holders if the relevant Guarantor honoured any guarantee under the Syndicated Credit Facility Agreement, the 2014 Bonds or the 2016 Loan Notes first, also because there is no inter-creditor agreement in place that would provide for a *pro rata* distribution of funds drawn under the guarantees between the various creditor groups. In this case, although the Notes will rank equally to the obligations under the Syndicated Credit Facility Agreement, the 2014 Bonds and the 2016 Loan Notes, they would be effectively subordinated if the lenders of the Syndicated Credit Facility Agreement, the holders of the 2014 Bonds or the lenders of the 2016 Loan Notes draw under the guarantees under the Syndicated Credit Facility Agreement, the 2014 Bonds and the 2016 Loan Notes, respectively, prior to the Holders under the Notes Guarantees. Similarly and in addition, the Notes may also rank effectively junior to any other debt guaranteed by the Guarantors of the Notes.

If PHOENIX fails to meet its obligations under its financing agreements, its creditors could declare all amounts owed to them due and payable, which could lead to liquidity constraints.

PHOENIX Group's ability to comply with the covenants and restrictions in its financing agreements, in particular the Syndicated Credit Facility Agreement, the 2014 Bonds and the 2016 Loan Notes, may be affected by events beyond its control. These include general economic, financial and industry related factors and conditions. If any of the aforementioned covenants or restrictions is breached, the PHOENIX Group could be in default under the Syndicated Credit Facility Agreement, the 2014 Bonds, the 2016 Loan Notes and other relevant financing agreements.

In the event of a default under the Syndicated Credit Facility Agreement, the 2014 Bonds, the 2016 Loan Notes or under any other agreement, the lenders under the respective facilities or financing instruments could take certain actions, including terminating their commitments and declaring all amounts that the PHOENIX Group has borrowed under its credit facility and other indebtedness to be due and payable, together with accrued and unpaid interest. In addition, borrowings under other debt instruments that contain cross-acceleration or cross-default provisions, including the Notes, the 2014 Bonds, the Syndicated Credit Facility Agreement and the 2016 Loan Notes, may as a result also be accelerated and become due and payable. If the debt under the Syndicated Credit Facility Agreement, the 2014 Bonds, the 2016 Loan Notes or the Notes or any other material financing arrangement that the PHOENIX Group has entered into or will subsequently enter into were to be accelerated, its assets may be insufficient to repay the Notes in full.

PHOENIX is subject to a restriction on the amount of debt which the Issuer may incur in the future, which limits its ability to take certain actions and perform certain corporate functions.

The Conditions of Issue governing the Notes contain a covenant that limits its ability to incur additional financial indebtedness.

If the PHOENIX Group fails to comply with this covenant, such non-compliance could lead to a default under the Notes. In the event of a default the Holders could demand immediate repayment. This could also cause much of its other debt to be accelerated. There is no assurance that the PHOENIX Group would be able to pay or refinance this debt on acceptable terms in that event. If the amounts outstanding under debt agreements are accelerated, there is no assurance that the assets of the PHOENIX Group will be sufficient to repay the Notes in full.

The Syndicated Credit Facility Agreement, the 2014 Bonds and the 2016 Loan Notes contain a similar covenant as the Notes, with the Syndicated Credit Facility Agreement containing further covenants and restrictions which are not included in the Conditions of Issue of the Notes, a breach of which could be a default thereunder. These covenants include restrictions, among other things, to pay dividends on, redeem or repurchase capital stock, make certain restricted payments and investments, transfer or sell assets, merge or consolidate with other entities and enter transactions with affiliates, ratios of net indebtedness to Adjusted EBITDA (as defined below in the context of the Syndicated Credit Facility Agreement under "Business of the PHOENIX Group", "Material Contracts") and Adjusted EBITDA to net interest charges. The ability of the PHOENIX Group to comply with these covenants and restrictions may be affected by events beyond its control. No assurance can be given that any of these limitations will not hinder the operations or have an adverse effect on the business, liquidity, results of operations or financial condition of the PHOENIX Group.

The Notes will be structurally subordinated to the creditors of non-guarantor subsidiaries.

No subsidiary of PHOENIX KG other than PHOENIX International Beteiligungs GmbH in its capacity as Subsidiary Guarantor will guarantee the Notes. None of these non-guarantor subsidiaries will have obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, claims of creditors of any such subsidiary, including trade creditors, will have priority with respect to the assets and earnings of such subsidiary over the claims of creditors of its parent entity. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganisation, administration or other bankruptcy or insolvency proceeding of any of the subsidiaries of PHOENIX KG other than the Subsidiary Guarantor, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Issuer or the Guarantors. As such, the Notes and the Notes Guarantees will be structurally subordinated to the creditors (including trade creditors) of the other subsidiaries of PHOENIX KG.

The interests of PHOENIX KG*'s *principal shareholder may conflict with the interests of the Holders.

All limited partners' interests in PHOENIX KG are directly or indirectly (economically) held or controlled by the Merckle family. Their interests could conflict with interests of the Holders. The Merckle family could also have an interest in pursuing acquisitions, divestitures, dividends, financings or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve substantial risks to the Holders.

Risk of Early Redemption for Taxation Reasons.

The Notes may be redeemed at the option of the Issuer (in whole, but not in part) at the principal amount of the Notes plus accrued interest to the date fixed for redemption, for reasons of taxation, as more fully described in the Conditions of Issue. In the event that the Issuer exercises the option to redeem the Notes, the Holders might suffer a lower than expected yield and might not be able to reinvest the funds on the same terms.

Liquidity risk.

There is no existing trading market for the Notes and it is uncertain whether a market for the Notes will develop. Holders may not be able to sell the Notes at a reasonable price or at all. If a public market were to develop, the Notes could trade at prices that may be lower than the initial offering price, depending on many factors, including PHOENIX Group's operating results and the market for similar securities. Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and for trading on the Euro MTF of that exchange; however, such listing might not be obtained.

The market price of the Notes may change unfavourably for the Holders.

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the Notes. The Holders are therefore exposed to the risk of an unfavourable development of market prices of their Notes which materialises if the Holders sell the Notes prior to the final maturity. If a Holder decides to hold the Notes until final maturity, the Notes will be redeemed at the amount set out in the Conditions of Issue.

The market value of the Notes could decrease if PHOENIX' creditworthiness worsens.

In the event any of the risks regarding PHOENIX business materialises, the likelihood that the Issuer will be in a position to fully perform all obligations under the Notes when they fall due will decrease and the market value of the Notes will suffer. In addition, even if the likelihood that the Issuer will be in a position to fully perform all obligations under the Notes when they fall due actually has not decreased, market participants could nevertheless have a different perception. Furthermore, the market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as the PHOENIX Group could adversely change. If any of these risks occurred, third parties would only be willing to purchase Notes at a lower price than before the materialisation of any such risk. Under these circumstances, the market value of the Notes would decrease.

Credit ratings may not reflect all risks and are subject to change.

The ratings assigned to the Parent Guarantor and the Notes may not reflect the potential impact of all risks that may affect the value of the Notes. A credit or security rating is not a recommendation to buy, sell or hold securities. The rating assigned to the Notes should be evaluated independently from similar ratings on other types of securities.

There can be no assurance that the ratings assigned to the Notes and the Parent Guarantor will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely. A qualification, downgrade or withdrawal of any of the aforementioned ratings above may have an impact on the market value and/or the liquidity of the Notes.

A rating does not prevent the value of the Notes from being subject to market fluctuations due to changes in prevailing interest rates and/or credit spreads. Other credit rating agencies could seek to rate the Notes and/or the Parent Guarantor without having been requested to do so by the Issuer or the Parent Guarantor, and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes and/or the Parent Guarantor, those unsolicited ratings could have an adverse effect on the market value and/or the liquidity of the Notes.

Changes in currency exchange rates could decrease the investor's return.

The Notes are denominated in Euro. If the Euro represents a foreign currency to a Holder, such Holder is exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes. Changes in currency exchange rates result from various factors such as macro-economic factors, speculative transactions and interventions by central banks and governments. In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, Holders may receive less interest or principal than expected, or no interest or principal at all.

The price of the Notes which bear interest at a fixed rate could fall due to changes in market interest rates.

The Notes bear a fixed interest rate. A holder of fixed rate securities is particularly exposed to the risk that the price of such securities falls as a result of changes in the market interest rate. While the nominal interest rate of a fixed rate note as specified in the Conditions of Issue is fixed during the life of the Notes, the market interest rate typically changes on a daily basis. As the market interest rate changes, the price of fixed rate securities also changes, but in the opposite direction. Thus, if the market interest rate increases, the price of fixed rate securities typically falls, until the yield of such securities is approximately equal to the market interest rate of comparable issues. If the market interest rate decreases, the price of fixed rate securities typically increases, until the yield of such securities is approximately equal to the market interest rate of comparable issues. If a Holder holds his Notes until maturity, changes in the market interest rate are without relevance to such Holder as regards their price as the Notes will be redeemed at the principal amount of the Notes.

The Conditions of Issue and the terms of the Notes Guarantees, including the terms of payment of principal and interest, may be amended by majority resolution and any such majority resolution will be binding on all Holders.

The Conditions of Issue and the German Act on Debt Securities 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*) (the "**German Act on Debt Securities**") provide that Holders may, by majority resolution, consent to amendments of the Conditions of Issue or any Guarantee. Resolutions shall be passed by simple majority of the votes cast; provided, however, that resolutions providing for certain material amendments require a higher majority. Although no obligation to make any payment or render any other performance may be imposed on any Holder by majority resolution, Holders may, by majority resolution, among other things, agree to:

- change the due date for payment of interest and the reduction, or the cancellation, of interest;
- change the maturity date of the Notes or reduce the principal amount payable on the Notes;
- convert the Notes into, or exchange the Notes for, shares or other securities or obligations;
- change the currency of the Notes;
- the waiver or restriction of Holders' rights to terminate the Notes; or
- subordinate some or all of the claims under the Notes in an insolvency proceeding.

Under the German Act on Debt Securities and the Conditions of Issue, amendments described in the bullet points above require a majority resolution of Holders holding in the aggregate not less than 75 % of the votes cast in respect of the Notes. Subject to contestation in court, any such majority resolution will be binding on all Holders.

As a result, a Holder is subject to the risk of being outvoted and losing rights towards the Issuer or the relevant Guarantor against his will in the event Holders holding a sufficient aggregate principal amount of Notes agree to amend the Conditions of Issue or the terms of any Guarantee by majority vote in accordance with the Conditions of Issue and the German Act on Debt Securities.

Holders' Representative.

In accordance with the German Act on Debt Securities, the Notes provide that the Holders may by majority resolution appoint a representative for all Holders. The responsibilities and functions assigned to the Holders' Representative appointed by a resolution are determined by the German Act on Debt Securities and by majority resolutions of the Holders. If a Holders' Representative is appointed by a majority resolution of the Holders, it is possible that a Holder may be deprived of its individual right to pursue and enforce its rights under the Conditions of Issue against the Issuer. In such case, such right passes to the Holders' Representative who is then exclusively responsible to claim and enforce the rights of all Holders.

Quorum for declaration of certain events of default under the Notes.

In the event of a failure to perform certain non-monetary obligations or a cross-default as specified in § 10 (1)(b) and (c) of the Conditions of Issue, respectively, any notice declaring Notes due shall, unless at the time such notice is received any other events of default specified in § 10 (1)(a) or (d) to (h) of the Conditions of Issue entitling Holders to declare their Notes due has occurred, become effective only when the Principal Paying Agent has received such notices from the Holders of at least one-tenth in principal amount of Notes then outstanding. This quorum may restrict an individual Holder to enforce its rights under the Notes upon the occurrence of one of the aforementioned events of default. In particular, Holders should be aware that, as a result, they may not be able to accelerate their Notes upon the occurrence of certain events of defaults unless the required quorum of Holders delivers acceleration notices and such acceleration is not rescinded by a majority resolution of the Holders in accordance with the Debt Securities Act.

Dealings in the Notes may become subject to the proposed financial transaction tax.

The European Commission has published a proposal for a Directive for a common financial transaction tax (the "**FTT**") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the "**Participating Member States**").

The proposed FTT has a very broad scope and could, if introduced in the form currently proposed, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

According to the coalition agreement between the German Christian Democratic Union, the German Christian Social Union and the Social Democratic Party of Germany the current German government still has the intention to introduce an FTT. In June 2018, Germany and France agreed to further pursue the implementation of an FTT in the EU for which the current French financial transaction tax (which is mainly focused on transactions regarding shares in listed companies with a market capitalization of more than EUR 1 billion) could serve as a role model. Therefore, France and Germany recently presented a common position paper on the introduction of an EU-wide FTT based on the French model to the High-Level Working Party at a meeting of the Council of the European Union.

Nevertheless, the FTT and its scope remain subject to discussions and it is currently uncertain if and when the proposed FTT will be enacted and when it will take effect with regard to dealings in the Notes. Prospective holders of the Notes should consult their own tax advisers in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes.

New or changed accounting standards may ultimately decrease the market value of the Notes.

PHOENIX Group's consolidated financial statements as of and for the fiscal year ended 31 January 2020 are prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch*). New or changed accounting standards may lead to adjustments in the relevant accounting positions. This might lead to a different perception of the market regarding the creditworthiness of the PHOENIX Group. As a result, there is a risk that the market value of the Notes might decrease.

Risks related to the Notes Guarantees

Further liabilities of the Guarantors together with the liabilities under the Notes Guarantees may exceed the Guarantors' assets.

The Guarantors are also guarantors under the Syndicated Credit Facility Agreement and the 2014 Bonds. In addition, PHOENIX KG's obligations under the 2016 Loan Notes are guaranteed by the Subsidiary Guarantor. These existing liabilities of the Guarantors together with their liabilities under the Notes Guarantees may exceed their assets. If the Guarantors are required to fulfil some or all of these obligations, the Notes Guarantees may prove less valuable or even worthless if the other creditors rank equal to or have priority over the Holders.

Claims under the Notes Guarantees will be effectively subordinated to obligations of Guarantors which are secured by Guarantors' assets.

The Notes Guarantees of the Guarantors are not secured by assets of the Guarantors. Therefore, to the extent that the Guarantors have pledged or will pledge their assets to third parties to secure their debts, any claim of the Holder on their Notes Guarantees will be effectively subordinated to the obligations secured by such pledges to the extent of the value of the collateral pledged. In an insolvency of these Guarantors, the Holders face the risk that their claims under the Notes Guarantees will not be satisfied because the remaining assets of the Guarantors may have been pledged as collateral and will be used for satisfying the claims of the secured creditors prior to satisfying the claims of Holders. Thus, secured creditors of the Guarantors, even those who became creditors after the issue of the Notes, would have a priority claim to the assets of the Guarantors in which they have a security interest.

Following a substitution of the Issuer, the Subsidiary Guarantee may be subject to certain limitations or defences.

The Notes Guarantees provide the Holders with a direct claim against the Guarantors. However, the Subsidiary Guarantee will be subject to certain limitations in case the Issuer substitutes for the Issuer the Parent Guarantor or an affiliate of the Parent Guarantor pursuant to the Conditions of Issue and, following such substitution, the Subsidiary Guarantee operates as an upstream or cross-stream guarantee. The enforcement of the Subsidiary Guarantee against the Subsidiary Guarantor would be subject to certain limitations designed to ensure full compliance with applicable statutory requirements, such as capital maintenance rules. The Subsidiary Guarantee contains language limiting the enforceability of the amount of debt guaranteed so that applicable local law restrictions will not be violated. As a result, the Subsidiary Guarantor's liability under the Subsidiary Guarantee could be materially reduced or eliminated, depending upon the amounts of its other obligations and upon applicable laws.

Each Holder might have to enforce its claims in respect of the Notes Guarantees directly against the relevant Guarantors.

Each Notes Guarantee will constitute a contract for the benefit of the Holders as third party beneficiaries in accordance with Section 328 (1) of the German Civil Code (*Bürgerliches Gesetzbuch*). As a consequence, each Holder will have the right to demand payment directly from the relevant Guarantor under the relevant Notes Guarantee and to enforce such Notes Guarantee directly against the relevant Guarantor. In addition, as long as a Holders' Representative is in office, such Holders' Representative will be entitled, in accordance with Section 335 of the German Civil Code (*Bürgerliches Gesetzbuch*) to require performance of the relevant Notes Guarantee from the relevant Guarantor on behalf of the Holder or Holders. Holders, however, should be aware that no assurance can be given that a Holders' Representative will be appointed and that such Holders' Representative will, without a corresponding majority resolution of the Holders, take any enforcement action on behalf of the Holders in respect of any Notes Guarantee. As a result, the Holders should take into account that each Holder might have to enforce the Notes Guarantees on its own. Please see also the risk factor "Holders' Representative".

USE OF PROCEEDS

In connection with the offering of the Notes, the Issuer will receive net proceeds of approximately EUR 395,346,000. The Issuer will on-lend the proceeds of the issuance of the Notes to other members of the PHOENIX Group, which will use such proceeds for purposes of the general business of the PHOENIX Group (including, for the avoidance of doubt, repayment of existing financial indebtedness of the PHOENIX Group). The total expenses of the issue of the Notes are expected to amount to EUR 2,330,000. As the Notes will be issued at 99.419 %, the original issue discount will amount to EUR 2,324,000.

GENERAL INFORMATION ON THE ISSUER

History, Development and Business Objects of the Issuer

PHOENIX PIB Dutch Finance B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated for an unlimited time under the laws of The Netherlands. Its statutory seat is in Maarssen, The Netherlands, and its office is at Straatweg 2, 3604 BB Maarssen, The Netherlands. PHOENIX PIB Dutch Finance B.V. is registered with the Dutch Trade Register under number 57769435 and was incorporated on 17 April 2013. The objects of the Issuer are stipulated in Article 3 of its articles of association and are

(a) to finance businesses and companies;

(b) to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities;

(c) to grant guarantees, to bind the company and to pledge its assets, all for obligations of the company, group companies and/or third parties;

(d) to incorporate, to participate in any way whatsoever in, to manage, to supervise businesses and companies;

and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

The legal entity identifier (LEI) of the Issuer is 529900UUYBCBB7HMVI56.

Organisational Structure and Share Capital

The Issuer is a wholly owned subsidiary of PHOENIX Noweropa Beteiligungs GmbH. The authorised capital of the Issuer is fully paid up and consists of 250,000 common shares of which 250,000 are issued and outstanding on the date of this Prospectus. The shares have a nominal value of EUR 1.00 each. The Issuer has neither issued any convertible debt securities, exchangeable debt securities or debt securities with warrants attached nor does the Issuer or any company in which the Issuer has a direct or indirect holding of more than 50 % hold any of the Issuer's shares.

Business

The Issuer acts as a financing company within the PHOENIX Group and has no relevant business or operational activities other than the financing of the PHOENIX Group.

Management

The current members of the management board of the Issuer are Mr. Bart E. Tolhuisen and Mr. Ralph van Leuveren. Each member of the management board has sole power of representation with respect to the Issuer. The business address of the members of the management board of the Issuer is Straatweg 2, 3604 BB Maarssen, The Netherlands.

Name	Appointed	Principal activities performed outside the Issuer
Bart E. Tolhuisen	2020	• Chief financial officer of Brocacef Group N.V. • Director of PHOENIX PIB Finance B.V. • Deputy chairman of the Brocacef pension fund • Board member of the *Koninklijke Nederlandse Maatschappij ter bevordering der Pharmacie* (KNMP), the royal society of pharmacists in The Netherlands

Ralph van Leuveren	2020	• Manager concern controlling at Brocacef group • Financial administrator at PHOENIX PIB Finance B.V. • Board member of the Brocacef pension fund

PHOENIX PIB Dutch Finance B.V. has not been notified and has otherwise not been informed by the members of the management board named above about any potential conflicts of interest between the obligations of the persons towards PHOENIX PIB Dutch Finance B.V. and their own interests or other obligations.

Independent Auditors

The Issuer has appointed Ernst & Young Accountants LLP, The Netherlands ("**EY Netherlands**"), independent auditors, as its statutory auditor for the fiscal year ended 31 January 2020. The Issuer has appointed EY Netherlands as its statutory auditor for the fiscal year ending 31 January 2021.

The principal place of business of EY Netherlands is at Boompjes 258, 3011 XZ Rotterdam, The Netherlands. EY Netherlands is registered at the Chamber of Commerce of Rotterdam in The Netherlands under number 24432944. The registeraccountants of EY Netherlands are members of the NBA *(Koninklijke Nederlandse Beroepsorganisatie van Accountants* - the Royal Netherlands Institute of Chartered Accountants). The NBA is the professional body for accountants in the Netherlands.

EY Netherlands audited the Issuer's financial statements as of and for the fiscal year ended 31 January 2020, prepared in accordance with Part 9 of Book 2 of The Netherlands Civil Code, the accounting principles generally accepted in The Netherlands ("**Dutch GAAP**"), in accordance with Dutch law, including the Dutch standards on auditing, and issued an unqualified independent auditor's report.

The unqualified independent auditor's report on the Issuer's financial statements as of and for the fiscal year ended 31 January 2020 contains the following emphasis of matter paragraph relating to corona developments:

"The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The situation changes on a daily basis. The impact of these developments on PHOENIX PIB Dutch Finance B.V. is disclosed in the Directors' report in sections Going Concern and Subsequent events as well as in the financial statements in sections General - Going Concern and Subsequent events. We draw attention to these disclosures. Our opinion is not modified in respect of this matter."

Financial Information

For the end of each fiscal year the Issuer is obliged to prepare, financial statements. The fiscal year of the Issuer starts on 1 February of each calendar year and ends on 31 January of the following calendar year. Annually, not later than five months after the end of the relevant fiscal year, save where this period is extended by the general meeting of the Issuer by not more than six months (by reason of special circumstances), the management board of the Issuer shall prepare the financial statements. Pursuant to its articles of association, the Issuer is not required to prepare and publish interim financial statements.

Selected Financial Information

The financial information contained in the following table is derived from the audited financial statements of PHOENIX PIB Dutch Finance B.V. as of and for the fiscal year ended 31 January 2020, prepared in accordance with Dutch GAAP.

	Fiscal Year 2019/20 (in EUR thousands and audited)
Operating income before provision for income taxes	1,319
Net income	989
Total non-current assets	317,311

	Fiscal Year 2019/20 (in EUR thousands and audited)
Total assets	636,117
Shareholder's equity	25,184
Non-current liabilities	298,958
Total shareholder's equity and liabilities	636,117

Historical Financial Information

The audited financial statements of the Issuer as of and for the fiscal year ended 31 January 2020 and the independent auditor's report thereon are incorporated by reference into this Prospectus.

Litigation

The Issuer is not and has not been since its incorporation engaged in any governmental, litigation or arbitration proceedings which may have or have had during such period a significant effect on its respective financial position since its incorporation, nor, as far as the Issuer is aware, are any such governmental, litigation or arbitration proceedings pending or threatened.

Recent Events

The audited financial statements of the Issuer as of and for the fiscal year ended 31 January 2020 reflect the revaluation of intercompany loans in an aggregate principal amount of EUR 617 million outstanding as of 31 January 2020 granted by the Issuer to the Subsidiary Guarantor. Such loans had initially been funded from the proceeds of the issuance of the 2013 Bonds (as defined below) and the 2014 Bonds and had been granted to PHOENIX PIB Finance B.V. During January 2020, the loans were repaid by PHOENIX PIB Finance B.V. and at the same time, corresponding loans have been granted to the Subsidiary Guarantor with the same interest conditions and maturity dates. According to Dutch GAAP, a revaluation of the intercompany loans at their fair values was required. Subsequently, the loans are carried at amortised costs on the basis of the effective interest method. The revaluation will lead to expenses reflected in the statement of income of the Issuer.

In May 2020, the Issuer has redeemed EUR 300 million guaranteed senior unsecured notes which had been issued on 27 May 2013 (the "**2013 Bonds**") together with accrued interest in an amount of EUR 9.4 million and the Subsidiary Guarantor has repaid an intercompany loan in an equal amount to enable the Issuer to redeem the 2013 Bonds.

As of 1 February 2020, a change in tax regime has been agreed upon between the Issuer and the tax group parent. As a result, deferred tax positions are no longer accounted for in the balance sheet of the tax group parent, but in the balance sheet of the Issuer. As a consequence, as per 1 February 2020, a deferred tax liability of EUR 4.6 million is recorded via equity in the balance sheet of the Issuer.

Upon completion of the cross-border merger of PHOENIX PIB Dutch Holding B.V. with and into PHOENIX Noweropa Beteiligungs GmbH as surviving entity, the tax group between the Issuer and PHOENIX PIB Dutch Holding B.V. as tax group parent was terminated with effect as of 19 May 2020.

There is a high level of uncertainty regarding the economic development for 2020 in The Netherlands and the Euro-Zone owing to the COVID-19 pandemic. Whilst the economic implications were initially felt in China, since the end of January the COVID-19 pandemic has also increasingly impacted Europe. Based on the information currently available, it is difficult to estimate the impact this will have on the economy.

Trend Information and Significant Changes

In each case, other than as described under "Recent Events" above:

There has been no material adverse change in the prospects of the Issuer since the end of the fiscal year 2019/20.

There has been no significant change in the financial performance of the Issuer since the end of the fiscal year 2019/20.

There has been no significant change in the financial position of the Issuer since the end of the fiscal year 2019/20.

GENERAL INFORMATION ON THE PARENT GUARANTOR

General

Formation, Name, Registered Office, Fiscal Year, and Duration of the Parent Guarantor

PHOENIX KG is a limited partnership (*Kommanditgesellschaft*) incorporated for an unlimited time under the laws of Germany and registered with the commercial register of the local court in Mannheim under registration number HRA 3551 since 6 February 1985, originally registered under its former name Ferd. Schulze & Co. Initially, since 14 October 1899, this partnership had been registered with the commercial register of the local court in Cologne under registration number HRA 9804, later with the commercial register of the local court in Munich under registration number HRA 52287, later under registration number HRA 52313 and thereafter with the commercial register of the local court in Mannheim under registration number HRA vol. 37 number 481 and prior to its current registration under registration number 223.

PHOENIX KG's fiscal year starts on 1 February of each calendar year and ends on 31 January of the following calendar year. The address of its corporate seat is Pfingstweidstraße 10-12, 68199 Mannheim, Germany, phone: + 49 (0) 621 8505-0.

Since December 2013, the sole general partner of PHOENIX KG is PHOENIX Verwaltungs GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Liechtenstein and registered with the Ministry of Justice in Liechtenstein under registration number FL-0002.468.204-0 with registered seat at Meierhofstraße 5, 9490 Vaduz, Liechtenstein.

Corporate Purpose

Pursuant to article 2 of the limited partnership agreement of PHOENIX KG, the corporate purpose of PHOENIX KG is as integrated health care provider the distribution of pharmaceutical compounds and related products as well as their production, in particular as own brands, the providing of other health care services and the offering of services and products connected therewith. PHOENIX KG may conduct all activities which appear to be suitable to directly or indirectly further its corporate purpose. It is in particular authorised to establish domestic or foreign branches or subsidiaries, to acquire or lease other enterprises, participate in or establish uniform control over such enterprises.

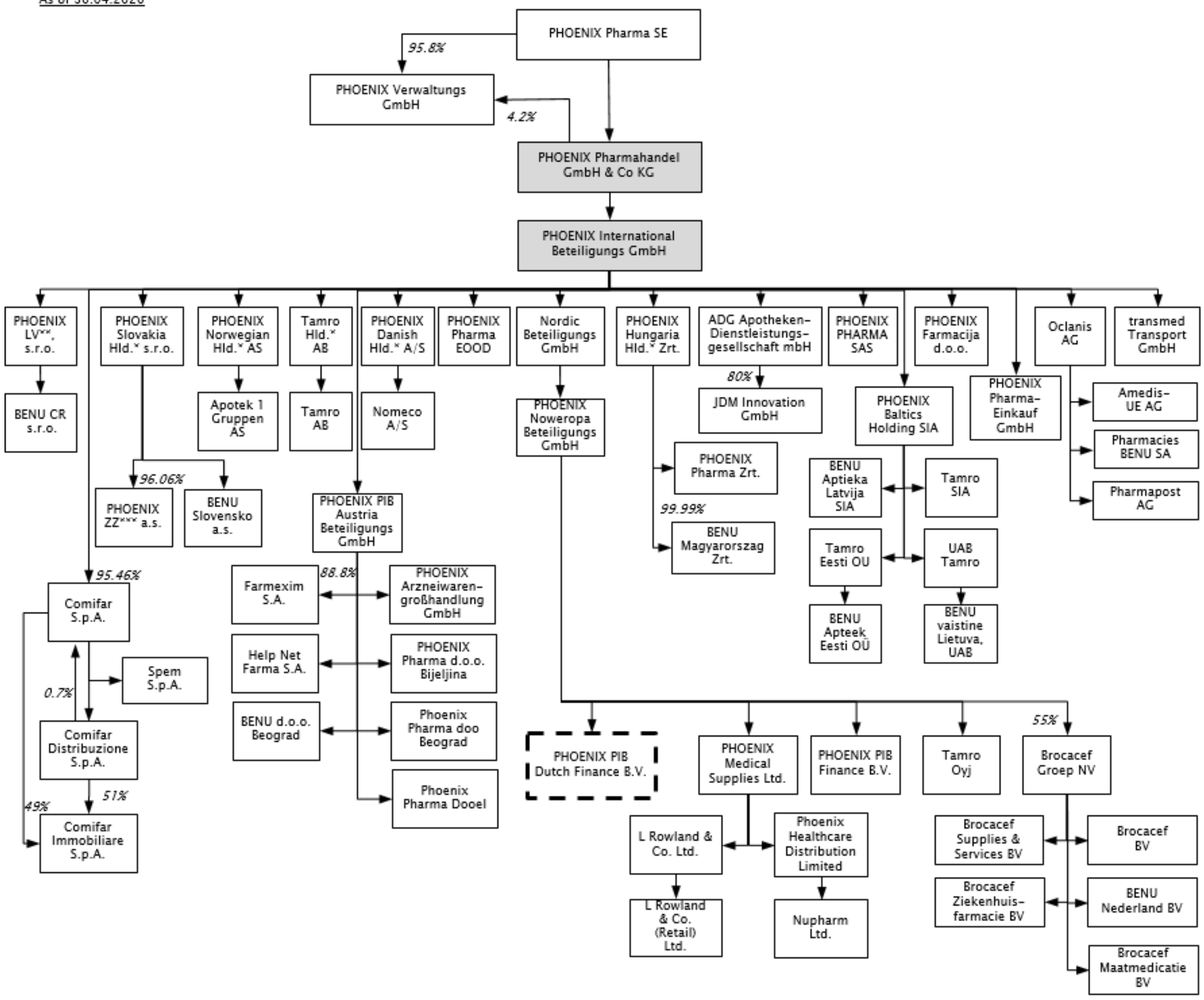
Organisational Structure

The Parent Guarantor is a wholly owned subsidiary of PHOENIX Pharma SE. PHOENIX Pharma SE is the management and holding company and ultimate parent company of the PHOENIX Group. The Parent Guarantor's consolidated financial statements include all companies over which the Parent Guarantor has control, *i.e.*, in which the Parent Guarantor (directly or indirectly) has the right to direct the affairs and to whose financial results the Parent Guarantor is exposed. The entire basis of consolidation comprises 17 German and 413 foreign fully consolidated companies as of 31 January 2020.

Structure of the PHOENIX Group

The following simplified illustration provides an overview of the Issuer and the Guarantors within the PHOENIX Group as of 30 April 2020. The cross-border merger of PHOENIX PIB Dutch Holding B.V. with and into Noweropa Beteiligungs GmbH as surviving entity and new direct holding company of the Issuer has been completed on 19 May 2020, the date on which the merger was registered in the commercial register pertaining to Noweropa Beteiligungs GmbH, but economically with retroactive effect as of 1 October 2019. The illustration reflects the holding structure following the completion of such merger. The illustration does not show all of the subsidiaries and affiliates of PHOENIX KG.

As of 30.04.2020



Issuer

Guarantor

Unless indicated otherwise within illustration, all shareholdings of the respective entities are directly or indirectly 100%

Note: Diagram does not show all legal entities of the Group

* Holding

** PHOENIX lekarensky velkoobchod s.r.o.

*** PHOENIX Zdravotnicke zasobovanie a.s.

Rating

PHOENIX KG is rated BB+, outlook negative, by S&P. S&P is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. A credit rating is not a recommendation to buy, sell or hold securities.

Independent Auditor of the Consolidated Financial Statements

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany ("**EY Germany**"), a member of the German Chamber of Public Auditors (*Wirtschaftsprüferkammer*), was the independent auditor of PHOENIX KG's consolidated financial statements as of and for the fiscal years ended 31 January 2019 and 31 January 2020.

EY Germany audited PHOENIX KG's consolidated financial statements as of and for the fiscal years ended 31 January 2019 and 31 January 2020, each prepared in accordance with IFRS and the additional requirements pursuant to Section 315e (1) of the German Commercial Code (*Handelsgesetzbuch*), in accordance with Section 317 of the German Commercial Code (*Handelsgesetzbuch*) and in compliance with German generally accepted standards for financial statement audits promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*) and issued an unqualified independent auditor's report (*Bestätigungsvermerk des unabhängigen Abschlussprüfers*) in each case.

Legal and Arbitration Proceedings

No company of the PHOENIX Group is currently, or has been in the past twelve months, party to a government intervention, a court or arbitration proceeding or an administrative proceeding (including those proceedings that are still pending or could be initiated to PHOENIX' knowledge) which may have, or have had in the recent past, significant effect on the financial situation or profitability of the Parent Guarantor and/or the PHOENIX Group.

From time to time, PHOENIX KG or its subsidiaries are party to or may be threatened with litigation, claims or assessments arising in the ordinary course of its business. In particular, Tamro UAB and BENU Vaistine Lietuva UAB are subject to investigations initiated by the competition authorities in Lithuania in respect of alleged fixings of retail prices of pharmaceuticals and of wholesale and retail mark-ups of reimbursable medicines. The investigations have not yet been completed. In addition, competition authorities formally requested information from (i) Tamro Oyj and Olo-apteekki Oy, Finland, regarding Olo-apteekki Oy's online sales as well as the planned customer loyalty programme and (ii) from members of the PHOENIX Group in connection with the cooperation of Czech PHOENIX Group companies with Astellas Pharma Europe and in connection with DATACARE Datenpflege des Pharmagroßhandels Ges.m.b.H., Austria, being a joint venture of PHOENIX Arzneiwarengroßhandlung GmbH, Austria, and several companies which are no members of the PHOENIX Group. Such procedures have not yet been completed. See also "RISK FACTORS — Legal, Regulatory and Taxation Risks", "PHOENIX is exposed to legal risks regarding antitrust fines and related damage claims".

PHOENIX KG regularly analyses current information, including its defences and insurance coverage and, as PHOENIX KG deems necessary, makes provisions for probable liabilities for the eventual disposition of these matters. The outcome of litigation and other legal matters is always difficult to accurately predict and outcomes that are not consistent with PHOENIX KG's view of the merits can occur. PHOENIX KG believes that it has valid defences to the legal matters pending against it, as applicable, and PHOENIX KG is defending its positions in these matters vigorously. Nevertheless, it is possible that resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on PHOENIX KG's business, results of operations and financial condition.

Management and Advisory Board

PHOENIX KG's affairs are managed by the managing directors of its general partner PHOENIX Verwaltungs GmbH. The other governing entities of PHOENIX KG are its partners' meeting (*Gesellschafterversammlung*) and the advisory board (*Beirat*). The powers of these entities are determined by the German Commercial Code (*Handelsgesetzbuch*), the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*), PHOENIX KG's limited partnership agreement and the internal rules of procedure of the advisory board of PHOENIX KG (*Beiratsordnung*).

Management

PHOENIX KG's top management consists of the managing directors of its general partner, PHOENIX Verwaltungs GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Liechtenstein and registered with the Ministry of Justice in Liechtenstein under registration number FL-0002.468.204-0 with registered seat at Meierhofstraße 5, 9490 Vaduz, Liechtenstein.

According to PHOENIX KG's limited partnership agreement (*Gesellschaftsvertrag*), solely its general partner is authorised and obliged to manage and represent PHOENIX KG. The statutory right of the limited partners to object to actions outside of the ordinary course of the company's business set forth in Section 164 of the German Commercial Code (*Handelsgesetzbuch*) has been excluded in the partnership agreement. The general partner of PHOENIX KG may, however, generally only take actions that go beyond the bounds of PHOENIX KG's ordinary business with the prior consent of the advisory board of PHOENIX KG. The advisory board of PHOENIX KG shall determine which transactions require its prior consent in its reasonable discretion.

The general partner, PHOENIX Verwaltungs GmbH, is managed and represented by one or more managing directors. There are currently five managing directors, all having joint power of representation together with another managing director or together with another authorised officer (*Prokurist*):

Name	Age	Appointed	Position
Sven Seidel	46	2019	Chief Executive Officer
Helmut Fischer	49	2013	Finance
Marcus Freitag	51	2019	Sales and Marketing Pharmaceutical Wholesale / Pharmacy Solutions
Frank Große-Natrop	59	2014	Operations and Logistics
Stefan Herfeld	53	2013	Retail

Sven Seidel was appointed Chief Executive Officer as of November 2019. Previously, Mr. Seidel was an executive board member of Otto group in charge of Global Multichannel Retail. Prior to that, he worked for the Schwarz Group between 2011 and 2017, initially as member of the executive board for Corporate Development at group level and then as CEO of Lidl from 2014 to 2017. From 2003 until 2011, he was working for Porsche Consulting. In 2007 he became a responsible partner for the global consultancy business for retail, consumer goods, and services. Before joining Porsche Consulting, he was working five years for Arthur Andersen. Mr. Seidel graduated in business administration at Baden-Wuerttemberg Cooperative State University in cooperation with the Schwarz group.

Helmut Fischer was appointed managing director of PHOENIX Verwaltungs GmbH with responsibility for finance, accounting, controlling, tax and IT in November 2013. He was, however, appointed managing director of PHOENIX KG's previous general partner as of September 2013. Prior to joining PHOENIX Verwaltungs GmbH, Mr. Fischer held several management positions within HeidelbergCement AG, most recently as Chief Financial Officer of Lehigh Hanson (North America HeidelbergCement Group) in Dallas/Texas. Mr. Fischer graduated in Business Administration (*Diplom-Kaufmann*) from Mannheim University in 1997 and started his career in the finance department of an automobile manufacturer.

Marcus Freitag was appointed managing director of PHOENIX Verwaltungs GmbH with responsibility for sales and marketing pharmaceutical wholesale / pharmacy solutions as of November 2019. Since 2017 he has been the managing director Germany. Before that, Marcus Freitag served as Sales Director Region West, Germany, managing director in Croatia and Slovakia as well as Sales Director Germany. Prior to joining the PHOENIX Group in 2007, he held various positions at GEHE Pharmahandel, XELLA Deutschland & Bad Heilbrunner Naturheilmittel, Mr. Freitag studied economics at the University of Bielefeld and the University of Dortmund.

Frank Große-Natrop was appointed managing director of PHOENIX Verwaltungs GmbH with responsibility for operations and logistics in February 2014. From 2010 to 2014 he was managing director of PHOENIX KG's subsidiary Brocacef Groep N.V. in The Netherlands. Prior to his managing director position with Brocacef

Groep N.V. he held the position of group logistics director within Brocacef Groep N.V. (2000 to 2010). From 1984 to 2000 he worked in various positions for PHOENIX Group's former predecessor companies. Mr. Große-Natrop studied Social Sciences at Köln University.

Stefan Herfeld was appointed managing director of PHOENIX Verwaltungs GmbH with responsibility for the retail business in November 2013. He was, however, appointed managing director of PHOENIX KG's previous general partner in September 2010. Previously Mr. Herfeld served as managing director of Parfümerie Douglas GmbH, Hagen, Germany, with responsibility for the Douglas perfumery stores and as general manager for the region Central and Eastern Europe. He has been managing director since 2008 and previously held various other positions at the Douglas group since 2001. From 1996 to 2001, Mr. Herfeld worked for the Metro Group in Düsseldorf, Germany, as assistant to the executive board and lead sales manager. Mr. Herfeld graduated in business administration (*Diplom-Kaufmann*) from the J.W. Goethe University of Frankfurt am Main, Germany, in 1994.

Mr. Große-Natrop will retire and, at his request, resign from office as managing director of PHOENIX Verwaltungs GmbH with effect as of 31 August 2020. As of 1 September 2020, Steve Anderson will succeed Mr. Große-Natrop as managing director of PHOENIX Verwaltungs GmbH responsible for operations and logistics. Since 2017, Mr. Anderson has been managing director of PHOENIX KG's subsidiary PHOENIX Medical Supplies Ltd., United Kingdom. Mr. Anderson will execute his new role as managing director of PHOENIX Verwaltungs GmbH in addition to his current function within the board of directors of PHOENIX Medical Supplies Ltd. Mr. Anderson joined PHOENIX in October 2016. Prior to joining PHOENIX, Mr. Anderson was working for the former Celesio group, today McKesson Europe, for more than 30 years in several management positions including as chief operating officer and executive director for operations and pharma services. Mr. Anderson holds a master's degree in business administration and is a graduate of the Harvard Business School.

In the near future, it is intended to establish regional country clusters for which individual managing directors will be responsible. Such regional clusters will particularly be established on the basis of PHOENIX' main business activities conducted in the relevant countries forming a cluster, e.g. wholesale or retail business. In addition, the management intends to increasingly focus on end-to-end business, for example by means of the establishment of integrated, functional competence centres including for logistics, marketing and sales. This will partly result also in a reshaping of the areas of responsibility of individual managing directors as well as local management.

PHOENIX KG has not been notified and has otherwise not been informed by the managing directors of PHOENIX Verwaltungs GmbH named above about any potential conflicts of interest between the obligations of the persons towards PHOENIX KG and their own interests or other obligations.

As at the date of this Prospectus, the managing directors of PHOENIX Verwaltungs GmbH do not hold any seats on any management, supervisory or advisory boards or other comparable corporate bodies in Germany or abroad outside of the PHOENIX Group, except for:

Name	Material positions held outside the PHOENIX Group
Sven Seidel	• Member of the supervisory board (*Aufsichtsrat*) of Faerch A/S, Holstebro, Denmark

The statutory supervisory board (*Aufsichtsrat*) of PHOENIX Verwaltungs GmbH has one member, Dr. Heinz Jürgen Frommelt, aged 59 years. He was appointed on 28 November 2013. The supervisory board of PHOENIX Verwaltungs GmbH is responsible for the ongoing supervision of PHOENIX Verwaltungs GmbH's business activities. The supervisory board is excluded from the management of PHOENIX Verwaltungs GmbH.

PHOENIX KG has not been notified and has otherwise not been informed by the member of the supervisory board of PHOENIX Verwaltungs GmbH named above about any potential conflicts of interest between the obligations of such person towards PHOENIX KG and his own interests or other obligations.

Advisory Board of PHOENIX KG

In accordance with its limited partnership agreement, PHOENIX KG has established the advisory board which has currently seven members.

The advisory board of PHOENIX KG supervises and advises the management of PHOENIX KG's general partner, PHOENIX Verwaltungs GmbH. The advisory board of PHOENIX KG has adopted rules of procedure which are binding for the management of PHOENIX KG's general partner and which require the prior consent for transactions that go beyond the bounds of the ordinary business of PHOENIX KG and certain other actions.

Further, the advisory board of PHOENIX KG decides on the approval and dismissal of managing directors of the general partner of PHOENIX KG, elects PHOENIX KG's auditor and approves of the annual financial statements of PHOENIX KG and the PHOENIX Group. With the partners' meeting's consent, the advisory board of PHOENIX KG may give instructions to the managing directors of PHOENIX KG's general partner.

Members of the Advisory Board of PHOENIX KG

As at the date of this Prospectus, the names of the members of the advisory board of PHOENIX KG and their material positions outside of PHOENIX KG are as follows:

Name	Member since	Material positions held outside the PHOENIX Group
Dr. Bernd Scheifele	2011 (Chairman)	• Former chairman of the management board (*Vorstand*) of HeidelbergCement AG, Heidelberg • Chairman of the supervisory board (*Aufsichtsrat*) of Verlagsgruppe Georg von Holtzbrinck GmbH, Stuttgart • Member of the supervisory board (*Aufsichtsrat*) of Springer-Nature AG & Co. KGaA, Berlin • Advisor to EQT AB, Stockholm
Ludwig Merckle	2011	• Managing director (*Geschäftsführer*) of Merckle Service GmbH, Ulm • Chairman of the supervisory board (*Aufsichtsrat*) of Kässbohrer Geländefahrzeug AG, Laupheim • Member of the supervisory board (*Aufsichtsrat*) of HeidelbergCement AG, Heidelberg
Dr. Lorenz Näger	2011	• Deputy chairman of the management board (*Vorstand*) of HeidelbergCement AG, Heidelberg • Member of the supervisory board (*Aufsichtsrat*) of MVV Energie AG, Mannheim
Dr. Peter Maag	2012	• Member of the board (chief executive officer) of CareDX, Inc., Brisbane, California • Member of the advisory board of Personalized Medicine Coalition, Washington, DC
Dr. Ralf Belusa	2018	• Managing Director Digital Business & Transformation of Hapag-Lloyd AG, Hamburg
Nils Seebach	2018	• Founder & member of the management board (*Geschäftsführer*) of Etribes Connect GmbH, Hamburg • Founder & member of the management board (*Geschäftsführer*) of Wald und Wiese Holding GmbH, Hamburg
Bernhard Simon	2018	• Chairman of the management board (*Vorstand*) of Dachser Group SE & Co. KG, Kempten • Member of the advisory board (*Beirat*) of Geiger Unternehmensgruppe, Oberstdorf

PHOENIX KG has not been notified and has otherwise not been informed by any of the members of the advisory board named above about any potential conflicts of interest between the obligations of the persons towards PHOENIX KG and their own interests or other obligations.

Partners' Meeting

Pursuant to the limited partnership agreement of PHOENIX KG the partners' meeting (*Gesellschafterversammlung*) decides, *inter alia*, on the discharge (*Entlastung*) of the general partner, of the managing directors of its general partner and of the members of the advisory board of PHOENIX KG as well as distributions to PHOENIX KG's partners.

Partnership Capital

As of 31 January 2020, PHOENIX KG's unlimited and limited partners' capital (as the compulsory contributions (*Pflichteinlagen*)) amounted to EUR 1,000 million and its liability capital (*Haftsumme*) registered with the commercial register amounted to EUR 500 million. The sole limited partner of PHOENIX KG is PHOENIX Pharma SE.

On 18 October 2017, PHOENIX Pharma SE became the new holding company of the PHOENIX Group. The limited partnership interests in PHOENIX KG and certain other assets were contributed to PHOENIX Pharma SE by the former limited partners of PHOENIX KG which, in return, received shares in PHOENIX Pharma SE. PHOENIX Pharma SE is a *Societas Europaea* (SE), incorporated for an unlimited time and is registered with the commercial register of the local court in Mannheim under registration number HRB 727494. PHOENIX Pharma SE was established to simplify and consolidate the formerly fragmented ownership structure of PHOENIX KG. PHOENIX Pharma SE solely acts as a holding company and has not been operationally active apart from its leasing operations as set out under "Business of the PHOENIX Group", "Material Contracts". PHOENIX Pharma SE is funded on a ring-fenced basis with own financing instruments and does not participate in the group-wide intercompany financing structure, except for the PHOENIX SE Intercompany Loans as defined and described in more detail under "Business of the PHOENIX Group", "Material Contracts".

PHOENIX KG has not issued any convertible debt securities, exchangeable debt securities or debt securities with warrants attached.

The sole general partner without capital contribution is PHOENIX Verwaltungs GmbH.

Shareholdings and Partnership Interest Ownership

PHOENIX KG is – indirectly through PHOENIX Pharma SE and several layers of participations and holding companies (including F. Reichelt Oldenburg GmbH, MerFarm GmbH, Hageda GmbH, OSB Beteiligungen GmbH, and PPH Holding GmbH) – owned by the Merckle family.

Recent Developments in the Business of the PHOENIX Group

There is a high level of uncertainty regarding the economic development for 2020 in Germany and the Euro-Zone owing to the COVID-19 pandemic. Whilst the economic implications were initially felt in China, since the end of January the COVID-19 pandemic has also increasingly impacted Europe. Based on the information currently available, it is difficult to estimate the impact this will have on the economy. In the 1st fiscal quarter 2020/21 (as defined below), revenue grew by 10.5 % compared with the 1st fiscal quarter 2019/20 (as defined below) due to an increased demand for medicines in March 2020. In April 2020, revenue declined compared with April 2019.

Trend Information and Significant Changes

In each case, other than as described under "Recent Developments in the Business of the PHOENIX Group" above:

There has been no material adverse change in the prospects of PHOENIX KG since 31 January 2020.

There has been no significant change in the financial performance of the Issuer since 30 April 2020.

There has been no significant change in the financial position of PHOENIX KG since 30 April 2020.

SELECTED FINANCIAL INFORMATION

*The financial information contained in the following tables is derived from the audited consolidated financial statements of PHOENIX KG as of and for the fiscal year ended 31 January 2020 (including comparative figures as of and for the fiscal year ended 31 January 2019) and from the unaudited quarterly statement of PHOENIX KG as of and for the three month period ended 30 April 2020 (the "**1st fiscal quarter 2020/21**") (including comparative figures for the three month period ended 30 April 2019 (the "**1st fiscal quarter 2019/20**")), unless otherwise indicated. The audited consolidated financial statements of PHOENIX KG as of and for the fiscal years ended 31 January 2019 and 31 January 2020 have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (Handelsgesetzbuch). The unaudited quarterly statement of PHOENIX KG as of and for the three month period ended 30 April 2020 has been prepared applying a reporting format as set forth in Article 53 of the Exchange Rules for the Frankfurt Stock Exchange (Börsenordnung für die Frankfurter Wertpapierbörse). EY audited the consolidated financial statements of PHOENIX KG as of and for the fiscal years ended 31 January 2019 and 31 January 2020 in accordance with Section 317 of the German Commercial Code (Handelsgesetzbuch) and in compliance with German generally accepted standards for the financial statement audit promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e.V.) and issued an unqualified independent auditor's report with respect to each of the above mentioned consolidated financial statements. Some of the performance indicators and ratios reproduced below were taken from PHOENIX KG's accounting records.*

Where financial data in the following table is labelled "audited", this means that it was taken from the audited consolidated financial statements mentioned above. The label "unaudited" is used in the following table to indicate financial data that was taken from the unaudited quarterly statement mentioned above or from PHOENIX KG's accounting records or that was derived from the audited consolidated financial statements mentioned above or from PHOENIX KG's accounting records. Unless expressly otherwise noted, the figures and percentage changes that are stated in the text and the tables in this Prospectus have been commercially rounded to one decimal point. Because of this rounding, the figures shown do not in all cases add up exactly to the respective totals given, and the percentages shown do not always add up exactly to 100 %.

PHOENIX KG has applied IFRS 16 Leases for the first time as of 1 February 2019 in its audited consolidated financial statements as of and for the fiscal year ended 31 January 2020. The prior-year comparative figures as of and for the fiscal year ended 31 January 2019 in these consolidated financial statements has not been adjusted retrospectively in line with the transitional provisions of IFRS 16 using the modified retrospective method and is insofar not comparable. IFRS 16 requires payment obligations from leases previously classified as operating leases to be discounted and recognised as a lease liability. At the same time, a corresponding right-of-use asset is recognised. As a result, net debt increases. Lease payments in connection with operating leases were previously recognised as operating expenses. Pursuant to IFRS 16, amortisation on right-of-use assets and interest expenses for lease liabilities are now to be recognised. This leads to an increase in EBITDA without a change in the economic conditions. See section "Application of new accounting standards– IFRS 16 Leases" in the notes to the consolidated financial statements as of and for the fiscal year ended 31 January 2020. In order to facilitate comparability, the following selected financial information includes additional selected financial information for the fiscal year 2019/20 excluding the impact of IFRS 16 taken or derived from PHOENIX KG's accounting records.

The following selected financial information should be read together with (i) the audited consolidated financial statements of PHOENIX KG as of and for the fiscal year ended 31 January 2019 including the related notes, each incorporated in this Prospectus by reference and as published on the website of PHOENIX KG (www.phoenixgroup.eu) and (ii) the audited consolidated financial statements of PHOENIX KG as of and for the fiscal year ended 31 January 2020 including the related notes contained in this Prospectus as well as (iii) the unaudited quarterly statement of PHOENIX KG as of and for the three month period ended 30 April 2020 contained in this Prospectus and together with the additional financial information contained elsewhere in this Prospectus.

	Fiscal Year 2018/19	Fiscal Year 2019/20 excluding IFRS 16	Fiscal Year 2019/20 including IFRS 16
		(in EUR thousands)	
	(audited unless indicated otherwise)	(unaudited)	(audited unless indicated otherwise)
Revenue	25,812,179	27,327,369	27,323,261
Gross profit	2,623,968	2,916,193	2,912,085
EBITDA* ***	452,769	456,593	606,522
*EBITDA****	*452,769*	*456,593*	*606,522*
+ Interest income from customers	*9,608*	*9,519*	*9,519*
+ Expenses related to ABS and factoring programmes	*1,318*	*1,244*	*1,244*
Adjusted EBITDA (unaudited)***	463,695	467,356	617,285
Financial result	*-43,717*	*-35,349*	*-61,738*
./. Interest income from customers	*-9,608*	*-9,519*	*-9,519*
Adjusted net finance charges (unaudited)***	-53,325	-44,868	-71,257
Profit before income tax	-17,421	118,294	103,912
Profit for the period	-97,606	39,991	35,129
Total assets	8,693,752	8,866,959	9,688,812
+ Non-current trade receivables	*309*	*589*	*589*
+ Current trade receivables	*2,552,315*	*2,624,812*	*2,624,812*
+ Inventories	*2,301,048*	*2,561,829*	*2,561,829*
./. Non-current trade payables	*-0*	*-435*	*-435*
./. Current trade payables	*-3,613,235*	*-3,785,063*	*-3,785,029*
Working capital (unaudited)***	1,240,437	1,401,732	1,401,766
+ Non-current financial liabilities	*662,282*	*361,755*	*1,070,520*
+ Current financial liabilities	*543,324*	*786,433*	*915,250*
./. Cash and cash equivalents	*-152,845*	*-245,986*	*-245,986*
Net financial liabilities (unaudited)***	1,052,761	902,202	1,739,784
Equity	3,144,752	3,171,594	3,165,419

	1st Fiscal Quarter 2019/20 excl. IFRS 16	1st Fiscal Quarter 2020/21 excl. IFRS 16	1st Fiscal Quarter 2019/20 incl. IFRS 16	1st Fiscal Quarter 2020/21 incl. IFRS 16
	(in EUR thousands and unaudited)			
Revenue	6,559,470	7,245,280	6,558,153	7,244,339
Gross profit	672,523	767,530	671,206	766,589
EBITDA* ***	104,795	130,582	141,505	169,522
*EBITDA****	*104,795*	*130,582*	*141,505*	*169,522*
+ Interest income from customers	*2,221*	*2,651*	*2,221*	*2,651*
+ Expenses related to ABS and factoring programmes	*380*	*420*	*380*	*420*
Adjusted EBITDA***	107,396	133,653	144,106	172,593
Financial result	*-9,033*	*-11,010*	*-15,716*	*-17,084*
./. Interest income from customers	*-2,221*	*-2,651*	*-2,221*	*-2,651*
Adjusted Net Finance Charges***	*-11,254*	*-13,661*	*-17,937*	*-19,735*
Profit before income tax**	61,053	82,975	59,129	81,331
Profit for the period	44,202	58,497	42,809	57,338
Total assets	8,711,654	9,129,386	9,579,879	9,913,549
+ Non-current trade receivables	*696*	*359*	*696*	*359*
+ Current trade receivables	*2,545,908*	*2,679,135*	*2,545,908*	*2,679,135*
+ Inventories	*2,480,273*	*2,796,465*	*2,480,273*	*2,796,465*
./. Non-current trade payables	*-428*	*-1,735*	*-428*	*-1,735*
./. Current trade payables	*-3,457,706*	*-3,889,768*	*-3,457,706*	*-3,885,528*
Working capital***	1,568,743	1,584,456	1,568,743	1,588,696
+ Non-current financial liabilities	*659,625*	*362,101*	*1,344,048*	*1,050,852*
+ Current financial liabilities	*673,616*	*906,880*	*849,431*	*1,036,869*
./. Cash and cash equivalents	*-157,079*	*-212,783*	*-157,079*	*-212,783*
Net financial liabilities***	1,176,162	1,056,198	2,036,400	1,874,938
Equity	3,180,866	3,184,672	3,180,673	3,165,593

* Referred to as "earnings before interest, taxes, depreciation and amortisation (EBITDA)" in the audited consolidated financial statements of PHOENIX KG as of and for the fiscal year ended 31 January 2020 and in the unaudited quarterly statement of PHOENIX KG as of and for the three month period ended 30 April 2020.

** Referred to as "profit before tax" in the unaudited quarterly statement of PHOENIX KG as of and for the three month period ended 30 April 2020.

*** Alternative Performance Measure.

Historical Financial Information

The audited consolidated financial statements of PHOENIX KG as of and for the fiscal year ended 31 January 2019 and the independent auditor's report thereon are incorporated by reference into this Prospectus. The audited consolidated financial statements of PHOENIX KG as of and for the fiscal year ended 31 January 2020 and the independent auditor's report thereon as well as an excerpt from the unaudited quarterly statement of PHOENIX KG as of and for the three month period ended 30 April 2020 (including comparative financial information for the three month period ended 30 April 2019 and as of 31 January 2020, respectively) are contained in this Prospectus.

INDUSTRY OVERVIEW

Market Overview

PHOENIX is a pan-European pharmaceutical wholesale, pre-wholesale and retail distribution company which also provides pharma services across all business segments of the PHOENIX Group under the "All-in-One" service brand ranging from health care logistics to sales and marketing services. With respect to available market data and compared to its main competitor's published figures, PHOENIX KG considers itself to be on par with leading companies in this specific sector.

The pharmaceutical wholesale, pre-wholesale and retail markets strongly depend on the overall expenditure for pharmaceutical products which increased in Europe continuously since 1990 in spite of significant variations in the gross domestic product. In addition, the market for pharmaceuticals is less sensitive to economic cycles than other markets. This is especially true for the market for prescription-only drugs while the market for OTC products is more affected by economic variations and thus more volatile. While in general, the market for prescription-only drugs is more affected by government health care cost containment measures, the market has shown a constant growth in recent years, mainly driven by pharmaceutical innovations and a continuing trend towards high price drugs. The long-term underlying growth drivers of the pharmaceutical market are the ageing of the population and the continuous further development of new medicines. The markets in which PHOENIX operates are also highly regulated markets and PHOENIX therefore requires various permits and licenses for the operation of its wholesale, pre-wholesale and retail business.

According to IQVIA Holdings Inc. ("**IQVIA**"), pharmaceutical sales in Europe (total pharmaceutical market including pharmacies and hospitals) reached approximately USD 218.9 billion in the European Union member states in 2017 and approximately USD 17.5 billion in other European countries. In 2017, the region's five key markets (Germany, France, Italy, the UK and Spain) accounted for around 73 % of the pharmaceutical sales volume of all European Union member states.

During the ongoing COVID-19 pandemic, it has become clear that both pharmaceutical wholesale and stationary retail are a crucial element of healthcare distribution. Governments all over Europe have adjusted their policies to ensure a reliable supply of medicines (*e.g.*, safety stocks, opening hours of pharmacies, additional reimbursement). As part of this, both pharmaceutical wholesale and retail have been recognised as system relevant industries.

Wholesale and pre-wholesale

The market for pharmaceutical wholesale comprises the delivery of a full assortment of pharmaceuticals and related healthcare products to pharmacies and other customers (especially hospitals and self-dispensing doctors, depending on national characteristics of the pharmaceutical distribution markets). Pre-wholesaling refers to a fee-for-service business, where the pre-wholesaler offers services (such as warehousing and logistics services) to its pharmaceutical manufacturers, mostly regarding consignment stocks. Although the pharmaceutical wholesale business is highly regulated by health policy in most countries, it is a well-established business model which showed stable growth.

The European pharmaceutical wholesale market is characterised by high barriers of entry for new competitors due to the required scale, know-how, high delivery frequency and expertise as well as international presence and strong relationships to pharmaceutical manufacturers and retailers. Furthermore, the market shows a very stable customer basis — mainly pharmacies — with only limited customer fluctuation. Drivers for the pharmaceutical wholesale market, include the needs of a growing ageing population paired with an increasing quality of life expectancy in old age and new pharmaceuticals (including many high-price drugs) as well as innovative therapies.

Especially on account of these demographic changes, the overall healthcare sector continues to grow. According to market data for several years in a row, the sector in Europe has shown positive growth rates. At the same time, Europe's pharmaceutical wholesale sector is experiencing increasing consolidation and regulatory requirements have become 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.

Additionally, the European pharmaceutical wholesale market is faced with the challenge that in recent years European governments have sought to reduce their healthcare expenditure, *inter alia*, through a reduction of the remuneration of wholesalers and pharmacies and of the price of pharmaceuticals, promotion of the substitution of branded pharmaceuticals by generics, tighter reimbursement policies and an increase of patient contribution to pharmaceutical spending.

Retail

The European pharmaceutical retail market, *i.e.,* the distribution of pharmaceuticals (both prescription and OTC products) as well as related products to end customers, is often subject to strict statutory ownership restrictions for pharmacies. In turn, in liberalised markets, the ownership of pharmacies is an important success factor for wholesalers since ownership offers additional attractive retail margins, especially regarding OTC products and non-pharmaceuticals, and allows PHOENIX to control the point of sale (own brand, common strategy and common activities in all own pharmacies, etc.). The margins in the pharmaceutical retail business are largely determined by regulations regarding the pricing of pharmaceutical products and the remuneration of the pharmacies, especially in the area of reimbursed medicines. For non-reimbursed medicines, pricing and margins are usually less regulated or not regulated at all. Generally, margins in the pharmaceutical retail business are higher than the margins in the pharmaceutical wholesale business. On the other hand, the cost ratios in the pharmaceutical retail business exceed those in the pharmaceutical wholesale business.

Competition

Based on revenue, PHOENIX considers itself as a leading European pharmaceutical wholesaler with extensive country coverage — PHOENIX is active in 27 countries. PHOENIX conducts its wholesale business where it delivers a full assortment of pharmaceuticals and related healthcare products to retail pharmacies and other customers, and offers pre-wholesaling services. In addition, PHOENIX has a strong retail base, operating more than 2,700 own pharmacies in 14 European countries. From a pan-European perspective, PHOENIX has two main competitors: McKesson Europe (based in Germany, majority owned by McKesson, with corporate headquarters in Dallas, Texas, U.S.) and Walgreens Boots Alliance (with headquarters in the United Kingdom and corporate headquarters in Springfield, Illinois, U.S.), both operating in the wholesale and the retail pharmaceutical markets across Europe. Furthermore, there is one bigger retail player in Eastern Europe (Dr. Max / Penta) and Northern Europe (Europharmacy), each. In addition to these competitors, other pharmaceutical wholesalers and retailers who operate mostly on a national or regional basis compete with PHOENIX in one or more national markets. In the long term, PHOENIX expects further market consolidation in the wholesale and retail business, with large international companies continuing to gain market share both in wholesale and retail. PHOENIX maintains a 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.

Moreover, in the European pharmaceutical retail market, PHOENIX is faced with governmental cost-containment measures and therefore a strong local competition between pharmacies. On the other hand, PHOENIX observes a growing customer demand for, and an increase of, healthcare and individual patient services. Where PHOENIX operates pharmacy chains, competitors can be other pharmacy chains, pharmacy cooperatives or individual pharmacies.

As a reaction to these challenges, pharmaceutical wholesale and retail companies will further acquire pharmacies and/or retail chains and are increasingly pursuing the integration of these retail activities into their existing business in order to safeguard sales, exploit integrated margins, optimise costs of the distribution network and increase their negotiation leverage vis-à-vis the pharmaceutical manufacturers. However, a prerequisite for forming integrated pharmacy chains is the deregulation of pharmacy ownership restrictions (both regarding multiple and corporate/third-party ownership). Moreover, wholesale and retail companies strive to identify new sources of income. Potential new profit segments include the sale of private label products and special logistics. Also, in terms of digital offerings, such as smartphone apps, PHOENIX wants 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, PHOENIX focuses on user friendliness, simple communication and a wide range of services.

Germany

The German wholesale market for pharmaceutical products shows a very high degree of competitive pressure among the European markets. It is characterised by very competitive prices and conditions, a broad product range, high delivery frequency and high service standards including various marketing services.

The German wholesale market is characterised by five large players that together account for more than 90 % of the market (all data relating to shares of the German market are based on market data of IQVIA, available financial statements of PHOENIX' competitors and its own calculations). According to PHOENIX' own calculations, it is by figures the market leader in the German wholesale market with an average market share of 27.9 % in the fiscal year 2019/20 based on revenue. The next biggest competitor, NOWEDA, has a market share of approximately 23 %. Recently, Walgreens Boots Alliance and McKesson Corporation signed an agreement to create a joint venture that will combine their respective pharmaceutical wholesale businesses in Germany, Alliance Healthcare Deutschland and GEHE Pharma Handel. The joint venture is still subject to regulatory approval. The current market shares of the two competitors are approximately 13 % and 15 %, respectively. The merger will lead to a further consolidation of the German wholesale market, its impact on market share cannot yet be predicted.

Due to government regulation the ownership of a pharmacy or pharmacies is limited to pharmacists only. PHOENIX and other wholesalers have thus no retail presence in Germany. PHOENIX considers market liberalisation in Germany to be unlikely for the medium term as the current model was confirmed by the European Court of Justice in September 2009.

Western Europe

The market for pharmaceutical wholesale in Western Europe includes large pharmacy markets with high population density such as France, Italy and the UK that are quite unique, heterogeneous units and can hardly be compared in terms of market concentration, competition and regulation. While the wholesale market in France and the UK is highly concentrated, it is very fragmented in Italy.

PHOENIX has a strong presence in Western Europe both in the wholesale as well as the retail market of pharmaceutical products. Based on market shares, PHOENIX is, except for France, an important pharmaceutical wholesaler in the Western European markets it operates in. In markets where ownership of pharmacy chains by wholesalers is permitted, PHOENIX usually operates a significant pharmaceutical retail business (*e.g.*, in the UK, The Netherlands and Switzerland). In other markets, such as France, similar restrictions on the ownership of retail business as in Germany apply and accordingly PHOENIX has no retail presence. According to its own calculations, based on PHOENIX' and certain competitors' annual reports and other market data IQVIA the GERS database ("**GERS**") in France and Farminform B.V. ("**Farminform**") in The Netherlands, and in terms of revenue for the fiscal year 2019/20, PHOENIX has average wholesale market shares of 26.3 % in The Netherlands, 20.0 % in Austria, 19.7 % in Italy, 14.7 % in Switzerland, 11.1 % in the UK and 9.0 % in France.

The main competitors in this region are Walgreens Boots Alliance (in the UK, France and The Netherlands) and McKesson Europe (in the UK, France, Italy and Austria). In addition, there are other competitors that have considerable market shares in only one or a few of the relevant regional markets, such as Galexis (the wholesale division of Galenica) in Switzerland, Mosadex in The Netherlands, Kwizda and Jacoby-GM Pharma in Austria, Unico in Italy and a number of pharmaceutical wholesalers acting within a cooperative structure under the label "CERP" in France.

Eastern Europe (excluding North-Eastern Europe)

The pharmaceutical wholesale market in Eastern Europe is composed of several regional units of similar, largely homogeneous markets with common characteristics and trends and an often fragmented competitive landscape. According to PHOENIX' own calculations, it is the largest regional wholesaler in Eastern Europe based on revenue and country coverage since no competitor covers more than two Eastern European countries with a top three market share. According to IQVIA and its own calculations PHOENIX holds average wholesale market shares between 12.2 % (Romania) and 44.0 % (Czech Republic) in each country in which PHOENIX is present in this region. In the Polish market, PHOENIX is currently present with pharma services operations only.

PHOENIX' wholesale competitors in Eastern Europe include Hungaropharma (Hungary), Walgreens Boots Alliance (Czech Republic and Romania), Medika (Croatia), Pharmos (Czech Republic), Sopharma (Bulgaria), Farmalogist (Serbia), Unipharma (Slovakia) as well as Penta (Romania) and for PHOENIX' retail business in Eastern Europe Dr. Max (part of Penta group), operating pharmacies in several countries in Eastern Europe and being a major competitor of BENU. In each case, the market presence of competitors has been determined by PHOENIX based on its own and certain competitors' key performance indicators (in particular, revenue) as published in the respective annual reports (where available) and other market information.

Northern Europe and North-Eastern Europe

The pharmaceutical wholesale market in Northern and North-Eastern Europe is characterised by low population density and less frequent delivery cycles than in most parts of Western Europe. In addition to wholesale and retail, PHOENIX offers pharma services in the Nordic countries. The business models differ significantly within these countries due to the legislation in the respective jurisdictions. Some countries, *e.g.*, Finland and Sweden, are single channel markets where pharmaceutical companies enter into an exclusive distribution agreement for their product range with only one wholesaler. In liberalised markets such as Norway, Latvia and Lithuania, there is an extensive retail presence.

Generally, a future de-liberalisation of pharmacy markets cannot be ruled out. For example, in Estonia a new law has been implemented leading to changes in pharmacy regulation and ownership. A strict separation of wholesale and retail operations was enforced by April 2020.

In the Nordic countries, PHOENIX' revenue-based average wholesale market share, according to a comparison between its own revenue and market data by IQVIA, Dansk Lægemiddel Information (DLI) in Denmark and the State Agency of Medicines in Estonia for January 2020, is 64.3 % in Denmark, 49.7 % in Sweden, 55.1 % in Finland and 47.6 % in Norway (retail market share). In the North-Eastern European countries, the market share is 32.0 % in Estonia, 25.0 % in Latvia and 19.0 % in Lithuania. The main competitors in these markets are McKesson Europe (Norway, Denmark), Oriola KD (Finland, Sweden), Walgreens (Norway) and Magnum Group (Estonia and Latvia).

BUSINESS OF THE PHOENIX GROUP

Overview

Based on revenue, 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 (Source: CatCap Corporate Finance M&A Report: The European Life Sciences Industry 2016, page 36). 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 acts as an integrated health services provider wherever it operates.

The PHOENIX Group is active in 27 European countries and has a diversified geographic portfolio. In its core business, the company was operating 161 distribution centres as of the end of the reporting year 2019/20 (31 January 2020). In pharmaceutical wholesale, the PHOENIX Group is leading with regards to competitive position measured by market shares in 13 countries. As of the end of the fiscal year 2019/20 (31 January 2020), the company has had more than 2,700 of its own pharmacies in 14 European countries and is thus Europe's leading pharmacy operator in terms of the number of self-operated pharmacies (Source: Market shares: internal data and external data (IQVIA, Farminform, GERS, Megros, LTK, State Agency of Medicines; number of pharmacies: annual reports of market players)). In pharmacy retail, it mainly operates in the following countries: Czech Republic, Hungary, Latvia, Lithuania, Montenegro, The Netherlands, Norway, Romania, Serbia, Slovakia, Switzerland and the UK. Furthermore, it offers its competencies to the pharmaceutical industry as a service provider.

The PHOENIX Group covers more European countries than any of its competitors (based on PHOENIX' estimate of available market data and its main competitors published figures). This diversified geographical footprint gives PHOENIX the potential to balance negative regulative or market developments in single markets.

The PHOENIX Group has more than 100 years of experience in the pharmaceutical market. The PHOENIX Group generated total revenue of EUR 27,323.3 million and EBITDA of EUR 606.5 million for the fiscal year 2019/20. The PHOENIX Group employed 32,009 employees (full-time-equivalent) on average for the fiscal year 2019/20. Its most important countries in terms of revenue in the fiscal year 2019/20 is by far Germany (34 % of the total revenue of the PHOENIX Group), followed by Italy (9 %), The Netherlands (8 %), France (6 %) and UK (6 %).

Over several decades, the Merckle family gradually accumulated a participation in the predecessors of PHOENIX KG. At the same time, the Merckle family built up indirect participations in three independent pharmaceutical wholesalers and their subsidiaries, Hageda GmbH, Otto Stumpf group and F. Reichelt AG. In 1993, the businesses of the Hageda, Stumpf and F. Reichelt groups were consolidated into PHOENIX Pharmahandel Aktiengesellschaft & Co.

In the years 1994 to 1997, The PHOENIX Group acquired foreign shareholdings in the Czech Republic, Hungary, Italy, The Netherlands, Poland and France. Further, it established new branches in Poland and France and took over an Austrian wholesaler. In 1998, the PHOENIX Group entered the market in the UK. In 2000, the PHOENIX Group further expanded into Finland, Switzerland and The Netherlands with strategic acquisitions which increased the proportion of turnover generated by foreign share holdings to two thirds of total revenue. Between 2003 and 2007, the PHOENIX Group successfully completed its acquisition of a 100 % shareholding in Tamro Oyj. At the same time, the PHOENIX Group further expanded into the Eastern European markets and consolidated its portfolio in the UK and Italy through additional acquisitions. In 2008 the acquisition of CERP Lorraine Répartition in France was completed and PHOENIX entered into the Serbian and Bosnian market. In 2010 the PHOENIX Group and McKesson Europe (former Celesio) combined their activities in The Netherlands in order to strengthen the market position. McKesson Europe transferred its retail business to PHOENIX Group's Dutch subsidiary, Brocacef Groep N.V. (formerly: Brocacef Holding N.V.), and in return received 45 % stake in this company. In 2013, the PHOENIX Group entered the markets in Albania and Montenegro with pharma services operations and acquired the largest privately owned pharmacy chain in Serbia. In 2016, the Dutch Brocacef Groep N.V. completed its acquisition of the wholesale, pre-wholesale and retail business from Mediq group in The Netherlands. In 2017, Tamro - PHOENIX Group´s national entity in Finland - acquired Medaffcon

Oy, a company operating in the fields of research and advisory for the pharmaceutical industry and healthcare sector. In 2018, PHOENIX entered the Romanian market by acquiring a majority share in the pharmaceutical wholesaler Farmexim S.A. and 100 % share in pharmaceutical retailer Help Net Farma S.A.

In the fiscal year 2019/20, PHOENIX Group's wholesale business (including PHOENIX Pharma Services and other services) generated 86 % of the total revenue of the PHOENIX Group. It is a stable, non-cyclical business with regard to growth rates and gross margin (which is the ratio of gross profit to revenue). In the fiscal year 2019/20, the gross margin in PHOENIX Group's wholesale business was 7 %.

In its retail business, the PHOENIX Group distributes pharmaceuticals and other healthcare related products to end customers through pharmacies. The retail business contributed 14 % of the total revenue of the PHOENIX Group in the fiscal year 2019/20.

Summary of Key Strengths

The PHOENIX Group believes that the following key strengths have been primary drivers in its past success and will continue to set PHOENIX Group apart in the future:

Resilient Business Model

PHOENIX' resilient business model combines stable cash flows with low and diversified risks. PHOENIX' wholesale business (including PHOENIX Pharma Services and other services), which generates 86 % of the PHOENIX Group's revenue in the fiscal year 2019/20, operates in a stable, non-cyclical market. The PHOENIX Group generates 70 % to 80 % of the revenue of its wholesale business from prescription-only drugs, the prices of which are regulated and thus allow for stable margins. PHOENIX' portfolio combines mature markets in Western Europe and Northern Europe as well as strong positions in the expanding markets in Eastern Europe. As one of the leading pharmaceutical wholesalers in Europe and the only pan-European wholesaler active in all key Eastern European markets, PHOENIX Group believes it will benefit therefrom and is well positioned to generate stable, resilient cash flows.

At the same time, PHOENIX' business is subject to diversified risks. PHOENIX' counterparties, *i.e.*, pharmaceutical manufacturers and pharmacies, generally have a sound financial profile as most of their businesses bear limited risk of default. In addition, the PHOENIX Group operates its businesses in several European countries and is therefore less dependent on a single market than local competitors. Moreover, due to the on-going demographic ageing of the society, increasing living standards, higher life expectancy and living standard, increased health consciousness and new pharmaceuticals being key growth drivers, the pharmaceutical wholesale and retail markets are less sensitive to economic cycles than other markets.

Strong Regional Diversification

PHOENIX strives for a strong regional diversification with a market coverage throughout its pan-European footprint. PHOENIX covers more European countries than any of its competitors. The vast majority of pharmaceutical wholesalers and retailers are only active in one regional market. Only four pharmaceutical wholesale and retail competitors conduct their business activities in more than a few European countries. As at the end of fiscal year 2019/20, the PHOENIX Group holds number one positions in terms of revenue in the wholesale markets in Germany, The Netherlands, Italy, Hungary, Czech Republic, Slovakia, Bulgaria, Macedonia, Serbia, Denmark, Sweden, Finland, and Estonia as well as in the retail markets in The Netherlands, Norway, Hungary and Serbia (Source: Market shares: internal data and external data (IQVIA, Farminform, GERS, Megros, LTK, State Agency of Medicines)). In many of the other markets, the PHOENIX Group operates from a key position, based on its estimates founded on market data and the published figures of its main competitors. PHOENIX' broad country coverage strengthens its position vis-à-vis pharmaceutical manufacturers and represents a considerable advantage in case pharmaceutical manufacturers chose to reduce the number of wholesalers or to create multinational wholesale networks. In addition, its wholesale activities throughout Europe constitute a platform to integrate further selected pharmacies into its network where the legal framework permits ownership of pharmacies by wholesalers. The network of own pharmacies allows PHOENIX Group to offer direct end customer access to its suppliers.

Well-balanced Business Portfolio

PHOENIX' described leading position in the wholesale market is complemented by strong retail, pharmacy solutions and pharma services activities, which altogether constitute a well-balanced portfolio. PHOENIX Group's retail network leads to more than 160 million patient contacts per year in the pharmacies. The PHOENIX Group offers pharma services and serves more than 200 customers. A high degree of integration of the business areas wholesale, retail and pharma services allows PHOENIX Group to achieve synergy effects and to benefit from the entire available margin between pharmaceutical manufacturers and end customers.

Market Expertise and Turn-Around Capability

PHOENIX Group's expertise in operations and logistics and its proven turn-around capability allows the Company to strategically acquire new businesses in high growth areas and to quickly establish a strong market position in the respective countries. PHOENIX Group's experience in pharmaceutical distribution and the vast logistics network required for its wholesale activities accompanies its expertise in complex operations and logistics. PHOENIX Group leverages its logistic expertise in the pharmaceutical wholesale market, which requires high standards in terms of quality, reliability and speed, to constantly improve its operations and logistics, thereby reducing its operational costs. Additional cost savings can be achieved by the implementation of standardized best-in-class pharmacy processes within the own pharmacy network. In the past, the PHOENIX Group has managed to transform under-performing companies it acquired into profitable enterprises, *e.g.*, the former Tamro Group thus building up a strong acquisition track record. In addition to its operational expertise, PHOENIX Group further developed its commercial expertise, e.g. by managing well known pharmacy brands as well as expanding the offer of private label products and patient services. Examples for this development are PHOENIX Group owned brands BENU, Apotek1, Rowlands and HelpNet.

Strong Relationship with Pharmacies and Pharmaceutical Manufacturers

The PHOENIX Group has in-depth relationships with pharmacies and pharmaceutical manufacturers. PHOENIX Group's qualified account managers continuously foster relationships with pharmacies, some of which have been developed over generations. The PHOENIX Group offers a package of services and support for pharmacies, including business courses for start-up pharmacists, point of sale systems and online ordering services. PHOENIX continues to optimize this strategy. This includes the ongoing development of its various pharmacy cooperation programmes. Also, in terms of digital offerings, such as smartphone apps, PHOENIX Group wants 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.

The PHOENIX Group believes that these services enable it to further strengthen its relationships with many pharmacies throughout Europe. Due to PHOENIX Group's long-term presence in the pharmaceutical market, it has strong relationships with all major pharmaceutical manufacturers and is thus able to benefit in case pharmaceutical manufacturers choose to reduce the number of wholesalers.

Experienced Management Team

The PHOENIX Group benefits from an experienced executive management team lead by Sven Seidel (Chief Executive Officer), Helmut Fischer (Finance), Marcus Freitag (Sales and Marketing Pharmaceutical Wholesale/Pharmacy Solutions), Frank Große-Natrop, and as from 1 September 2020, Steve Anderson, (Operations and Logistics) and Stefan Herfeld (Retail). The senior management team has implemented several far-reaching operational and strategic optimisation initiatives and is continuously striving to maintain and further improve PHOENIX' leading market position in Europe**.**

Summary of PHOENIX Group's Strategy

PHOENIX Group's strategies are as follows:

Organic Growth

Due to its diversified geographic footprint as a leading pan-European pharmaceutical trading company the PHOENIX Group is able to balance temporary negative influences from individual markets very well on group level.

The PHOENIX Group adheres to sustainable values through a corporate culture geared to the customers, high cost-effectiveness and profit-oriented growth. The company's strategy focuses on the following elements:

- Expanding cross-border and interdisciplinary cooperation and best practise sharing in order to provide even stronger services for the company's customers, for example the various pharmacy cooperation programmes in the PHOENIX Group, but also striving increasing turnover and profitability, for example due to customer loyalty concepts, retail pricing strategies or group-wide indirect procurement initiatives.
- Implement concepts to increase quality and productivity in the company.
- Application and use of the PHOENIX Group's digitalisation concepts with respect to end customers' requirements. For instance, digital interfaces to customers might lead to new revenue and business models.

In countries where the PHOENIX Group operates pharmacies it intends to further improve its retail margins by offering a wide range of pharmacy-related products such as OTC and commodity products as well as its own brand name products that are produced for PHOENIX Group by contract manufacturers to complement its core business of prescription-only drugs. Strategic measures in the previous year included the establishment of PXG Pharma GmbH for Europe-wide trade with the brand LIVSANE as a key element for the further development of the private label activities. In addition, the PHOENIX Group intends to strengthen its position as a provider of integrated services for all partners along the pharmaceutical value chain, especially for pharmaceutical manufacturers and other industry partners.

Selected Acquisitions or divestments

The European market still offers significant potential for consolidation in wholesale, retail and service businesses. The PHOENIX Group plans to further expand its position in individual markets through selected acquisitions complementing its existing portfolio. In the wholesale segment, the PHOENIX Group can already benefit from the consolidation of the currently fragmented markets in Eastern Europe, regions in which the PHOENIX Group has a very strong presence. In the retail business, the PHOENIX Group will continue to acquire pharmacies or pharmacy chains in its current retail markets in order to profit from higher margins in the retail business. The PHOENIX Group will carefully evaluate opportunities for further market entries or retail expansions in markets where the PHOENIX Group is currently only engaged in wholesale. The integration of retail and wholesale businesses is expected to create added value and will allow the PHOENIX Group to benefit from the entire available margin between pharmaceutical manufacturers and patients as end customers. PHOENIX Group's strong wholesale position in many European countries enables it to successfully integrate further retail activities into its business in order to combine the stability of its wholesale business with opportunities of the retail business.

However, the PHOENIX Group is also active in markets which are concentrated and dominated by a few large market participants. In such markets, it is difficult to identify suitable acquisition targets and growth prospects are limited, unless the acquisition of larger targets is considered in order to strengthen the market position. The PHOENIX Group will carefully evaluate the market conditions and may consider alternatives, such as a complete or partial divestment of its business units in markets with limited growth prospects in particular.

Optimising Efficiency

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

In order to safeguard its market leadership, the PHOENIX Group has harmonised its processes and structures in Germany. The PHOENIX Group is implementing numerous initiatives in the UK: In wholesale, the PHOENIX Group focuses on growth in the hospital supply sector, among others, and intends to expand its pharmacy cooperation "Numark". With "Fit4Two", a new project was introduced to optimise internal structures and centralise services for pharmacies. The latter is the focus of the MediPAC facility in Runcorn, UK, which has been in operation since June 2019. This offers PHOENIX Group's pharmacy chain Rowlands Pharmacy a central solution to fill repeat prescriptions. Such central filling leads to an additional time which can be used in pharmacies for advice, consultation and patient service.

Furthermore, the PHOENIX Group focuses on initiatives to optimise the operational processes of its logistics network. The highly specialised "warehouse excellence" team plays an important role when it comes to identifying the causes of decay and breakages of goods within the warehouse by providing training, consultation services and implementing ideas for improvement that are aimed at avoiding risks and rising productivity. Moreover, "warehouse excellence" serves as a central hub for best practice sharing in warehouse management and related areas. In the fiscal year 2019/20, the PHOENIX Group also initiated a Europe-wide project for investigating and describing the current status of the logistical infrastructure (in the wholesale sector) and defining action plans for fulfilling the infrastructural strategy aiming for a modern, reliable and robust set-up from 2025 onwards. In addition to maintenance and modernisation, explicit consideration should also be given to the digitisation of facilities where possible and necessary.

The FMD aims to prevent counterfeit medicines from entering the legal supply chain and entered into effect for most EU member states 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 the PHOENIX Group's partners' systems. This already established process ensures the verification of product information between manufacturers and trading partners via European databases and thus, ensuring protection against counterfeiting. In addition, the PHOENIX Group has implemented processes for the electronic transmission of batch tracking in order to increase drug safety through the possibility of identifying a production batch in accordance with legal requirements.

Continued Optimisation of Financial Structure

The PHOENIX Group is determined to continue its successful path of deleveraging in order to further strengthen its financial structure. An intelligent combination of various funding sources and a well-balanced liquidity profile is expected to provide PHOENIX Group the flexibility that is required for supporting its further development. In addition, the PHOENIX Group intends to further enhance its working capital management. The achievement of this goal will be facilitated by optimised cash and inventory management as well as group-wide debtor management systems.

PHOENIX' Business

PHOENIX' business comprises wholesale, pharma services, retail and other services.

Wholesale

86 % of the total revenue of the PHOENIX Group in the fiscal year 2019/20 was generated by the wholesale business (including PHOENIX Pharma Services and other services). 70 % to 80 % of this revenue was generated with prescription-only drugs.

In its wholesale business, PHOENIX Group delivers a full assortment of pharmaceuticals and related healthcare products to retail pharmacies and other customers in 25 countries in Europe up to five times a day. As a full-line wholesaler, PHOENIX Group stores – and in some countries is obliged by law to store – a comprehensive, multi-vendor range of pharmaceuticals. The stock that the PHOENIX Group carries is based on the anticipated demand of its pharmacy customers for two weeks.

The PHOENIX Group operates 161 wholesale and pre-wholesale distribution centres in Europe. The decentralised structure enables PHOENIX Group to respond quickly and with high flexibility to any changes and developments in the market.

PHOENIX Group's advanced warehousing and distribution systems ensure that it only takes a few hours from an order being placed to the actual delivery of the pharmaceutical product to the respective pharmacy, including the time of transportation. Short processing times are also ensured during the two peak periods in a day when pharmacies place most of their orders. In Germany, PHOENIX Group makes deliveries to pharmacies on average 3.1 times per day.

The transport and delivery of the pharmaceutical products from the distribution centre to the customer is either undertaken by the PHOENIX Group (*e.g.*, by its subsidiary transmed Transport GmbH in Germany) or through individual subcontractors. Together with its subcontractors PHOENIX offers a widespread day and night network to its customers which is based on a hub and spoke system.

Pharma Services and pre-wholesale

Under the service brand "All-in-One", Pharma Services coordinates services for the pharmaceutical industry across Europe across all business segments of the group and along the industry's entire supply chain. In this context, the PHOENIX group further distributes speciality products, implements multi-market warehouses, supports clinical trails, patient programmes and provides for business intelligence. Whether these are logistics solutions in "Healthcare Logistics" (pre-wholesale) with hubs across Europe, awareness campaigns or digital B2C campaigns via the pharmacy channel – Pharma Services analyses demand together with its industry partners and develops individual multi-national, regional (e.g. Central Eastern Europe) or Europe-wide solutions. The PHOENIX Group offers its pharma services in 27 countries and thus can offer pharmaceutical manufacturers an extensive country coverage.

In fiscal year 2019/20, Pharma Services further developed its services, in particular in the fields of "Regulatory Affairs" and "Representation Services". With these services, PHOENIX Group supports its industry partners with the market entry, promotions, as well as representation and training to healthcare professionals (HCP).

The number of strategic commercial partnerships with manufacturers is continuing to grow. Alongside the prolongation of existing partnerships, new partners have also been acquired at a local, regional and international level covering generics, OTC, Rx and specialities. Such multinational long-term partnerships exist or have recently been established with P&G Health, Teva, Mylan and Zentiva.

Moreover, with the opening of the largest logistics centre for healthcare in Northern Europe, a pre-wholesale warehouse and distribution centre in Køge, Denmark, and with the expansions of capacity in Prague, Czech Republic, and Belgrade, Serbia, PHOENIX Group has expanded its logistics network internationally tailoring it to the customers' needs. Manufacturer and pre-wholesale services usually consist of warehousing (often by way of consignment), packaging and transporting products, order handling as well as tax and customs administration and further manufacturer services like packing, labelling, bundling, printing on boxes, sample distribution, Intrastat Reporting as well as data management and financial services such as debt collection. More than 200 pharmaceutical manufacturers already rely on these services.

Retail

The PHOENIX Group has established a strong retail base with mature markets and high margins. Due to governmental regulations, there are no pharmacies owned by PHOENIX or other wholesalers in Germany. However, PHOENIX Group is operating more than 900 pharmacies in Western Europe including the UK, The Netherlands and Switzerland, more than 1,000 pharmacies in Eastern Europe including Czech Republic, Montenegro, Romania, Serbia and Slovakia, and around 550 pharmacies in Norway, Lithuania and Latvia. More than 1,500 pharmacies in selected countries (The Netherlands, Switzerland, Hungary, Czech Republic, Slovakia, Serbia, Montenegro, Lithuania, and Latvia) are operating under the corporate brand "BENU". A new store concept for PHOENIX Group's largest pharmacy brand BENU is being introduced and will gradually be implemented in pharmacies in all retail markets in Europe in which the brand is active. Other PHOENIX retail brands are "Apotek 1" in Norway, "Rowlands" in the United Kingdom, and "Help Net" in Romania.

In April 2020, PHOENIX Group had to sell its shareholdings in 77 Estonian pharmacies due to regulatory requirements.

In its pharmacies, the PHOENIX Group sells prescription-only drugs, OTC products as well as healthcare-related commodity products. OTC products are non-prescription drugs which in most countries usually can only be sold in pharmacies. Healthcare-related products are all products which are neither prescription-only drugs nor OTC products, in particular cosmetic products such as skin care, hair care and certain dietary supplements.

The PHOENIX Group also offers a wide range of high quality private label products in various countries such as its private label brand "LIVSANE" which 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.

Other Services

The PHOENIX Group offers a whole range of country-specific related services for pharmacies. The services PHOENIX Group offers to community pharmacies in Germany are, *inter alia*, part of the "deine Apotheke" omnichannel concept. It includes a smartphone app for end costumers to pre-order prescription-only drugs, OTC products, and healthcare-related commodity products. PAYBACK, Germany's most popular loyalty programme with more than 31 million users, is another element of the concept. Also, a pharmacy exclusive magazine for a female target group, digital marketing support as well as purchasing benefits in pharmaceutical wholesale are part of the concept.

Moreover, the PHOENIX Group offers individual blister packing (*i.e.*, the patient-individual packing of multiple drugs based on his or her prescribed treatment) for pharmacies in a number of European countries. By offering this service PHOENIX Group relieves pharmacists of the investment risk of purchasing and maintaining their own machines. In Norway, Apotek 1, a PHOENIX Group's subsidiary, according to its own calculations, has strengthened its leading position with regard to the market share in the blister packaging business. Moreover, these business activities also grew in terms of the number of patients served in Finland and in The Netherlands. In UK, the set-up of a blister centre has also been initiated: the facility is already operating the orders of more than 80 branches improving efficiency and customer orientation in the Rowlands pharmacies.

Customers and Marketing

PHOENIX Group's customer base mainly consists of pharmaceutical manufacturers within its PHOENIX Pharma Services activities, pharmacies, medical institutions and doctors within its wholesale activities and end customers within its retail activities.

Wholesale

Wholesale customers are generally single-owned pharmacies or pharmacy chains but also comprise hospitals, nursing homes, or other medical institutions as well as doctors. In the 25 countries in which PHOENIX Group is actively delivering pharmaceuticals to pharmacies, it has partnerships with around 60,000 pharmacy customers. Based on its own estimates based on market data as well as figures published by its main competitors, the PHOENIX Group is the market leader in terms of revenue in several European countries (for example in Germany, The Netherlands, Italy, Hungary, Czech Republic, Slovakia, Bulgaria, Macedonia, Serbia, Denmark, Sweden, Finland, and Estonia). The PHOENIX Group has developed a large number of customer retention, marketing and sales promotion concepts which it makes available as a service to pharmacies.

Pharma Services and pre-wholesale

Pharma Services' customers are mainly pharmaceutical manufacturers. These services are marketed as the "All-In-One" brand offering a central point of contact for the pharmaceutical industry on a European level. These high-level contacts are to be coordinated and cared for by a central team that within its structure and responsibilities reflects the different service areas.

Retail

Where PHOENIX Group is active in the retail market, it is dealing directly with end customers. Most countries offer state-of-the-art web shop solutions enabling patients to easily buy products online, access their medication file or book appointments at the local pharmacy. In some markets, however, a complete digital health eco-system surrounds this web shop solution offering access to 24h consultation services, booking appointments at local general practitioners (GPs) or renewing e-prescriptions. In addition, some countries operate special app solutions for patients with chronical diseases with a reminder to pick-up the prepared medication at the local pharmacy enhancing the medical compliance. Of course, each country also operates a web presence with general health information, basic yet well researched pharmaceutical advice and a pharmacy finder.

Intellectual Property

PHOENIX owns registered and unregistered trademarks and service marks and similar rights used by the companies within the PHOENIX Group. All of the principal trademarks and service marks are registered in the respective jurisdiction where they are being used, or registrations have been applied for with respect to such trademarks and service marks. PHOENIX does not consider any particular patent, license, franchise or concession to be material to its business.

Property, Plant and Equipment

Within its wholesale activities PHOENIX requires property for its distribution centres. For conducting its retail activities PHOENIX depends on property suitable for pharmacies. PHOENIX owns the real estate of its head office in Mannheim and of several distribution centres and pharmacies.

As of 31 January 2020 PHOENIX owned land and buildings excluding right-of-use assets for leased land and buildings with a net carrying amount of EUR 563.7 million. Furthermore, right-of-use assets for leased land and buildings of EUR 778.5 million are recognised by PHOENIX in its consolidated statement of financial position as of 31 January 2020. In total, this represented 75.3 % of PHOENIX' property, plant and equipment and 13.9 % of PHOENIX's total assets as of 31 January 2020.

Material Contracts

2014 Bonds

On 30 July 2014, the Issuer issued EUR 300,000,000 3.625 % guaranteed senior unsecured notes due 2021 (the "**2014 Bonds**"). The Issuer on-lent the proceeds from the issue of the 2014 Bonds to other members of the PHOENIX Group which use them for general corporate purposes (including, for the avoidance of doubt, repayment of certain financial indebtedness).

The final maturity for the 2014 Bonds is on 30 July 2021. In case of a change of control each holder of the 2014 Bonds has the right to require the Issuer to repurchase the 2014 Bonds at a purchase price equal to the principal amount plus accrued interest, and certain other rights of early redemption apply.

The 2014 Bonds bear interest at a rate of 3.625 % per annum which is paid annually in arrear on 30 July of each year.

The 2014 Bonds are guaranteed by PHOENIX KG, PHOENIX International Beteiligungs GmbH and PHOENIX PIB Finance B.V. on terms which are substantially equal to the terms of the Parent Guarantee or the Subsidiary Guarantee, as the case may be. In 2015, certain other subsidiaries of PHOENIX KG had simultaneously been released as guarantors under the 2014 Bonds and the Syndicated Credit Facility Agreement (with respect to the Syndicated Credit Facility Agreement, by way of an amendment to the Syndicated Credit Facility Agreement).

In case at least two of Fitch Ratings Limited ("**Fitch**"), Moody's Investors Service Limited ("**Moody's**") and S&P assign a credit rating to PHOENIX Group's unsecured debt of BBB- and/or Baa3, respectively, or better, the guarantees are automatically released.

In addition, a guarantee in respect of the 2014 Bonds will be released under the following circumstances:

- all or substantially all of the assets of the relevant initial subsidiary guarantor or the shares in the relevant initial subsidiary guarantor, or any parent entity thereof (other than the Issuer or the Parent Guarantor), are sold or otherwise disposed of to a third party which is not an affiliate of the Parent Guarantor; or

- it can reasonably be expected that maintaining the guarantee given by the relevant initial subsidiary guarantor would lead to a violation of applicable laws due to changes in the laws, or a change in the interpretation, implementation or application of such laws, applicable to the relevant initial subsidiary guarantor; or
- it can reasonably be expected that maintaining this guarantee by the relevant subsidiary guarantor would lead to a material disadvantage in the tax treatment of the relevant subsidiary guarantor due to changes in the tax provisions applicable to the relevant subsidiary guarantor or a change in the interpretation, implementation or application of such laws; or
- the liabilities of the Issuer under the 2014 Bonds have been discharged in full; or
- the relevant initial subsidiary guarantor (together with any other subsidiary guarantor whose guarantee(s) has(have) been or is(are) simultaneously being released pursuant to this paragraph or any parallel provision of any guarantee granted by an additional guarantor) does no longer, or will, simultaneously with the release of the guarantee by the relevant initial subsidiary guarantor, no longer guarantee, any financial indebtedness of the Parent Guarantor or any of the Parent Guarantor's other subsidiaries in an aggregate principal amount in excess of EUR 30,000,000.

Under the terms and conditions of the 2014 Bonds, if any subsidiary (other than the Issuer, any existing guarantor with respect to the 2014 Bonds, Brocacef Groep N.V. and any of its direct or indirect subsidiaries, and, until the occurrence of the Italian Ringfencing Fall Away Event, a member of the Italian Subgroup (each as defined below)) grants a guarantee with respect to any financial indebtedness of PHOENIX KG or any of its subsidiaries where the principal amount of the financial indebtedness so guaranteed exceeds EUR 30,000,000, PHOENIX KG has agreed to cause such subsidiary to become an additional guarantor with respect to the 2014 Bonds subject to certain limitations.

The terms and conditions of the 2014 Bonds provide for certain restrictive covenants, in particular restrictions on additional financial indebtedness and the creation of liens, in each case subject to customary exceptions. As at the date of this Prospectus, 2014 Bonds in an aggregate amount of EUR 100 million are held by PHOENIX Noweropa Beteiligungs GmbH, the direct holding company of the Issuer.

2016 Loan Notes

On 6 October 2016, PHOENIX KG as borrower entered into the following promissory note agreements (*Schuldscheindarlehensverträge*) pursuant to which promissory notes in an aggregate principal amount of EUR 150 million have been granted (together, the "**2016 Loan Notes**"):

- EUR 22.5 million with a fixed interest rate of 0.8 % per annum, due 6 October 2021;
- EUR 53 million with a floating interest rate (EURIBOR plus a margin of 0.95 % per annum), due 6 October 2021;
- EUR 23.5 million with a fixed interest rate of 1.2 % per annum, due 6 October 2023; and
- EUR 51 million with a floating interest rate (EURIBOR plus a margin of 1.20 % per annum), due 6 October 2023.

PHOENIX KG on-lent the proceeds from the 2016 Loan Notes to other members of the PHOENIX Group which use them for general corporate purposes (including, for the avoidance of doubt, repayment of certain financial indebtedness).

The 2016 Loan Notes are guaranteed by PHOENIX International Beteiligungs GmbH on terms which are substantially equal to the terms of the Subsidiary Guarantee.

Under the 2016 Loan Notes, the individual lenders may require mandatory prepayments upon the occurrence of a change of control in PHOENIX KG. In addition, the 2016 Loan Notes provide for certain restrictive covenants, in particular restrictions on additional indebtedness and the creation of liens.

Syndicated Credit Facility Agreement

On 21 June 2012, PHOENIX KG, PHOENIX International Beteiligungs GmbH and PHOENIX PIB Finance B.V. as borrowers, certain banks including, but not limited to, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, ING Bank, a branch of ING-DiBa AG, UniCredit Bank Austria AG and other financial institutions as mandated lead arrangers and others entered into a syndicated facility agreement which was last amended on 4 March 2020 (as amended, the "**Syndicated Credit Facility Agreement**").

Under the Syndicated Credit Facility Agreement, a group of lenders makes available a multicurrency revolving loan facility in an aggregate amount of EUR 1,250 million (incorporating a swingline facility in an amount of up to EUR 200 million). The proceeds from the revolving loan facility may be applied in or towards general corporate purposes and working capital requirements of the PHOENIX Group.

Following the exercise of two extension options, the final maturity date for the revolving facility is 16 December 2022. The Syndicated Credit Facility Agreement, however, provides for certain mandatory prepayment events such as illegality or the occurrence of a change of control in PHOENIX KG.

The interest rate on each loan under the Syndicated Credit Facility Agreement is the percentage rate per annum which is equal to the sum of (i) the applicable margin at any time and (ii) EURIBOR (or LIBOR, in the case of loans drawn in a currency other than EUR) for the relevant interest period. In addition to the margin, other customary fees have become and are payable in connection with the Syndicated Credit Facility Agreement.

The Syndicated Credit Facility Agreement is guaranteed by PHOENIX KG, PHOENIX International Beteiligungs GmbH and PHOENIX PIB Finance B.V. on terms which are substantially equal to the terms of the Parent Guarantee and the Subsidiary Guarantee, respectively. All guarantees under the Syndicated Credit Facility Agreement (other than PHOENIX KG's guarantee) will automatically fall away if the leverage ratio of the PHOENIX Group is lower than 2.50:1 or at least two of Fitch, Moody's and S&P assign a credit rating to PHOENIX Group's unsecured debt of BBB- and/or Baa3, respectively, or better, for two consecutive fiscal quarters of PHOENIX KG and such guarantors also cease to guarantee any capital markets indebtedness of the PHOENIX Group (including the 2014 Bonds and the Notes). The leverage ratio is calculated as the ratio of Net Debt to Adjusted EBITDA (plus any dividend from Comifar S.p.A. prior to the Italian Ringfencing Fall Away Event) for the Financial Group or (following the Italian Ringfencing Fall Away Event) the PHOENIX Group. However, an event of default under the Syndicated Credit Facility Agreement would occur if a subsidiary of PHOENIX KG which ceased to be a guarantor under the Syndicated Credit Facility Agreement on the basis of the aforementioned release clause has not acceded as a guarantor upon the facility agent's request in case that (i) the leverage ratio of (x) the Financial Group or (but only after the occurrence of the Italian Ringfencing Fall Away Event) (y) the PHOENIX Group is higher than 2.50:1 or (ii) two of S&P, Fitch and Moody's have published credit ratings of less than BBB- or Baa3 (as applicable) with respect to PHOENIX KG's long-term unsecured and non-credit enhanced debt obligations or no credit rating has been assigned.

PHOENIX KG may at any time request the resignation of a guarantor under the Syndicated Credit Facility Agreement if (i) no default under the Syndicated Credit Facility Agreement is continuing or would occur as a result of such resignation, (ii) no payment from that guarantor is due under the guarantee and (iii) where that guarantor is also a borrower, it is under no actual or contingent obligation as a borrower and ceased to be a borrower.

The Syndicated Credit Facility Agreement provides for financial covenants (leverage and interest cover tests), representations and warranties, information undertakings, general undertakings and events of default (which give the lenders the right to accelerate all amounts outstanding under the Syndicated Credit Facility Agreement) customary for such kind of financings.

In the context of the Syndicated Credit Facility Agreement:

"**Adjusted EBITDA**" means (without double counting), in relation any twelve months period ending on the last day of a financial quarter of PHOENIX KG, net income from continued operations of the Financial Group or, following the Italian Ringfencing Fall Away Event, the PHOENIX Group calculated in the same manner as it was calculated in the profit and loss statement of the audited consolidated financial statements of PHOENIX KG for its fiscal year which ended on 31 January 2012 (the "**Reference Financial Statements**") shown under the line item "Profit for the period" and adjusted as follows:

(a) adding back the financial result as calculated under note 7 of the Reference Financial Statements;

(b) plus interest income from customers as specified under note 7 of the Reference Financial Statements;

(c) plus expenses related to ABS / factoring as specified under note 4 of the Reference Financial Statements;

(d) adding back income taxes, current and deferred as calculated under note 8 of the Reference Financial Statements;

(e) eliminating certain exceptional items (i.e. adding back such exceptional items which have reduced, and deducting such exceptional items which have increased, the net income from continued operations of the Financial Group or, following the Italian Ringfencing Fall Away Event, the PHOENIX Group for the relevant twelve months period),

(f) (in the case of the Financial Group) adding the amount of any dividend payments received from Comifar S.pA.;

(g) adding back amortisation of intangible assets and depreciation of property, plant and equipment as calculated under note 6 of the Reference Financial Statements; and

(g) deducting a lump-sum of EUR 153,000,000 (with regard to leasing expenses). Such lump-sum deduction eliminates effects on EBITDA resulting from the application of IFRS 16.

"**Financial Group**" means the Group excluding the Italian Subgroup.

"**Italian Ringfencing Fall Away Event**" means the first indirect utilisation of the revolving facility under the Syndicated Credit Facility Agreement by Comifar S.p.A. or any other member of the Italian Subgroup to fully or partially refinance any of the existing financial indebtedness of the Italian Subgroup.

"**Italian Subgroup**" means Comifar S.p.A. and its subsidiaries from time to time.

"**Net Debt**" means in relation to any test date the sum of the Financial Group's or, following the Italian Ringfencing Fall Away Event, the PHOENIX Group's (without double counting):

(a) financial liabilities (non-current), but deducting the supplementary partner contribution from partners (*Ergänzungseinlage*) and deducting liabilities from derivative financial instruments (non-current), as specified under notes 18 and 21 of the Reference Financial Statements;

(b) plus financial liabilities (current), but excluding liabilities from derivative financial instruments (current), as specified under notes 18 and 21 of the Reference Financial Statements;

(c) minus cash and cash equivalents;

(d) minus held-to-maturity financial assets;

(e) plus receivables sold under off-balance sheet asset backed securities / factoring programmes (volume of receivables derecognised in accordance with IAS 39 and volume of receivables under continuing involvement), but, to the extent ABS / factoring programmes recognised continuing involvement, deducting the continuing involvement as specified under note 15 of the Reference Financial Statements;

(f) minus receivables out of ABS and factoring programmes as specified under note 18 of the audited consolidated financial statements of the Reference Financial Statements;

(g) minus the lower amount of (i) a lump-sum amount of EUR 925,000,000.00 and (ii) the actual amount of leasing liabilities, but excluding, for the avoidance of doubt, any amounts which are under IFRS not considered to be debt and, irrespective of their legal nature.

Bilateral Credit Facilities

As of the date of this Prospectus, PHOENIX International Beteiligungs GmbH is party to committed and uncommitted bilateral credit facility agreements with certain banks providing for credit lines in an aggregate amount of EUR 135 million, whereof the committed portion amounts to EUR 110 million with remaining lifetimes between six and twelve months. Under the committed bilateral credit facility agreements, PHOENIX KG has assumed joint liability for the obligations of PHOENIX International Beteiligungs GmbH.

In The Netherlands, Brocacef B.V. has access to a local bilateral working capital credit facility in the amount of EUR 100 million which is secured by trade receivables and matures in August 2022.

In Hungary, BENU Magyarország Zrt. has access to committed local bilateral credit facilities in an aggregate amount of HUF 4.8 billion made available by two banks and with remaining lifetimes between eight and eleven months.

Italian Financing

In December 2018 and January 2019, Comifar S.p.A. and its subsidiary Comifar Distribuzione S.p.A. entered into bilateral revolving credit facility agreements with certain banks under which revolving loan facilities in the amount of EUR 135 million and EUR 60 million, respectively, are made available by the relevant banks. The revolving credit facility agreements are both subdivided into two tranches (i) up to EUR 50 million of short term financial liquidity (cash advance account transactions and temporary account overdrafts), and (ii) up to EUR 195 million of RIBA (*ricevute bancarie*/SDD operative liquidity) and may be utilised for the repayment of certain pre-existing indebtedness and general corporate and working capital purposes.

The final maturity date of such revolving credit facility agreements is, in each case, 28 February 2021, subject to a mandatory prepayment provision. Interest accrues on loans utilised under the revolving credit facility agreement at a fixed rate which is to be renegotiated once per year.

Comifar S.p.A. grants a parent guarantee for loans made available to Comifar Distribuzione S.p.A. under the relevant revolving credit facility agreement. The local revolving credit facility agreements do not provide for representations and warranties, undertakings or financial covenants.

In addition to the committed bilateral revolving credit facility agreements, Comifar Distribuzione S.p.A. entered into uncommitted bilateral credit facility agreements with certain local banks. The maximum principal amount which may be outstanding under such uncommitted bilateral credit facility agreements is EUR 199 million. Comifar S.p.A. grants a parent guarantee which is limited to approximately 30 % of the principal amount of the loans made available to Comifar Distribuzione S.p.A. under such uncommitted bilateral credit facility agreements. The uncommitted bilateral credit facility agreements do not provide for representations and warranties, undertakings or financial covenants.

In March 2020, Comifar Distribuzione S.p.A. entered into additional back-up credit facility agreements with certain banks providing for credit lines in an aggregate amount of EUR 27 million and with terms between seven and ten months in order to increase the available financing headroom during the period of the COVID-19 pandemic. Under one of such additional credit facility agreements, Comifar S.p.A has assumed joint liability for the obligations of Comifar Distribuzione S.p.A.

Equity Confirmation Agreement

As a condition precedent to funding, the terms of the Syndicated Credit Facility Agreement provide that the partners of PHOENIX KG undertake, by way of an agreement with the agent under the Syndicated Credit Facility Agreement, not to withdraw any of their equity from PHOENIX KG during the lifetime of the Syndicated Credit Facility Agreement, subject to certain exceptions. In addition, the partners of PHOENIX KG have undertaken not to collect profit distributions in excess of 50 % of the sum of the profit of PHOENIX Group in any year plus any retained earnings from preceding fiscal years, provided that the partners of PHOENIX KG will not collect any profit distributions in fiscal years in which the PHOENIX Group incurred a loss.

Business Lease Agreements

Eleven distribution centres in Germany ("**Leased Distribution Centres**") which are considered core assets (*betriebsnotwendige Vermögensgegenstände*) for PHOENIX' current business model in Germany are not owned by PHOENIX but used under business lease agreements (*Betriebspachtverträge*) executed in 1994 ("**Business Lease Agreements**"). The contractual counterparty for all business lease agreements is PHOENIX Pharma SE.

Under the Business Lease Agreements, all fixed assets related to the businesses have been handed over, all vehicles related to these fixed assets as well as the inventories have been sold and transferred and it has been arranged that the customers are supplied by PHOENIX (lease of customer base). PHOENIX has assumed the agreements related to the business, including employment agreements, insurance agreements, agency agreements, utility agreements, agreements with pharmaceutical manufacturers and customers (pharmacies) and memberships in professional organisations. During the term of the respective Business Lease Agreement, PHOENIX is obliged to continue the business and to procure the maintenance of the leased assets.

Factoring and ABS Programmes

As of 31 January 2020 the PHOENIX Group operates fourteen factoring programmes and five asset-backed securitisation programmes (together, the "**Factoring and ABS Programmes**") in nine countries for purposes of working capital financing. Under these agreements, trade receivables are sold to the third-party factoring companies or special purpose vehicles (in the case of asset-backed securitisation programmes).

As of 31 January 2020, trade receivables of the PHOENIX Group recorded in its audited consolidated financial statements for the fiscal year 2019/20 include receivables in the amount of EUR 222.5 million, being the aggregate amount of volume of receivables not derecognised in accordance with IFRS 9 and the continuing involvement, which were sold and financed through Factoring and ABS Programmes, but do not meet IFRS 9 derecognition requirements (*i.e.*, remain wholly or partially on the consolidated statement of financial position). The aggregate amount of off-balance sheet Factoring and ABS Programmes (*i.e.*, the amount of sold trade receivables not shown in the consolidated statement of financial position) as of 31 January 2020 is EUR 469.6 million. The amount of receivables that can in total be sold by the PHOENIX Group under the Factoring and ABS Programmes sums up to EUR 829 million. Some Factoring and ABS Programmes contain additional customary fee components.

Intercompany Loan Agreement with PHOENIX Pharma SE

On 18 July 2018, PHOENIX International Beteiligungs GmbH as lender and PHOENIX Pharma SE, the sole limited partner of PHOENIX KG, as borrower entered into a loan agreement pursuant to which PHOENIX International Beteiligungs GmbH made available a loan facility in the amount of up to EUR 500 million (the "**PHOENIX SE Intercompany Loan Agreement**" and the loans made available thereunder, the "**PHOENIX SE Intercompany Loans**") for purposes of financing the purchase price in an amount of EUR 428.6 million payable for the sale and transfer of shares in Otto Stumpf GmbH, an indirect subsidiary of PHOENIX KG, by PHOENIX International Beteiligungs GmbH to PHOENIX Pharma SE. The initial PHOENIX SE Intercompany Loan in the amount of EUR 428.6 million was not disbursed in cash to PHOENIX Pharma SE. The disbursement claim was set-off against PHOENIX International Beteiligungs GmbH's purchase price claim for the shares in Otto Stumpf GmbH.

The original maturity date for the PHOENIX SE Intercompany Loans is 31 January 2025. The maturity date will automatically be extended by twelve months on a rolling basis unless terminated by PHOENIX International Beteiligungs GmbH or PHOENIX Pharma SE at least nine months prior to the original or extended maturity date (as applicable). PHOENIX Pharma SE may voluntarily prepay PHOENIX SE Intercompany Loans in whole or in part. The PHOENIX SE Intercompany Loan Agreement will be cancelled upon the occurrence of a change of control in PHOENIX Pharma SE.

The rate of interest on each PHOENIX SE Intercompany Loan is the aggregate of the applicable benchmark rate (subject to a zero floor), such as EURIBOR or LIBOR, and the applicable margin for group financing administration and equity at risk calculated by PHOENIX International Beteiligungs GmbH on arm's length terms and adjusted periodically. Under the PHOENIX SE Intercompany Loan Agreement, PHOENIX Pharma

SE has the option to capitalise the accrued interest whereupon such interest is added to the outstanding principal amount of the respective PHOENIX SE Intercompany Loan.

As of 31 January 2020, the PHOENIX SE Intercompany Loans amounted to EUR 148.5 million.

Investments

Cash outflow from investing activities developed from EUR 220.4 million in the fiscal year ended 31 January 2018 (the "**fiscal year 2017/18**") to a cash outflow from investing activities of EUR 212.3 million in the fiscal year 2018/19 and, due to a positive impact of a partial repayment of the PHOENIX SE Intercompany Loan in an amount of EUR 200.1 million in the fiscal year 2019/20, to a cash outflow from investing activities of EUR 29.1 million in the fiscal year 2019/20. The cash paid for investments in / capital expenditures for intangible assets, property, plant and equipment, and investment property amounted to EUR 207.4 million in the fiscal year 2017/18, EUR 174.7 million in the fiscal year 2018/19, and EUR 200.8 million in the fiscal year 2019/20.

The following table sets forth the regional split of cash paid for investments in / capital expenditures for intangible assets, property, plant and equipment, and investment property during the last three fiscal years:

	Fiscal Year 2017/18	Fiscal Year 2018/19	Fiscal Year 2019/20
	(in EUR millions and audited unless indicated otherwise)		
Total	**207.4**	**174.7**	**200.8**
split by region (unaudited)			
Germany	48.5	37.8	69.1
Western Europe	48.7	60.1	41.3
Eastern Europe	17.0	26.1	45.7
Northern and North-Eastern Europe	93.2	50.7	44.7

Capital expenditures primarily consist of investments in the wholesale distribution network, *i.e.*, technical maintenance and improvement in distribution centres, establishing new distribution centres, transportation technology, in pharmacy retail shops, *i.e.*, mainly refits and openings of pharmacies, and IT investments.

Cash outflows for the acquisition of consolidated companies and business units, net of cash acquired, amounted to EUR 38.8 million in the fiscal year 2017/18, EUR 148.9 million in the fiscal year 2018/19 and cash outflows for the acquisition of consolidated entities and business unites less any cash and cash equivalents acquired amounted to EUR 56.7 million in the fiscal year 2019/20. In the fiscal year 2018/19, the cash paid for acquisitions mainly related to the acquisition of Farmexim S.A. and Help Net Farma S.A. in Romania. In the other years, the cash paid for mainly relates to pharmacies in various countries.

Future capital expenditure will mainly consist of investments in the development of the wholesale distribution network, the development of the retail business (*e.g.*, the development and improvement of pharmacies) and IT investments.

GENERAL INFORMATION ON THE SUBSIDIARY GUARANTOR

PHOENIX International Beteiligungs GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany on 19 September 1991 and registered on 2 September 1992 under its former name EPG Europe Einkaufsgesellschaft pharmazeutischer Großhändler Gesellschaft mit beschränkter Haftung. It is registered with the commercial register of the local court in Mannheim under registration number HRB 6884 (initially: commercial register of the local court in Langen (Hessen) under registration number HRB 2980) and its registered office is Pfingstweidstraße 10-12, 68199 Mannheim, Germany.

PHOENIX International Beteiligungs GmbH's registered share capital amounts to EUR 15,357,600 divided into eight shares of EUR 563,856, EUR 436,144, EUR 89,400, EUR 13,216,762, EUR 783,238, EUR 89,400, EUR 89,400 and EUR 89,400.

CONDITIONS OF ISSUE

*The following is the text of the terms and conditions of the Notes (the "**Conditions of Issue**") as attached to each Global Note.*

§ 1
CURRENCY, PRINCIPAL AMOUNT, FORM, CERTAIN DEFINITIONS

(1) *Currency; Principal Amount; Transfer.* The issue by PHOENIX PIB Dutch Finance B.V. (the "**Issuer**") issued on 5 August 2020 (the "**Issue Date**") in the aggregate principal amount of EUR 400,000,000 is divided into 4,000 notes in the principal amount of EUR 100,000 (the "**Specified Denomination**") each payable to bearer and ranking *pari passu* with each other (the "**Notes**" or the "**Issue**").

(2) *Form.* The Notes are being issued in bearer form.

(3) *Temporary Global Note – Exchange.*

(a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in the Specified Denomination represented by a permanent global note (the "**Permanent Global Note**") without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed by authorised signatories of the Issuer and shall bear a manual control signature of the Principal Paying Agent. Definitive Notes and interest coupons will not be issued.

(b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "**Exchange Date**") not later than 180 days after the date of issue of the Notes represented by the Temporary Global Note. The Exchange Date will not be earlier than 40 days after the date of issue. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the date of issue of the Notes represented by the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to subparagraph (b) of this § 1(3). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States.

For the purposes of these Conditions of Issue, "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(4) *Clearing System.* The global note representing the Notes will be kept in custody by a common depositary on behalf of the Clearing System.

"**Clearing System**" means each of the following: Clearstream Banking S.A. and Euroclear Bank SA/NV.

(5) *Holder of Notes.* "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

§ 2
STATUS, NEGATIVE PLEDGE, GUARANTEE AND NEGATIVE PLEDGE OF THE GUARANTORS

(1) *Status.* The obligations under the Notes constitute unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, unless such other obligations are accorded priority under mandatory provisions of statutory law.

(2) *Negative Pledge.* The Issuer undertakes, as long as any Notes are outstanding, but only up to the time all

amounts of principal and interest payable under the Notes have been placed at the disposal of the Principal Paying Agent, not to provide or maintain any mortgage, charge, pledge, lien or other form of *in rem* security interest (each a "**Security Interest**") over the whole or any part of its assets to secure any present or future Capital Market Indebtedness (as defined below) without at the same time letting the Holders share *pari passu* and rateably in such Security Interest or giving to the Holders an equivalent other Security Interest. This undertaking shall not apply with respect to: (i) any Security Interest which has to be granted pursuant to mandatory provisions of statutory law, (ii) any Security Interest which has to be granted in order to obtain administrative or governmental authorisations or permits, (iii) any Security Interest granted in connection with factoring or asset backed securities transactions (including the Factoring and ABS Financings) entered into by PHOENIX Pharmahandel GmbH & Co KG (the "**Parent Guarantor**") or any of its Subsidiaries, (iv) any Security Interest existing on property at the time of the acquisition thereof, or at the time of the acquisition of a company holding the relevant property, provided that such Security Interest was not created in connection with or in contemplation of such acquisition and that the amount secured by such Security Interest is not increased subsequently to the acquisition of the relevant property or the company holding the relevant property, (v) any Security Interest arisen or arising in the future on the basis of general terms and conditions of banks or depositories or clearing houses with whom the Issuer maintains a banking relationship, (vi) any Security Interest granted in connection with hedging transactions entered into in the ordinary course of business and not for speculative purposes or (vii) any other Security Interest not referred to under (i) through (vi) above securing Capital Market Indebtedness in an aggregate amount not exceeding EUR 20,000,000.

"**Factoring and ABS Financings**" means any transactions under factoring and asset backed securitisation programmes (including, for the avoidance of doubt, RIBA (*ricevute bancarie*)) established by the Parent Guarantor and/or any of its direct or indirect Subsidiaries.

"**Capital Market Indebtedness**" means any indebtedness, in the form of, represented or evidenced by bonds or notes or other securities, which are ordinarily traded or capable of being traded, quoted, dealt in or listed on any stock exchange or similarly organised securities market and obligations arising from loan notes (*Schuldscheindarlehen*).

(3) *Guarantees and Negative Pledge of the Guarantors*. The Parent Guarantor has given an unconditional and irrevocable guarantee (the "**Parent Guarantee**") and PHOENIX International Beteiligungs GmbH as subsidiary guarantor (the "**Subsidiary Guarantor**" and together with the Parent Guarantor the "**Guarantors**") has given a guarantee subject to certain conditions (the "**Subsidiary Guarantee**" and together with the Parent Guarantee the "**Note Guarantees**"), for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Note.

The Guarantors have further undertaken (the "**Negative Pledge of the Guarantors**"), so long as any of the Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, not to provide or maintain any Security Interest over the whole or any part of their assets to secure any present or future Capital Market Indebtedness and the Parent Guarantor has undertaken to procure (unless this is legally impossible or illegal) that none of its Material Subsidiaries (as defined below) will provide Security Interests over its assets to secure Capital Market Indebtedness without at the same time letting the Holders share *pari passu* and rateably in such Security Interest or giving to the Holders an equivalent other Security Interest. This undertaking shall not apply with respect to (i) any Security Interest which has to be granted pursuant to mandatory provisions of statutory law, (ii) any Security Interest, which has to be granted in order to obtain administrative or governmental authorisations or permits, (iii) any Security Interest granted in connection with factoring or asset backed securities transactions (including the Factoring and ABS Financings) entered into by the Parent Guarantor or any of its Subsidiaries, (iv) any Security Interest existing on property at the time of the acquisition thereof, or at the time of the acquisition of a company holding the relevant property, by the Guarantors, provided that such Security Interest was not created in connection with or in contemplation of such acquisition and that the amount secured by such Security Interest is not increased subsequently to the acquisition of the relevant property or the company holding the relevant property, (v) any Security Interest arisen or arising in the future on the basis of general terms and conditions of banks or depositories or clearing houses with whom the relevant Guarantor and/or, with respect to the undertaking of the Parent Guarantor, any Material Subsidiary maintains a banking relationship, (vi) any Security Interest granted in connection with hedging transactions entered into in the ordinary course of business and not for speculative purposes, or (vii) any other Security Interest not referred to under (i) through (vi) above securing Capital Market Indebtedness in an aggregate amount (for all Security Interests granted by the Guarantors) not exceeding EUR 20,000,000.

Each Note Guarantee and Negative Pledge of the Guarantors constitutes a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with Section 328 of the German Civil Code (*Bürgerliches Gesetzbuch*), giving rise to the right of each Holder to require performance of the respective Note Guarantee and Negative Pledge of the Guarantors directly from the respective Guarantor and to enforce the respective Note Guarantee and Negative Pledge of the Guarantors directly against the respective Guarantor.

"**Subsidiary**" means any subsidiary (*Tochterunternehmen*) of the Parent Guarantor within the meaning of Section 290 of the German Commercial Code (*Handelsgesetzbuch*).

"**Material Subsidiary**" means the Subsidiary Guarantor and any other Subsidiary in which the Parent Guarantor, directly or indirectly, holds 100 % of the shares or voting rights and whose earnings before interest, taxes, depreciation and amortisation (calculated on the same basis as Adjusted EBITDA but unconsolidated and excluding intra-group dividend income, charges from the transfer of profits or losses and profits and losses due to intra-group mergers) exceed 5 % of the consolidated Adjusted EBITDA of the Parent Guarantor, as determined on the basis of the most recent audited (consolidated) financial statements of the Parent Guarantor and based on the data available from the accounting system with respect to such Material Subsidiary for the respective fiscal year which were used for consolidation. If such data are not available with respect to any newly acquired Subsidiary, the most recently delivered annual (audited, if available) financial statements of such newly acquired Subsidiary shall be used.

"**Adjusted EBITDA**" means (without double counting) consolidated net income from continued operations of the Parent Guarantor and its Subsidiaries from time to time to be calculated in the same manner as it was calculated in the profit and loss statement of the audited consolidated financial statements of the Parent Guarantor for its fiscal year ending on 31 January 2020 (the "**Reference Financial Statements**") under the header "Profit for the period":

(a) adding back the financial result as calculated under note 7 of the Reference Financial Statements;

(b) plus interest income from customers as specified under note 7 of the Reference Financial Statements;

(c) plus expenses related to ABS / factoring as specified under note 4 of the Reference Financial Statements;

(d) adding back income taxes, current and deferred as calculated under note 8 of the Reference Financial Statements; and

(e) adding back amortisation of intangible assets and depreciation of property, plant and equipment as calculated under note 6 of the Reference Financial Statements.

"**Financial Indebtedness**" means any present or future indebtedness for monies borrowed whether or not certificated.

(4) *Release of Subsidiary Guarantee.*

(a) The Subsidiary Guarantee shall automatically terminate without any further action on the part of any Holder or the Principal Paying Agent (y) if the liabilities of the Issuer under the Notes have been discharged in full or (z) as soon as the Issuer or the Parent Guarantor has delivered to the Principal Paying Agent a declaration (the "**Release Declaration**") signed by a duly authorised representative of the Issuer or, as the case may be, the Parent Guarantor and by a duly authorised representative of the Subsidiary Guarantor, that

 (i) at the time of such Release Declaration

  (A) (unless an event or circumstance set out under § 2(4)(a)(ii)(B) or (C) of these Conditions of Issue has occurred) no Event of Default has occurred under the Conditions of Issue which is continuing; and

  (B) no amount owed by the Subsidiary Guarantor under the Subsidiary Guarantee is unpaid; and

 (ii) one of the following events or circumstances has occurred:

(A) all or substantially all of the assets of the Subsidiary Guarantor or the shares in the Subsidiary Guarantor are sold or otherwise disposed of to a third party which is not an Affiliate (as defined in § 11 (1)) of the Parent Guarantor; or

(B) it can reasonably be expected that maintaining the Subsidiary Guarantee would lead to a violation of applicable laws due to changes in the laws, or a change in the interpretation, implementation or application of such laws, applicable to the Subsidiary Guarantee; or

(C) it can reasonably be expected that maintaining the Subsidiary Guarantee by the Subsidiary Guarantor would lead to a material disadvantage in the tax treatment of the Subsidiary Guarantor due to changes in the tax provisions applicable to the Subsidiary Guarantor or a change in the interpretation, implementation or application of such laws (for the avoidance of doubt, the obligation to pay any Additional Amounts under § 7 hereof is not considered a material disadvantage); or

(D) the unsecured and non-credit enhanced long-term liabilities of the Parent Guarantor's are assigned a rating by at least two of the Rating Agencies of BBB- or Baa3, respectively, or better; or

(E) the Subsidiary Guarantor does no longer, or will, simultaneously with the release of the Subsidiary Guarantee, no longer guarantee, any Financial Indebtedness of the Parent Guarantor or any of the Parent Guarantor's other Subsidiaries in an aggregate principal amount in excess of EUR 30,000,000.

No Release Declaration may be delivered unless the requirements set out in this subparagraph (a) for a termination of the Subsidiary Guarantee have been fulfilled.

"**Rating Agency**" means Standard & Poor's Rating Services ("**S&P**"), Moody's Investor Services Limited ("**Moody's**"), Fitch Ratings Ltd. ("**Fitch**") or any of their respective successors.

(b) The termination of the Subsidiary Guarantee shall be effective irrespective of whether the requirements set out under § 2(4)(a) above were fulfilled at the time of delivery of the Release Declaration or not. If a Release Declaration has been delivered and the requirements set out under § 2(4)(a) above were not fulfilled at such time, then

(i) this shall constitute a breach of the obligations pursuant to § 10(1)(b) of these Conditions of Issue by the Issuer or the Parent Guarantor, as the case may be, subject to, for the avoidance of doubt, the grace period set out in § 10(1)(b) of these Conditions of Issue; and

(ii) the Parent Guarantor has agreed to cause the relevant Subsidiary Guarantor to reinstate the released Subsidiary Guarantee in its original form without undue delay.

(5) *Information of the Holders*. The Issuer shall inform the Holders of the termination of a Subsidiary Guarantee pursuant to § 14.

§ 3
INTEREST

(1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their principal amount at the rate of 2.375 % *per annum* from (and including) 5 August 2020 to (but excluding) the Maturity Date (as defined in § 5(1)). Interest shall be payable in arrear on 5 August in each year (each such date, an "**Interest Payment Date**"). The first payment of interest shall be made on 5 August 2021.

(2) *Accrual of Interest.* If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue beyond the due date until the actual redemption of the Notes at the default rate of interest established by law.[1]

(3) *Calculation of Interest for Partial Periods.* If interest is required to be calculated for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below).

(4) *Day Count Fraction.* "**Day Count Fraction**" means with regard to the calculation of interest on any Note for any period of time (the "**Calculation Period**") the actual number of days in the Calculation Period divided by the actual number of days in the respective interest period (being the period from (and including) an Interest Payment Date (and, in case of the first interest period, the Issue Date) to (and excluding) the immediately following Interest Payment Date (and, in case of the last interest period, the Maturity Date).

§ 4
PAYMENTS

(1) *Payment of Principal and Interest.* Payment of principal and interest in respect of Notes shall be made, subject to subparagraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System.

Payment of interest on Notes represented by the Temporary Global Note shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System, upon due certification as provided in § 1(3)(b).

(2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in Euro.

(3) *Discharge.* The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(4) *Payment Business Day.* If the date for payment of any amount in respect of any Note is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Business Day**" means any day which is a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer System (TARGET2) ("**TARGET**") are operational to forward the relevant payment.

(5) *References to Principal and Interest.* References in these Conditions of Issue to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount of the Notes and any other amounts which may be payable under or in respect of the Notes. References in these Conditions of Issue to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 7.

(6) *Deposit of Principal and Interest.* The Issuer may deposit with the local court (*Amtsgericht*) in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

§ 5
REDEMPTION

(1) *Final Redemption.* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on 5 August 2025 (the "**Maturity Date**") together with interest accrued and not paid, if any, until (but excluding) the Maturity Date. The Final Redemption Amount in respect of each Note shall be its principal amount (the "**Final Redemption Amount**").

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1 The default rate of interest established by law is five percentage points above the basic rate of interest published by Deutsche Bundesbank from time to time; Sections 288(1), 247(1) of the German Civil Code (*Bürgerliches Gesetzbuch*).

(2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of the Relevant Tax Jurisdiction (as defined in § 7) in respect of the Issuer or, as applicable, any Guarantor affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is (in both cases) effective on or after the Issue Date, the Issuer or the relevant Guarantor is required to pay Additional Amounts (as defined in § 7 herein) on the next succeeding Interest Payment Date (as defined in § 3(1)), and this obligation cannot be avoided by the use of reasonable measures available to the Issuer or such Guarantor, as the case may be, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Principal Paying Agent and to the Holders, at the principal amount together with interest accrued to the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Any such notice shall be given in accordance with § 14. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

(3) *Early Redemption at the Option of the Holders following a Change of Control Event*.

(a) If a Change of Control Event occurs (i) the Issuer undertakes to (x) fix the Optional Redemption Date (as defined below) and (y) give notice to the Holders in accordance with § 14 and to the Principal Paying Agent of the Change of Control Event and the Optional Redemption Date (the "**Change of Control Event Notice**"), in each case without undue delay (*unverzüglich*), and (ii) each Holder will have the option (unless, prior to the giving of the Put Notice referred to below, the Issuer gives notice to redeem the Notes in accordance with § 5(4)) to declare, on giving not less than 20 days' notice, all of his Notes due at the principal amount together with interest accrued to but excluding the Optional Redemption Date, which notice shall take effect on the Optional Redemption Date.

A "**Change of Control Event**" occurs if a Change of Control (as defined below) occurs and within the Change of Control Period (as defined below) a Rating Downgrade (as defined below) occurs.

"**Optional Redemption Date**" means the date fixed by the Issuer in the Change of Control Event Notice, which (i) must be a Business Day and (ii) must fall not more than 21 days after the end of the Change of Control Period.

"**Business Day**" means a day (other than Saturday or Sunday) on which banks are open in Frankfurt am Main.

(b) For the purposes of this § 5 (3):

A "**Rating Downgrade**" shall be deemed to have occurred if a Change of Control has occurred and (i) if within the Change of Control Period the rating previously assigned to the Parent Guarantor or assigned to the outstanding long-term liabilities of the Parent Guarantor or the Issuer by any Rating Agency (if only one rating exists) or by at least two Rating Agencies (if two or more ratings exist) is (A) withdrawn and not re-instated or replaced by a rating from another Rating Agency within the Change of Control Period or (B) changed from an investment grade rating (BBB- by S&P or by Fitch or Baa3 by Moody's, or its equivalent for the time being, or better, a "**Investment Grade Rating**") to a non-investment grade rating (BB+ by S&P or Fitch or Ba1 by Moody's, or its equivalent for the time being, or worse, a "**Non-Investment Grade Rating**"), provided that no Rating Downgrade pursuant to this (B) occurs if the Investment Grade Rating is subsequently re-instated by that Rating Agency or replaced by another Investment Grade Rating, in each case within the Change of Control Period, or (C) downgraded from a Non-Investment Grade Rating assigned to the Notes or the Parent Guarantor by one or more notches (for clarification, Ba1 to Ba2 being one notch), provided that no Rating Downgrade pursuant to this (C) occurs if the pre-existing Non-Investment Grade Rating is re-instated by that Rating Agency or replaced by another Non-Investment Grade Rating that is equal or better, in each case within the Change of Control Period, or (ii) if at the time of the Change of Control, there is no rating and no Rating Agency assigns during the Change of Control Period an Investment Grade Rating (unless the Parent Guarantor or the Issuer, as the case may be, despite best endeavours, is unable (in the cases (B) and (ii) to obtain an Investment Grade Rating, or (in the case (C)) to maintain the existing Non-Investment Grade Rating, within the Change of Control Period provided the inability is not a result of the Change of Control);

A "**Change of Control**" means any person or persons ("**Relevant Person(s)**") acting in concert within the meaning of Section 22 (2) of the German Securities Trading Act (*Wertpapierhandelsgesetz*) other than any Permitted Holder(s) acquiring and holding, directly or indirectly, (i) as long as the Parent Guarantor is a limited partnership (*Kommanditgesellschaft*) (A) the control of more than 50 % (y) of the partnership capital (*Kommanditanteile*) of the Parent Guarantor, or (z) of the voting rights in the partnership interests in the Parent Guarantor, by ownership of the partnership capital, contract or otherwise; or (B) the control over more than 50 % of (y) the issued share capital of the Parent Guarantor's general partner, or (z) the voting rights in the shares of the Parent Guarantor's general partner, by ownership of the share capital, contract or otherwise; and (ii) otherwise, the control over more than 50 % of (1) the issued share capital of the Parent Guarantor, or (2) the voting rights in the shares in the Parent Guarantor, by ownership of the share capital, contract or otherwise;

"**Change of Control Period**" means the period (i) commencing on the earlier of (x) any public announcement or statement of the Issuer or the Parent Guarantor or any Relevant Person relating to any potential Change of Control or (y) the date of the first public announcement of the Change of Control having occurred and (ii) ending on the 90th day (inclusive) after the occurrence of the relevant Change of Control.

"**Permitted Holder**" means (i) Ludwig Merckle and his relatives (*Angehörige*) pursuant to Section 15 of the German Tax Code (*Abgabenordnung*) and their heirs (*Erben, Vermächtnisnehmer*) or (ii) any entity or any trust (*Stiftung*) or comparable arrangement controlled by such persons to which shares in the Parent Guarantor or its general partner are transferred by the persons named under (i) or (ii).

(c) The valid exercise of the option to require the redemption of a Note under this § 5(3) is conditional upon the Holder in observation of the notice period provided in § 5(3)(a):

(i) submitting at the specified office of the Principal Paying Agent a duly signed and completed notice of exercise in the form obtainable from the specified office of the Principal Paying Agent (a "**Put Notice**"); and

(ii) delivering to the Principal Paying Agent the Note(s) by transferring (book-entry transfer) the Notes to the account of the Principal Paying Agent with the Clearing System specified in the Put Notice.

A Put Notice, once given, shall be irrevocable. The Put Notice shall, among other things:

– state the name and address of the exercising Holder;

– specify the number of Notes with respect to which the right under this § 5(3) shall be exercised; and

– designate a Euro denominated bank account of the Holder to which any payments on the Notes are to be made.

(d) The Issuer will make any payment in respect of any Note so delivered to the Euro-account of the Holder specified in the Put Notice on the Optional Redemption Date.

(4) *Early redemption at the option of the Issuer three months before the Maturity Date*

(a) The Issuer may, upon notice given in accordance with subparagraph (c), redeem all of the Notes but not some of the Notes only within the Call Redemption Period (as defined below) on the Call Redemption Date (as defined below) at the Final Redemption Amount together with interest accrued and not paid, if any, to (but excluding) the Call Redemption Date. The Call Redemption Date shall not be less than 30 nor more than 60 days after the date on which notice is given by the Issuer to the Holders.

(b) For the purposes of this § 5 (4):

"**Call Redemption Period**" means the period from, and including, 5 May 2025 to, but excluding, the Maturity Date.

"**Call Redemption Date**" means the date within the Call Redemption Period on which the redemption will occur.

(c) Notice of redemption shall be given by the Issuer to the Holders of the Notes in accordance with § 14. Such notice shall specify

(i) the exact specification of the Notes subject to redemption; and

(ii) the Call Redemption Date.

(5) *Early redemption at the option of the Issuer in case of minimal outstanding aggregate principal amount of the Notes.* If 85 % or more of the aggregate principal amount of the Notes then outstanding have been redeemed or purchased pursuant to the provisions of § 5(3) of these Conditions of Issue, the Issuer may, on not less than 30 or more than 60 days' notice to the Holders given in accordance with § 14 and given within 30 days after the Optional Redemption Date, redeem, at its option, the remaining Notes as a whole at the principal amount thereof plus interest accrued to but excluding the date of such redemption.

§ 6
THE PRINCIPAL PAYING AGENT AND THE PAYING AGENT

(1) *Appointment; Specified Office.* The initial Principal Paying Agent and its initial specified office shall be:

Principal Paying Agent:

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60327 Frankfurt am Main
Germany

The Principal Paying Agent reserves the right at any time to change its specified office to some other office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint another Principal Paying Agent or additional paying agents. The Issuer shall for so long as the Notes are outstanding maintain a Principal Paying Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 14.

(3) *Agent of the Issuer.* The Principal Paying Agent acts solely as the agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for any Holder.

§ 7
TAXATION

All amounts payable in respect of the Notes shall be made, and each Note Guarantee shall provide that all amounts payable in respect of such Note Guarantee shall be made, without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction by or on behalf of any jurisdiction from or through which payment on the Notes or a Note Guarantee is made or in which the Issuer or the relevant Guarantor is organised or otherwise considered to be resident or conducts business for tax purposes (each a "**Relevant Tax Jurisdiction**"), as the case may be, or any political subdivision or any authority of a Relevant Tax Jurisdiction or therein having power to tax unless such withholding or deduction is required by law. If such withholding is required by law, the Issuer will pay such additional amounts (the "**Additional Amounts**") as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or

(b) are payable by reason of the Holder having, or having had, some personal or business connection with a Relevant Tax Jurisdiction and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, a Relevant Tax Jurisdiction; or

(c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Relevant Tax Jurisdiction or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or

(d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment becomes due, or is duly provided for and notice thereof is published in accordance with § 14, whichever occurs later; or

(e) are withheld or deducted by a paying agent from a payment if the payment could have been made by another paying agent without such withholding or deduction.

§ 8
PRESENTATION PERIOD

The presentation period provided in Section 801 (1), 1st sentence of the German Civil Code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes.

§ 9
LIMITATION ON FINANCIAL INDEBTEDNESS

(1) *Limitation on Financial Indebtedness.* The Parent Guarantor has agreed that it shall not, and shall not permit any of its Material Subsidiaries to, directly or indirectly, incur any Financial Indebtedness, provided, however, that the Parent Guarantor and any Material Subsidiary may incur Financial Indebtedness if (i) on the date thereof and after giving pro forma effect thereto (including pro forma application of the proceeds thereof) the Consolidated Coverage Ratio for the Group is at least 2.00 to 1.00 and (ii) no Event of Default shall have occurred and be continuing or would occur as a consequence of incurring the Financial Indebtedness, and provided further that this § 9 shall not apply if and as long as a Suspension Event occurs and continues to exist. "**Suspension Event**" means the assignment of an Investment Grade Rating to the Notes by at least two of the Rating Agencies.

(2) *Permitted Financial Indebtedness.* § 9(1) shall not prohibit the incurrence of the following Financial Indebtedness:

(a) Financial Indebtedness of

(i) the Parent Guarantor or any Material Subsidiary incurred pursuant to and in compliance with the syndicated facility agreement originally dated 21 June 2012 between, *inter alia*, the Parent Guarantor and the Subsidiary Guarantor as borrowers and/or guarantors, Landesbank Hessen-Thüringen Girozentrale as agent and a syndicate of financial institutions as lenders (as amended from time to time, the "**Syndicated Credit Facility Agreement**") (including under ancillary facilities made available thereunder) which does not exceed EUR 1,900,000,000 when aggregated with any Financial Indebtedness incurred pursuant to subparagraph (vii) below;

(ii) the Issuer incurred under the Notes;

(iii) the Issuer incurred under the EUR 300,000,000 notes due 2021 (the "**2014 Bonds**");

(iv) the Parent Guarantor and the Subsidiary Guarantor incurred under the following loan notes (*Schuldscheindarlehen*) each dated 30 October 2016:

(A) EUR 22,500,000 with a fixed interest rate, due 6 October 2021;

(B) EUR 53,000,000 with a floating interest rate, due 6 October 2021;

(C) EUR 23,500,000 with a fixed interest rate, due 6 October 2023; and

(D) EUR 51,000,000 with a floating interest rate, due 6 October 2023;

(v) the Parent Guarantor or any Material Subsidiary incurred pursuant to any other credit facilities (including commercial paper facilities with banks or other institutions providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), or letters of credit) which do not exceed at any time outstanding EUR 250,000,000 in the aggregate;

(vi) the Parent Guarantor or any of its Material Subsidiaries incurred pursuant to the sale of receivables under Factoring and ABS Financings, provided, however, that the amounts of receivables sold (measured by the net proceeds of such sales) does not exceed at any time outstanding EUR 1,350,000,000 in the aggregate; and

(vii) Comifar S.p.A. or any Subsidiary of Comifar S.p.A. in an aggregate amount not to exceed at any time outstanding EUR 550,000,000, provided however, that the sum of (y) Financial Indebtedness incurred pursuant to this subparagraph (v) and (z) Financial Indebtedness incurred pursuant to subparagraph (i) of this § 9(2)(a) shall at no time exceed EUR 1,900,000,000 in the aggregate;

(b) Financial Indebtedness of the Parent Guarantor or any Material Subsidiary owing to and held by the Parent Guarantor or any of its Subsidiaries;

(c) any Refinancing Financial Indebtedness incurred in respect of any Financial Indebtedness incurred pursuant to subparagraph (a) or existing on the Issue Date;

(d) Financial Indebtedness arising under Subordinated Obligations;

(e) Financial Indebtedness arising under the Cash Management Arrangements;

(f) Financial Indebtedness (if any) in respect of current trade payables and accrued expenses incurred and advance payments (*An- und Vorauszahlungen*) received in the ordinary course of business;

(g) Financial Indebtedness incurred (if any) under any Sale/Leaseback Transaction up to an aggregate amount of EUR 50,000,000 at any time outstanding;

(h) Financial Indebtedness (if any) incurred after the Issue Date in respect of workers' compensation claims, early retirement obligations, or social security or wage taxes in the ordinary course of business;

(i) Financial Indebtedness (if any) incurred with respect to loans from employees extended in connection with customary employee participation schemes;

(j) Financial Indebtedness incurred under loans provided by shareholders of the Parent Guarantor and their Affiliates (as defined in § 11(1)) (other than the Parent Guarantor and its Subsidiaries from time to time) in an aggregate amount not exceeding EUR 200,000,000, provided that the interest rate for such loans does not exceed the sum of the applicable base rate and 3.00 % per annum; and

(k) in addition to the items referred to in subparagraphs (a) through (j) of this § 9(2) Financial Indebtedness of the Parent Guarantor and its Material Subsidiaries in an aggregate amount not exceeding EUR 500,000,000 at any time outstanding.

For purposes of determining compliance with this § 9(2):

(i) in the event that an item of Financial Indebtedness meets the criteria of more than one of the types of Financial Indebtedness described in the foregoing subparagraphs (a) to (k) of this § 9 (2), the Parent Guarantor, in its sole discretion, will classify and from time to time may reclassify such item of Financial Indebtedness and only be required to include the amount and type of such Financial Indebtedness in one of the foregoing subparagraphs (a) to (k) of this § 9(2); and

(ii) an item of Financial Indebtedness may be divided and classified, or reclassified, in more than one of the types of Financial Indebtedness described in this § 9(2).

§ 10
EVENTS OF DEFAULT

(1) *Events of default.* Each Holder shall be entitled to declare his Notes due and demand immediate redemption thereof at par plus accrued interest (if any) to the date of repayment, in the event that:

(a) Non-Payment: the Issuer fails to pay principal or interest or any other amounts due on the Notes within 15 days after the relevant due date; or

(b) Breach of other Obligation: the Issuer fails to duly perform any other obligation arising from the Notes or any of the Guarantors fails to perform any obligation arising from the respective Note Guarantee or the provisions of § 9 hereof are not complied with and such failure to perform or non-compliance continues unremedied for more than 30 days after the Issuer or the Parent Guarantor (through the Principal Paying Agent) has received notice thereof from a Holder; or

(c) Cross-Default: (i) any other Financial Indebtedness (other than any Financial Indebtedness owed to the Parent Guarantor or any Subsidiary of the Parent Guarantor) of the Issuer, the Parent Guarantor or any Material Subsidiary is not paid when due or, as the case may be, within any originally applicable grace period, or (ii) any Financial Indebtedness (other than any Financial Indebtedness owed to the Parent Guarantor or any Subsidiary of the Parent Guarantor) of the Issuer, the Parent Guarantor or any Material Subsidiary is declared to be or otherwise becomes due and payable prior to its specified maturity for reason of the occurrence of an event of default (howsoever defined), or (iii) the Issuer, the Parent Guarantor or any Material Subsidiary fails to pay when due or, as the case may be, within any applicable grace period any amount payable by it under any present or future guarantee or indemnity for any Financial Indebtedness (other than any Financial Indebtedness owed to the Parent Guarantor or any Subsidiary of the Parent Guarantor), provided in each case that the relevant aggregate amount of all such Financial Indebtedness in respect of which one or more of the events mentioned above in this subparagraph (c) has or have occurred equals or exceeds EUR 30,000,000 or its equivalent in any other currency and such default continues for more than 30 days after the Issuer or the Parent Guarantor (through the Principal Paying Agent) has received notice thereof from a Holder, such notice being substantially in the form as specified in subparagraph (2), provided however, that this subparagraph (c) shall not apply, where the Issuer, the Parent Guarantor or any of its Material Subsidiaries contests its relevant payment obligation in good faith; or

(d) Cessation of Payment: the Issuer, the Parent Guarantor or any of its Material Subsidiaries announces its inability to meet its financial obligations or ceases its payments generally; or

(e) Insolvency etc.: a court opens insolvency proceedings against the Issuer, the Parent Guarantor or any of its Material Subsidiaries or the Issuer, the Parent Guarantor or any of its Material Subsidiaries applies for or institutes such proceedings or offers, or a third party applies for insolvency proceedings against the Issuer, the Parent Guarantor or any of its Material Subsidiaries and such proceedings are not discharged or stayed within 45 days; or

(f) Liquidation: the Issuer, the Parent Guarantor or any of its Material Subsidiaries enters into liquidation (except in connection with a merger or other form of combination with another company or in connection with a reconstruction and such other or new company or, as the case may be, companies effectively assume substantially all of the assets and liabilities of the Issuer, the Parent Guarantor or the relevant Material Subsidiary); or

(g) Expiration of the Parent Guarantee: the Parent Guarantee ceases, for whatever reason, to be legally valid and binding; or

(h) Expiration of the Subsidiary Guarantee: the Subsidiary Guarantee ceases to be legally valid and binding (other than (i) as a result of a merger of the Subsidiary Guarantor with the Parent Guarantor or, provided that the resulting, surviving or transferee entity assumes the Subsidiary Guarantee granted by the Subsidiary Guarantor, any other Subsidiary, or (ii) in the events which are expressly set forth in the Subsidiary Guarantee or in these Conditions of Issue).

No Event of Default shall occur under subparagraph (h) if the Subsidiary Guarantee is reinstated within 60 days of the Subsidiary Guarantor becoming aware that the Subsidiary Guarantee has ceased to be legally valid and binding.

The right to declare Notes due shall terminate if the situation giving rise to it has been cured (including, without limitation, in the case of a waiver by or on behalf of the creditors of the relevant Financial Indebtedness in respect of their right to accelerate or in the case of subsequent satisfaction of the relevant Financial Indebtedness) before the right is exercised.

(2) *Quorum*. In the events specified in § 10 (1)(b) or (c), any notice declaring Notes due shall, unless at the time such notice is received any of the events specified in § 10 (1)(a) or (d) to (h) entitling Holders to declare their Notes due has occurred, become effective only when the Principal Paying Agent has received such notices from the Holders of at least one-tenth in principal amount of Notes then outstanding.

(3) *Notice.* Any notice, including any notice declaring Notes due, in accordance with subparagraph (1) shall be made by means of a declaration in text form (*Textform*) in the German or English language delivered to the specified office of the Principal Paying Agent together with a proof that such notifying Holder at the time of such notice is a holder of the relevant Notes by means of a statement of his Custodian (as defined in § 15(3)) or any other appropriate manner.

§ 11
SUBSTITUTION

(1) *Substitution.* The Issuer may, without the consent of the Holders, if no payment of principal or of interest on any of the Notes is in default, at any time substitute for the Issuer, the Parent Guarantor or any Affiliate (as defined below) of the Parent Guarantor as principal debtor in respect of all obligations arising from or in connection with this issue (the "**Substitute Debtor**") provided that:

(a) the Substitute Debtor assumes all obligations of the Issuer in respect of the Notes;

(b) the Substitute Debtor has obtained all necessary authorisations and may transfer to the Principal Paying Agent in the currency required and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor or the Issuer has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Notes;

(c) the Substitute Debtor has agreed to indemnify and hold harmless each Holder against any tax, duty, assessment or governmental charge imposed on such Holder in respect of such substitution;

(d) it is guaranteed that the obligations of the respective Guarantors from the Note Guarantee (including the Negative Pledge of the Guarantors) apply also to the Notes of the Substitute Debtor;

(e) there shall have been delivered to the Principal Paying Agent one opinion for each jurisdiction affected of lawyers of recognised standing to the effect that subparagraphs (a), (b), (c) and (d) above have been satisfied.

"**Affiliate**" shall mean any affiliated company *(verbundenes Unternehmen)* within the meaning of Section 15 of the German Stock Corporation Act (*Aktiengesetz*).

(2) *Notice.* Notice of any such substitution shall be published in accordance with § 14.

(3) *Change of References.* In the event of any such substitution, any reference in these Conditions of Issue to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substitute Debtor. Furthermore, in the event of such substitution in § 5(2) and § 7 an alternative reference to The Netherlands and the Federal Republic of Germany shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor. The Issuer is authorised to modify the global note representing the Notes and the Conditions of Issue without the consent of the Holders to the extent necessary to reflect the changes resulting from the substitution. Appropriately adjusted global notes representing the Notes or Conditions of Issue will be deposited with or on behalf of the Clearing System.

§ 12
FURTHER ISSUES AND PURCHASES

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single series with the Notes.

(2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Principal Paying Agent for cancellation.

§ 13
AMENDMENT OF THE CONDITIONS OF ISSUE, AMENDMENT OF THE GUARANTEES

(1) *Amendment of the Conditions of Issue.* In accordance with the Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* – the "**Debt Securities Act**") the Holders may agree with the Issuer on amendments of the Conditions of Issue with regard to matters permitted by the Debt Securities Act by resolution with the majority specified in subparagraph (2). Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

(2) *Majority.* Resolutions shall be passed by a majority of not less than 75 % of the votes cast. Resolutions relating to amendments of the Conditions of Issue which are not material and which do not relate to the matters listed in Section 5 (3), nos. 1 to 9 of the Debt Securities Act (in the case of no. 9 without prejudice to § 11) require a simple majority of the votes cast.

(3) *Vote without a meeting.* All votes will be taken exclusively by vote taken without a meeting. A meeting of Holders and the assumption of the fees by the Issuer for such a meeting will only take place in the circumstances of Section 18 (4), 2nd sentence of the Debt Securities Act.

(4) *Chair of the vote.* The vote will be chaired by a German or foreign notary appointed by the Issuer or, if the Holders' Representative (as defined below) has convened the vote, by the Holders' Representative.

(5) *Voting rights*. Each Holder participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding Notes.

(6) *Holders' Representative.* The Holders may by majority resolution appoint a common representative (the "**Holders' Representative**") to exercise the Holders' rights on behalf of each Holder.

(7) *Amendment of the Notes Guarantees.* The provisions set out above applicable to the Notes shall apply *mutatis mutandis* to the Notes Guarantees.

(8) *Publications*. Any notices under this § 13 shall be made exclusively pursuant to the provisions of the Debt Securities Act.

§ 14
NOTICES

(1) *Publication.* All notices by the Issuer concerning the Notes will be made in the Federal Gazette and by means of electronic publication on the internet website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice so given will be deemed to have been validly given on the third day following the date of such publication.

(2) *Notification to Clearing System.* So long as any Notes are listed on the Euro MTF operated by the Luxembourg Stock Exchange, subparagraph (1) shall apply. If the Rules of the Luxembourg Stock Exchange otherwise so permit and statutory provisions do not stipulate differently, the Issuer (or the Holders' Representative) may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication as set forth in subparagraph (1) above; any such notice shall be deemed to have been validly given on the seventh day after the day on which the said notice was given to the Clearing System.

(3) *Form of Notice*. Notices to be given by any Holder shall be made by means of a declaration in text form (*Textform*) to be delivered together with an evidence of such Holder's entitlement in accordance with § 15(3) to the Principal Paying Agent. Such notice may be given by any Holder to the Principal Paying Agent through the Clearing System in such manner as the Principal Paying Agent and the Clearing System may approve for such purpose.

§ 15
APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law.* The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by German law.

(2) *Submission to Jurisdiction.* Subject to any mandatory jurisdiction for specific proceedings pursuant to the Debt Securities Act, the District Court *(Landgericht)* in Frankfurt am Main shall have non-exclusive jurisdiction for any action or other legal proceedings ("**Proceedings**") arising out of or in connection with the Notes.

(3) *Enforcement.* Any Holder of Notes may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Note in global form certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is permitted in the country of the Proceedings.

§ 16
LANGUAGE

These Conditions of Issue are written in the English language only.

Annex A
Certain Definitions

"**Adjusted Interest Expense**" for any period means interest expenses plus other financial expenses plus other financial expenses from changes in the market value of derivatives plus exchange losses of the Parent Guarantor and its Subsidiaries and in each case as specified under note 7 of the Reference Financial Statements but excluding any one-time expenses in connection with the repayment and/or re-financing of the Syndicated Credit Facility Agreement.

"**Adjusted Interest Income**" for any period means interest income minus interest income from customers plus other financial income plus other financial income from changes in the market value of derivatives plus exchange gains of the Parent Guarantor and its Subsidiaries and in each case as specified under note 7 of the Reference Financial Statements.

"**Adjusted Net Finance Charges**" for any period means any of the Parent Guarantor's and the Subsidiaries' Adjusted Interest Income minus the sum of the Parent Guarantor's and the Subsidiaries' Adjusted Interest Expenses.

"**Asset Disposition**" means any direct or indirect sale, conveyance, transfer, assignment or any other disposition, or series of related sales, conveyances, transfers, assignments, leases or other dispositions that form part of a common plan by the Parent Guarantor or any of its Subsidiaries to any person other than the Parent Guarantor or any of its Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "disposition"), of any shares of any of the Parent Guarantor's Subsidiaries (other than directors' qualifying shares or shares required by applicable law to be held by a person other than the Parent Guarantor or any of its Subsidiaries) or any other assets of the Parent Guarantor or any of its Subsidiaries, other than

(a) a disposition of assets or issuance of shares or other interests in equity by a Subsidiary to the Parent Guarantor or by the Parent Guarantor to a Subsidiary;

(b) any merger or consolidation between members of the Group;

(c) dispositions of assets or issuance of shares or other interests in equity with a fair market value not in excess of EUR 200,000,000 since the Issue Date by any of the Subsidiaries in connection with the formation of joint ventures on arm's length terms with any third person;

(d) dispositions in connection with Excepted Liens, foreclosures on assets and any release of claims which have been written down or written off;

(e) dispositions of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Parent Guarantor and its Subsidiaries and which is disposed of in the ordinary course of business;

(f) dispositions required by law or any governmental authority or agency;

(g) dispositions of inventory in the ordinary course of business;

(h) the licensing, sublicensing or sale of intellectual property or other intangibles and licenses in the ordinary course of business;

(i) dispositions of Capital Stock, indebtedness or other securities of an Subsidiary which is not a Material Subsidiary;

(j) dispositions of assets in the ordinary course of business of the Parent Guarantor or such Subsidiary;

(k) dispositions of receivables under Factoring and ABS Financings; and

(l) dispositions which constitute a Sale/Leaseback Transaction on arm's length terms and up to an aggregate amount of EUR 50,000,000 (measured by the fair market value of the relevant asset) at any time.

"**Average Life**" means, as of the date of determination, with respect to any Financial Indebtedness, the quotient obtained by dividing (1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Financial Indebtedness multiplied by the amount of such payment by (2) the sum of all such payments.

"**Capital Stock**" of any person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such person.

"**Cash Equivalents**" means:

(a) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality of the United States or a member state of the European Union as of 31 December 2003 or any agency or instrumentality thereof (provided, however, that the full faith and credit of the United States or such member state of the European Union is pledged in support thereof), having maturities of not more than one year from the date of acquisition;

(b) certificates of deposit, time deposits, Eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any commercial bank the long term debt of which is rated at the time of acquisition "A" or the equivalent thereof by S&P or "A2" or the equivalent thereof by Moody's and having combined capital and surplus in excess of EUR 500,000,000;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in subparagraphs (a) and (b) entered into with any bank meeting the qualifications specified in subparagraph (b) of this definition;

(d) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by an internationally recognised rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(e) interests in any investment company or money market fund which invests 95 % or more of its assets in instruments of the type specified in subparagraphs (a) through (d) of this definition.

"**Cash Management Arrangements**" means the cash management arrangements of the Parent Guarantor and its Subsidiaries (including any Financial Indebtedness arising thereunder).

"**Consolidated Coverage Ratio**" means as of any date of determination, with respect to the Parent Guarantor, the ratio of (i) the aggregate amount of Adjusted EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which consolidated financial statements of the Parent Guarantor are available to (ii) Adjusted Net Finance Charges for such four fiscal quarters; provided, however, that:

(a) if the Parent Guarantor or any Subsidiary:

  (i) has incurred any Financial Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an incurrence of Financial Indebtedness, Adjusted EBITDA and Adjusted Net Finance Charges for such period shall be calculated after giving effect on a pro forma basis to such Financial Indebtedness as if such Financial Indebtedness had been incurred on the first day of such period (except that in making such computation, the amount of Financial Indebtedness under any revolving credit facility outstanding on the date of such calculation shall be deemed to be (i) the average daily balance of such Financial Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or (ii) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Financial Indebtedness during the period from the date of creation of such facility to the date of such calculation); or

(ii) has repaid, repurchased, defeased or otherwise discharged any Financial Indebtedness since the beginning of the period that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a discharge of Financial Indebtedness (in each case other than Financial Indebtedness incurred under any revolving credit facility unless such Financial Indebtedness has been permanently repaid and the related commitment terminated), Adjusted EBITDA and Adjusted Net Finance Charges for such period shall be calculated after giving effect on a pro forma basis to such discharge of such Financial Indebtedness, including with the proceeds of such new Financial Indebtedness, as if such discharge had occurred on the first day of such period;

(b) if since the beginning of such period the Parent Guarantor or any Subsidiary will have made any Asset Disposition in excess of EUR 100,000,000:

(i) the Adjusted EBITDA for such period shall be reduced by an amount equal to the Adjusted EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period or increased by an amount equal to the Adjusted EBITDA (if negative) directly attributable thereto for such period; and

(ii) Adjusted Net Finance Charges for such period shall be reduced by an amount equal to the Adjusted Net Finance Charges directly attributable to any Financial Indebtedness of the Parent Guarantor or any Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Parent Guarantor and its continuing Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Subsidiary is sold, Adjusted Net Finance Charges for such period shall be reduced by the amount of Adjusted Net Finance Charges directly attributable to the Financial Indebtedness of such Subsidiary to the extent the Parent Guarantor and its continuing Subsidiaries are no longer liable for such Financial Indebtedness after such sale);

(c) if since the beginning of such period the Parent Guarantor or any Subsidiary (by merger or otherwise) will have made an investment in any Subsidiary (or any person which becomes a Subsidiary or is merged with or into the Parent Guarantor) or an acquisition of assets in excess of EUR 200,000,000 and which constitutes all or substantially all of a company, division, operating unit, segment, business, group of related assets or line of business, Adjusted EBITDA and Adjusted Net Finance Charges for such period shall be calculated after giving pro forma effect thereto (including the incurrence of any Financial Indebtedness) as if such investment or acquisition occurred on the first day of such period; and

(d) if since the beginning of such period any person (that subsequently became a Subsidiary or was merged with or into the Parent Guarantor or any Subsidiary since the beginning of such period) will have incurred any Financial Indebtedness or discharged any Financial Indebtedness, made any Asset Disposition or any investment or acquisition of assets that would have required an adjustment pursuant to subparagraph (b) or (c) of this definition if made by the Parent Guarantor or a Subsidiary during such period, Adjusted EBITDA and Adjusted Net Finance Charges for such period shall be calculated after giving pro forma effect thereto as if such incurrence or discharge of Financial Indebtedness, Asset Disposition or investment or acquisition of assets occurred on the first day of such period.

For purposes of this definition, whenever pro forma effect is to be given to any calculation under this definition, the pro forma calculations (including, without limitation, in respect of anticipated expense or cost savings and expense or cost synergies relating to any such transaction) shall be determined in good faith by a responsible financial or accounting officer of the Parent Guarantor. If any Financial Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Financial Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Financial Indebtedness).

"**Excepted Liens**" means:

(a) liens securing Financial Indebtedness and other obligations incurred pursuant to subparagraph (a) of the covenant set forth in § 9(2); provided, however, that Financial Indebtedness incurred pursuant sub-subparagraph (v) of that subparagraph shall only be secured by liens over assets of Comifar S.p.A. or any Subsidiary of Comifar S.p.A.;

(b) pledges, deposits or liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance-related obligations, or in connection with bids, tenders, completion guarantees, contracts (other than for the payment of Financial Indebtedness), warranty obligations or leases to which the Parent Guarantor or a Subsidiary is a party, or to secure public or statutory obligations of the Parent Guarantor or a Subsidiary or deposits of cash or Cash Equivalents to secure surety, judgment, performance or appeal bonds (or other similar bonds, instruments or obligations) to which the Parent Guarantor or a Subsidiary is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case incurred in the ordinary course of business;

(c) liens imposed by law;

(d) liens for taxes, assessments or other governmental charges;

(e) liens in favour of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of the Parent Guarantor or a Subsidiary in the ordinary course of its business;

(f) judgment liens so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(g) liens arising solely by virtue of banks' standard business terms and conditions;

(h) liens existing on the Issue Date;

(i) liens by means of transfers by way of security (*Sicherungsübereignung*) to a trustee on stock (*Vorratsvermögen*) for the benefit of suppliers (including inter-company suppliers) and their credit insurers (*Kreditversicherer*) consistent with the practice as of the Issue Date;

(j) liens on property or shares of stock of a person at the time such person becomes a Subsidiary; provided, however, that such liens are not created, incurred or assumed in connection with, or in contemplation of, such other Person becoming a Subsidiary; provided further, however, that any such lien may not extend to any other property owned by the Parent Guarantor or any other Subsidiary;

(k) liens on property at the time the Parent Guarantor or a Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into the Parent Guarantor or any Subsidiary; provided, however, that such liens are not created, incurred or assumed in connection with, or in contemplation of, such acquisition; provided further, however, that such liens may not extend to any other property owned by the Parent Guarantor or any Subsidiary;

(l) liens securing indebtedness or other obligations of the Parent Guarantor under a cash pool or similar arrangement owed to a Subsidiary;

(m) liens arising in connection with conditional sale or retention of title arrangements (*Eigentumsvorbehalt*) entered into in the ordinary course of business;

(n) liens securing Refinancing Financial Indebtedness incurred to refinance Financial Indebtedness that was previously so secured, provided, however, that any such lien is limited to all or part of the same security package that secured the Financial Indebtedness being refinanced;

(o) any interest or title of a lessor under any lease;

(p) liens arising out of consignments or similar arrangements for the sale of goods in the ordinary course of business;

(q) liens in connection with Factoring and ABS Financings permitted under § 9(2);

(r) liens securing any indebtedness of a Subsidiary owed to the Parent Guarantor, the Issuer or another Subsidiary; and

(s) liens incurred with respect to any obligations which do not exceed EUR 100,000,000 at any one time outstanding.

"**Group**" means the Parent Guarantor and its Subsidiaries from time to time.

"**Interest Rate Agreement**" means with respect to any person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such person is party or a beneficiary.

"**Refinancing Financial Indebtedness**" means Financial Indebtedness that refinances any Financial Indebtedness incurred or existing as permitted under and in compliance with these Conditions of Issue; provided, however, that:

(a) the Refinancing Financial Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Financial Indebtedness being refinanced;

(b) the Refinancing Financial Indebtedness has an Average Life at the time such Refinancing Financial Indebtedness is incurred that is equal to or greater than the Average Life of the Financial Indebtedness being refinanced;

(c) such Refinancing Financial Indebtedness has an aggregate principal amount (or, if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or, if issued with original issue discount, the aggregate accreted value) then outstanding of the Financial Indebtedness being refinanced (plus all accrued interest and the amount of all fees and expenses, including any premiums); and

(d) if the Financial Indebtedness being refinanced is subordinated in right of payment to the Notes or any Note Guarantee, such Refinancing Financial Indebtedness is subordinated in right of payment to the Notes or such Note Guarantee, as the case may be, on terms at least as favourable to the Holders as those contained in the documentation governing the Financial Indebtedness being refinanced.

"**Sale/Leaseback Transaction**" means an arrangement relating to property owned on the Issue Date or thereafter acquired whereby the Parent Guarantor, the Issuer, or a Material Subsidiary transfers such property to a person and the Parent Guarantor, the Issuer, or Material Subsidiary leases it from such person.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Obligation**" means any Financial Indebtedness (whether outstanding on the Issue Date or thereafter incurred) which is subordinated in right of payment to the Notes pursuant to a written agreement, provided, however, that such Subordinated Obligation:

(a) does not (including upon the occurrence of any event) mature or require any amortisation or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of shares, interests, participations or other interests in the equity of the Issuer or for any other security or instrument meeting the requirements of the definition);

(b) does not (including upon the occurrence of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(c) does not (including upon the occurrence of any event) provide for the acceleration of its maturity nor confers any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;

(d) is not secured by a lien on any assets of the Parent Guarantor, the Issuer or another Subsidiary;

(e) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganisation, liquidation, winding up or other disposition of assets;

(f) does not (including upon the occurrence of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes;

(g) does not (including upon the occurrence of an event) constitute shares or other interests in equity that are entitled to vote in the election of directors; and

(h) is not (including upon the occurrence of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for shares, interests, participations or other interests in the equity in the Issuer;

provided, however, that any event or circumstance that results in such Financial Indebtedness ceasing to qualify as a Subordinated Obligation, such Financial Indebtedness shall constitute an incurrence of such Financial Indebtedness by the Parent Guarantor, the Issuer or other Subsidiary which incurrence will only be permitted to the extent permitted under § 9(2).

THE PARENT GUARANTEE

The following is the text of the Parent Guarantee (excluding its Attachment (Conditions of Issue)). The Parent Guarantee is written in the English language.

GUARANTEE

of

**PHOENIX Pharmahandel GmbH & Co KG,
Mannheim, Federal Republic of Germany,**

for the benefit of the holders of the

EUR 400,000,000 2.375 % Notes due 5 August 2025 (the "Notes")

issued by

**PHOENIX PIB Dutch Finance B.V.,
Maarssen, The Netherlands**

(the "Guarantee")

IT IS AGREED AS FOLLOWS:

1. PHOENIX Pharmahandel GmbH & Co KG (the "**Parent Guarantor**") unconditionally and irrevocably guarantees to each Holder of the Notes issued by PHOENIX PIB Dutch Finance B.V. (the "**Issuer**") the due and punctual payment of the principal of, and interest on, the Notes and any other amounts which may be expressed to be payable under the Notes, as and when the same shall become due, in accordance with the Conditions of Issue.

2. This Guarantee constitutes an unconditional, irrevocable, unsecured (subject to paragraph 4 hereunder) and unsubordinated obligation of the Parent Guarantor and ranks *pari passu* with all other present or future unsecured and unsubordinated obligations of the Parent Guarantor outstanding from time to time, subject to any obligations preferred by law.

3. All amounts payable in respect of this Guarantee shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction by or on behalf of any jurisdiction from or through which payment on this Guarantee is made or in which the Parent Guarantor is organised or otherwise considered to be resident or conducts business for tax purposes (each a "**Relevant Tax Jurisdiction**"), as the case may be, or any political subdivision or any authority of a Relevant Tax Jurisdiction or therein having power to tax unless such withholding or deduction is required by law. If such withholding is required by law, the Parent Guarantor will pay such additional amounts (the "**Additional Amounts**") as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

   (a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Parent Guarantor from payments of principal or interest made by it, or

(b) are payable by reason of the Holder having, or having had, some personal or business connection with a Relevant Tax Jurisdiction and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, a Relevant Tax Jurisdiction, or

(c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Relevant Tax Jurisdiction or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding, or

(d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment becomes due, or is duly provided for and notice thereof is published in accordance with § 14 (*Notices*) of the Conditions of Issue, whichever occurs later, or

(e) are withheld or deducted by a paying agent from a payment if the payment could have been made by another paying agent without such withholding or deduction.

4. The Parent Guarantor undertakes towards each Holder, so long as any of the Notes are outstanding, but only up to the time all amounts of principal and interest payable under the Notes have been placed at the disposal of the Principal Paying Agent, not to provide or maintain, and to procure (unless this is legally impossible or illegal) that none of its Material Subsidiaries will provide any mortgage, charge, pledge, lien or other form of *in rem* security interest (each a "**Security Interest**") over its assets to secure Capital Market Indebtedness without at the same time letting the Holders share *pari passu* and rateably in such Security Interest or giving to the Holders an equivalent other Security Interest. This undertaking shall not apply with respect to (i) any Security Interest which has to be granted pursuant to mandatory provisions of statutory law, (ii) any Security Interest which has to be granted in order to obtain administrative or governmental authorisations or permits, (iii) any Security Interest granted in connection with factoring or asset backed securities transactions (including the Factoring and ABS Financings) entered into by the Parent Guarantor or any of its Subsidiaries, (iv) any Security Interest existing on property at the time of the acquisition thereof, or at the time of the acquisition of a company holding the relevant asset, by the Guarantors, provided that such Security Interest was not created in connection with or in contemplation of such acquisition and that the amount secured by such Security Interest is not increased subsequently to the acquisition of the relevant property or the company holding the relevant asset, (v) any Security Interests arisen or arising in the future on the basis of general terms and conditions of banks or depositories or clearing houses with whom the Parent Guarantor or any Material Subsidiary maintains a banking relationship, (vi) any Security Interests granted in connection with hedging transactions entered into in the ordinary course of business and not for speculative purposes, or (vii) any other Security Interest not referred to under (i) through (vi) above securing Capital Market Indebtedness in an aggregate amount (for all Security Interests granted by the Guarantors) not exceeding EUR 20,000,000.

5. The Parent Guarantor shall cause the Subsidiary Guarantor to reinstate the released Subsidiary Guarantee in its original form without undue delay if a Release Declaration has been delivered for such Subsidiary Guarantee and the requirements set out under § 2(4)(a) of the Conditions of Issue were not fulfilled at the time the Release Declaration was delivered.

6. The Parent Guarantor hereby undertakes to comply with the obligations pertaining to it set out in the Conditions of Issue including the covenants under § 9 (*Limitation on Financial Indebtedness*) of the Conditions of Issue.

7. The obligations of the Parent Guarantor under this Guarantee (i) shall be separate and independent from the obligations of the Issuer under the Notes, and (ii) shall exist irrespective of the legality, validity and binding effect or enforceability of the Notes.

8. The obligations of the Parent Guarantor under this Guarantee shall, without any further act or thing being required to be done or to occur, extend to the obligations of any Substitute Debtor which is not the Parent Guarantor arising in respect of any Note by virtue of a substitution pursuant to the Conditions of Issue.

9. This Guarantee and all undertakings contained herein constitute a contract for the benefit of the Holders from time to time as third party beneficiaries pursuant to § 328 (1) BGB (German Civil Code). They give rise to the right of each such Holder to require performance of the obligations undertaken herein directly from the Parent Guarantor, and to enforce such obligations directly against the Parent Guarantor. Any Holder has the right in case of non-performance of any payments on the Notes to enforce the Guarantee by filing a suit directly against the Parent Guarantor without the need to take prior proceedings against the Issuer.

10. Terms used herein and not otherwise defined herein shall have the meaning attributed to them in the Conditions of Issue.

11. The provisions regarding the amendment of the Conditions of Issue by majority resolution shall be applicable *mutatis mutandis* also to this Guarantee.

12. This Guarantee shall be governed by, and construed in accordance with, German law.

13. This Guarantee is written in the English language only.

14. The original version of this Guarantee shall be delivered to, and kept by, Commerzbank Aktiengesellschaft.

15. Non-exclusive place of jurisdiction for all legal proceedings arising out of or in connection with this Guarantee against the Parent Guarantor shall be Frankfurt am Main.

16. On the basis of a copy of this Guarantee certified as being a true copy by a duly authorised officer of Commerzbank Aktiengesellschaft, each Holder may protect and enforce in his own name his rights arising under this Guarantee in any legal proceedings against the Parent Guarantor or to which such Holder and the Parent Guarantor are parties, without the need for production of this Guarantee in such proceedings.

[●] 2020

PHOENIX Pharmahandel GmbH & Co KG

_________ __________

We accept the terms of the above Guarantee without recourse, warranty or liability.

[●] 2020
Commerzbank Aktiengesellschaft
(as Principal Paying Agent)

_________ __________

Attachment: Conditions of Issue

THE SUBSIDIARY GUARANTEE

The following is the text of the Subsidiary Guarantee. The Subsidiary Guarantee is written in the English language.

GUARANTEE

of

PHOENIX International Beteiligungs GmbH,
Mannheim, Federal Republic of Germany,

for the benefit of the holders of the

EUR 400,000,000 2.375 % Notes due 5 August 2025 (the "Notes")

issued by

PHOENIX PIB Dutch Finance B.V.,
Maarssen, The Netherlands

(the "Guarantee")

IT IS AGREED AS FOLLOWS:

1. PHOENIX International Beteiligungs GmbH (the "**Subsidiary Guarantor**") unconditionally and irrevocably guarantees to each Holder of the Notes issued by PHOENIX PIB Dutch Finance B.V. (the "**Issuer**") the due and punctual payment of the principal of, and interest on, the Notes and any other amounts which may be expressed to be payable under the Notes, as and when the same shall become due, in accordance with the Conditions of Issue.

2. This Guarantee constitutes an unconditional, irrevocable, unsecured (subject to paragraph 4 hereunder) and unsubordinated obligation of the Subsidiary Guarantor and ranks *pari passu* with all other present or future unsecured and unsubordinated obligations of the Subsidiary Guarantor outstanding from time to time, subject to any obligations preferred by law.

3. All amounts payable in respect of this Guarantee shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction by or on behalf of any jurisdiction from or through which payment on this Guarantee is made or in which the Subsidiary Guarantor is organised or otherwise considered to be resident or conducts business for tax purposes (each a "**Relevant Tax Jurisdiction**"), as the case may be, or any political subdivision or any authority of a Relevant Tax Jurisdiction or therein having power to tax unless such withholding or deduction is required by law. If such withholding is required by law, the Subsidiary Guarantor will pay such additional amounts (the "**Additional Amounts**") as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

    (a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Subsidiary Guarantor from payments of principal or interest made by it, or

(b) are payable by reason of the Holder having, or having had, some personal or business connection with a Relevant Tax Jurisdiction and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, a Relevant Tax Jurisdiction, or

(c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Relevant Tax Jurisdiction or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding, or

(d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment becomes due, or is duly provided for and notice thereof is published in accordance with § 14 (*Notices*) of the Conditions of Issue, whichever occurs later, or

(e) are withheld or deducted by a paying agent from a payment if the payment could have been made by another paying agent without such withholding or deduction.

4. The Subsidiary Guarantor undertakes towards each Holder, so long as any of the Notes are outstanding, but only up to the time all amounts of principal and interest payable under the Notes have been placed at the disposal of the Principal Paying Agent, not to provide or maintain any mortgage, charge, pledge, lien or other form of *in rem* security interest (each a "**Security Interest**") over its assets to secure Capital Market Indebtedness without at the same time letting the Holders share *pari passu* and rateably in such Security Interest or giving to the Holders an equivalent other Security Interest. This undertaking shall not apply with respect to (i) any Security Interest which has to be granted pursuant to mandatory provisions of statutory law, (ii) any Security Interest which has to be granted in order to obtain administrative or governmental authorisations or permits, (iii) any Security Interest granted in connection with factoring or asset backed securities transactions (including the Factoring and ABS Financings) entered into by the Parent Guarantor or any of its Subsidiaries, (iv) any Security Interest existing on property at the time of the acquisition thereof, or at the time of the acquisition of a company holding the relevant asset, by the Guarantors, provided that such Security Interest was not created in connection with or in contemplation of such acquisition and that the amount secured by such Security Interest is not increased subsequently to the acquisition of the relevant property or the company holding the relevant asset, (v) any Security Interests arisen or arising in the future on the basis of general terms and conditions of banks or depositories or clearing houses with whom the Subsidiary Guarantor maintains a banking relationship, (vi) any Security Interests granted in connection with hedging transactions entered into in the ordinary course of business and not for speculative purposes, or (vii) any other Security Interest not referred to under (i) through (vi) above securing Capital Market Indebtedness in an aggregate amount (for all Security Interests granted by the Guarantors) not exceeding EUR 20,000,000.

5. Limitation on Guarantee

The following limitations with respect to this Guarantee shall apply:

(a) With a view to give due regard to the obligations of the managing directors and the shareholders and their managing directors of the Subsidiary Guarantor incorporated as a limited liability company (*Gesellschaft mit beschränkter Haftung – GmbH*) under the laws of Germany (x) to duly consider the own interest of the Subsidiary Guarantor and its ability to perform its obligations vis-à-vis its own creditors as well as (y) to preserve the registered share capital of the Subsidiary Guarantor, the Guarantee granted by the German Subsidiary Guarantor cannot be enforced by the Holders other than in accordance with the procedure set out in this Section 5. if and to the extent that:

(i) such guarantee is an up-stream or cross-stream guarantee (save for any guarantee for proceeds from the Notes which are on-lent or otherwise passed on to the German Subsidiary Guarantor or its Subsidiaries provided such amount on-lent or otherwise passed on has not been returned); and

(ii) the enforcement

(A) would have the effect of reducing the Subsidiary Guarantor's net assets (*i.e.*, assets minus liabilities (including accrued liabilities)) (*Reinvermögen*) (the "**Net Assets**") to an amount less than its registered share capital (*Stammkapital*) or, if the Net Assets are already an amount of less than its registered share capital (*Stammkapital*), of causing such amount to be further reduced; and

(B) would thereby lead to a violation of the capital maintenance requirement as set out in Sections 30, 31 of the German Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*, "**GmbHG**")

provided that, for the purposes of the determination of the Net Assets of the Subsidiary Guarantor (which except as otherwise provided for in this Section 5.1 shall be calculated as required with respect to any calculation of distributable reserves pursuant to Section 30 (1) sentence 1 GmbHG) in case reasons for the opening of insolvency proceeding (*Insolvenzantragsgründe*) have occurred which are continuing (including as a result of any obligations under this Guarantee) in relation to the Subsidiary Guarantor, the liquidation values (*Liquidationswert*) shall be relevant for the determination of the assets and, for the purposes of the calculation of the amount to be enforced (the "**Recovery Amount**") (without double counting), any loans made by the Issuer to the Subsidiary Guarantor shall be disregarded as far as such loans are subordinated by law or by contract at least to the claims of the unsubordinated creditors of the Subsidiary Guarantor.

(b) The limitations set out in paragraph (a) of this Section 5.1 only apply if and to the extent that (i) within five (5) Business Days following the demand against the Subsidiary Guarantor under this Guarantee the managing director(s) of the Subsidiary Guarantor has (have) confirmed in writing to the Principal Paying Agent (x) to what extent the Guarantee is an up-stream or cross-stream guarantee as described in paragraph (a) above and (y) which amount of such cross-stream and/or up-stream guarantee cannot be enforced as it would cause the Net Assets of the Subsidiary Guarantor to fall below its stated share capital or, if the Net Assets are already an amount of less than its stated share capital (*Stammkapital*), of causing such amount to be further reduced (in each case taking into account the adjustments set out in paragraph (a) above) and thereby lead to a violation of the capital maintenance requirement as set out in Sections 30, 31 of the GmbHG and (z) such confirmation is supported by evidence reasonably satisfactory to the Principal Paying Agent (the "**Management Determination**") (or such evidence is submitted to the Principal Paying Agent within ten (10) Business Days following a request of any of the Holders to provide such evidence) and the Holders have not contested this and argued that no or a lesser amount would be necessary to maintain its stated share capital and/or that no violation of the capital maintenance requirement as set out in Sections 30, 31 of the GmbHG would be given; or (ii) within thirty (30) Business Days from the date the Holders have contested the Management Determination the Principal Paying Agent receives a determination by an auditor of international standard and reputation (the "**Auditor's Determination**") appointed by the Subsidiary Guarantor of the amount that would have been necessary on the date the demand under the Guarantee was made to maintain its registered share capital as required pursuant to Sections 30, 31 of the GmbHG.

(c) If the Subsidiary Guarantor disagrees with the Auditor's Determination, the Holders shall be entitled to enforce the Guarantee up to the amount which is undisputed between themselves and the Subsidiary Guarantor in accordance with the provisions of paragraph (a) above. In relation to the amount which is disputed, the Holders shall be entitled to further pursue their claims (if any) (including, but not limited to in courts) and the Subsidiary Guarantor shall be entitled to prove that this amount is necessary for maintaining its registered share capital (calculated as of the date the demand under the Guarantee was made and in accordance with paragraph (a) above).

If the Guarantee was enforced without limitation because the Management Determination and/or the Auditor's Determination (as the case may be) was not delivered within the relevant time frame or for any other reason, the Holders shall repay to the Subsidiary Guarantor any amount by which the amount paid by the Subsidiary Guarantor under this Guarantee exceeds the Recovery Amount as determined in accordance with paragraph (a) above.

(d) In the case that the Subsidiary Guarantor claims that the Guarantee can only be enforced in a limited amount (as set out above) the German Subsidiary Guarantor shall realise any asset that is shown in the balance sheet with a book value (*Buchwert*) that is significantly lower than the market value of such asset and that can be realised, to the extent legally permitted and commercially justifiable with regard to costs and efforts involved and to the extent such assets are not required for the German Guarantor's business (*nicht betriebsnotwendig*).

(e) The Holders shall be entitled to further pursue in court their payment claims under the Guarantees granted by the Subsidiary Guarantor in excess of the amounts paid or payable pursuant to paragraphs (a) to (c) above, by claiming in court that demanding payment under the Guarantee against the German Subsidiary Guarantor does not violate Sections 30 and 31 of the GmbHG.

6. The obligations of the Subsidiary Guarantor under this Guarantee will be automatically and unconditionally released without any further action on the part of any Holder (and thereupon shall terminate and be discharged and be of no further force and effect) (y) if the liabilities of the Issuer under the Notes have been discharged in full or (z) as soon as the Issuer or the Parent Guarantor has delivered to the Principal Paying Agent a declaration (the "**Release Declaration**") signed by a duly authorised representative of the Issuer or, as the case may be, or the Parent Guarantor and by a duly authorised representative of the Subsidiary Guarantor, that

(a) at the time of such Release Declaration

(i) (unless an event or circumstance set out under § 2(4)(a)(ii)(B) or (C) of the Conditions of Issue has occurred) no Event of Default has occurred under the Conditions of Issue which is continuing, and

(ii) no amount owed by the Subsidiary Guarantor under this guarantee is unpaid; and

(b) one of the following events or circumstances has occurred:

(i) all or substantially all of the assets of the Subsidiary Guarantor or the shares in the Subsidiary Guarantor are sold or otherwise disposed of to a third party which is not an Affiliate (as defined in § 11 (1) of the Conditions of Issue) of the Parent Guarantor; or

(ii) it can reasonably be expected that maintaining the Guarantee given by the Subsidiary Guarantor would lead to a violation of applicable laws due to changes in the laws, or a change in the interpretation, implementation or application of such laws, applicable to the Subsidiary Guarantor; or

(iii) it can reasonably be expected that maintaining this guarantee by the Subsidiary Guarantor would lead to a material disadvantage in the tax treatment of the Subsidiary Guarantor due to changes in the tax provisions applicable to the Subsidiary Guarantor or a change in the interpretation, implementation or application of such laws (for the avoidance of doubt, the obligation to pay any Additional Amounts pursuant to Section 3 of this Guarantee is not considered a material disadvantage); or

(iv) the unsecured and non-credit enhanced long-term liabilities of the Parent Guarantor are assigned a rating by at least two of the Rating Agencies (as defined in the Conditions of Issue) of BBB- or Baa3, respectively, or better; or

(v) the Subsidiary Guarantor does no longer, or will, simultaneously with the release of the Guarantee, no longer guarantee, any Financial Indebtedness of the Parent Guarantor or any of the Parent Guarantor's other Subsidiaries in an aggregate principal amount in excess of EUR 30,000,000.

No Release Declaration may be delivered unless the requirements set out in this Section 6 for a termination of the Subsidiary Guarantor's Guarantee hereunder have been fulfilled.

7. This Guarantee and all undertakings contained herein constitute a contract for the benefit of the Holders from time to time as third party beneficiaries pursuant to § 328 (1) BGB (German Civil Code). They give rise to the right of each such Holder to require performance of the obligations undertaken herein directly from the Subsidiary Guarantor, and to enforce such obligations directly against the Subsidiary Guarantor. Any Holder has the right in case of non-performance of any payments on the Notes to enforce the Guarantee by filing a suit directly against the Subsidiary Guarantor without the need to take prior proceedings against the Issuer.

8. Certain defined terms used herein are set out in Appendix A hereto. Terms used herein and not otherwise defined herein shall have the meaning attributed to them in the Conditions of Issue set out in Appendix B hereto.

9. The provisions regarding the amendment of the Conditions of Issue by majority resolution shall be applicable *mutatis mutandis* also to this Guarantee.

10. This Guarantee shall be governed by, and construed in accordance with, German law.

11. This Guarantee is written in the English language only.

12. The original version of this Guarantee shall be delivered to, and kept by, Commerzbank Aktiengesellschaft.

13. Non-exclusive place of jurisdiction for all legal proceedings arising out of or in connection with this Guarantee against the Subsidiary Guarantor shall be Frankfurt am Main.

14. On the basis of a copy of this Guarantee certified as being a true copy by a duly authorised officer of Commerzbank Aktiengesellschaft, each Holder may protect and enforce in his own name his rights arising under this Guarantee in any legal proceedings against the Subsidiary Guarantor or to which such Holder and the Subsidiary Guarantor are parties, without the need for production of this Guarantee in such proceedings.

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SIGNATURES

[●] 2020

PHOENIX International Beteiligungs GmbH
as Subsidiary Guarantor

We accept the terms of the above Guarantee without recourse, warranty or liability.

[●] 2020

Commerzbank Aktiengesellschaft
as Principal Paying Agent

__________ __________

Appendix A: Certain Definitions
Appendix B: Conditions of Issue

APPENDIX A

CERTAIN DEFINITIONS

"**Additional Amounts**" has the meaning assigned to such term in Section 3 hereof.

"**Auditor's Determination**" has the meaning assigned to such term in Section 5. (b) hereof.

"**GmbHG**" has the meaning assigned to such term in Section 5. (a) (ii) (B) hereof.

"**Management Determination**" has the meaning assigned to such term in Section 5. (b) hereof.

"**Net Assets**" has the meaning assigned to such term in Section 5. (a) (ii) (A) hereof.

"**Parent Guarantor**" means PHOENIX Pharmahandel GmbH & Co KG.

"**Recovery Amount**" has the meaning assigned to such term in Section 5. (a) hereof.

"**Release Declaration**" has the meaning assigned to such term in Section 6. hereof.

"**Relevant Tax Jurisdiction**" has the meaning assigned to such term in Section 3 hereof.

"**Security Interest**" has the meaning assigned to such term in Section 4 hereof.

"**Subsidiary**" means in relation to any person, an entity which is controlled directly or indirectly by that person and, for these purposes, "**control**" means:

(a) the direct or indirect ownership of a majority of the voting share capital of such entity;

(b) having the right to appoint a majority of the board of directors or supervisory board (or like board and in any case to the extent elected by the shareholders) of such entity; or

(c) having the power to direct the management or policies of the entity, whether by contract or otherwise.

DESCRIPTION OF RULES REGARDING RESOLUTIONS OF HOLDERS

The Conditions of Issue provide that the Holders may agree to amendments or decide on other matters relating to the Notes by way of resolution to be passed by taking votes without a meeting. Any such resolution duly adopted by resolution of the Holders shall be binding on each Holder, irrespective of whether such Holder took part in the vote and whether such Holder voted in favour or against such resolution.

The following is a brief summary of some of the statutory rules regarding the taking of votes without meetings, the passing and publication of resolutions as well as their implementation and challenge before German courts.

Specific Rules regarding Votes without Meeting

The voting shall be conducted by the person presiding over the taking of votes. Such person shall be (i) a notary public appointed by the Issuer, (ii) if the vote was solicited by a Holders' Representative appointed by majority resolution of the Holders, the Holders' Representative, or (iii) a person appointed by the competent court.

The notice soliciting the Holders' votes shall set out the period within which votes may be cast. During such voting period, the Holders may cast their votes to the person presiding over the taking of votes. Such notice shall also set out in detail the conditions to be met for the votes to be valid.

The person presiding over the taking of votes shall ascertain each Holder's entitlement to cast a vote based on evidence provided by such Holder and shall prepare a list of the Holders entitled to vote. If it is established that no quorum exists, the person presiding over the taking of votes may convene a meeting of the Holders. Within one year following the end of the voting period, each Holder participating in the vote may request a copy of the minutes of such vote and any annexes thereto from the Issuer.

Each Holder participating in the vote may object in writing to the result of the vote within two weeks following the publication of the resolutions passed. The objection shall be decided upon by the person presiding over the taking of votes. If he remedies the objection, the person presiding over the taking of votes shall promptly publish the result. If the person presiding over the taking of votes does not remedy the objection, he shall promptly inform the objecting Holder in writing.

The Issuer shall bear the costs of the vote and, if the court has convened a meeting, also the costs of such proceedings.

Rules regarding Holders' Meetings applicable to Votes without Meeting

In addition, the statutory rules applicable to the convening and conduct of Holders' meetings will apply *mutatis mutandis* to any vote without a meeting. The following summarises some of such rules.

Meetings of Holders may be convened by the Issuer or a Holders' Representative appointed by majority resolution of the Holders. Meetings of Holders must be convened if one or more Holders holding 5 % or more of the outstanding Notes so require for specified reasons permitted by statute.

Meetings may be convened not less than 14 days prior to the date of the meeting. Attendance and exercise of voting rights at the meeting may be made subject to prior registration of Holders. The convening notice will provide what proof will be required for attendance and voting at the meeting. The place of the meeting is the place of the Issuer's registered offices, provided, however, that where the Notes are listed on a stock exchange within the European Union or the European Economic Area, the meeting may be held at the place of such stock exchange.

The convening notice shall be made publicly available together with the agenda of the meeting setting out the proposals for resolution.

Each Holder may be represented by proxy. A quorum exists if Holders' representing by value not less than 50 % of the outstanding Notes. If the quorum is not reached, a second meeting may be called at which no quorum will be required, provided that where a resolution may only be adopted by a qualified majority, a quorum requires the presence of at least 25 % of the aggregate principal amount of outstanding Notes.

All resolutions adopted must be properly published. Resolutions which amend or supplement the Conditions of Issue have to be implemented by supplementing or amending the Global Note.

In insolvency proceedings instituted in Germany against the Issuer, a Holders' Representative appointed by majority resolution of the Holders is obliged and exclusively entitled to assert the Holders' rights under the Notes. Any resolutions passed by the Holders are subject to the provisions of the Insolvency Code (*Insolvenzordnung*).

If a resolution constitutes a breach of the statute or the Conditions of Issue, Holders may bring an action to set aside such resolution. Such action must be filed with the competent court within one month following the publication of the resolution.

TAXATION WARNING

THE TAX LEGISLATION APPLICABLE TO PROSPECTIVE PURCHASERS OF NOTES AND THE ISSUER'S COUNTRY OF INCORPORATION MAY HAVE AN IMPACT ON THE INCOME RECEIVED FROM THE NOTES. PROSPECTIVE PURCHASERS OF NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES, UNDER THE TAX LAWS APPLICABLE IN GERMANY, THE NETHERLANDS, THE GRAND DUCHY OF LUXEMBOURG, AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS OR OTHERWISE SUBJECT TO TAXATION.

SUBSCRIPTION AND SALE OF THE NOTES

General

The Issuer has agreed in an agreement dated on or about 3 August 2020 to sell to Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, ING Bank N.V., London Branch, and UniCredit Bank Austria AG (collectively, the "**Joint Bookrunners**" or the "**Managers**") and the Managers have agreed to purchase, the Notes on or about 5 August 2020 at a price of 99.419 % of their principal amount pursuant to the terms of such agreement. The Issuer has furthermore agreed to reimburse the Managers for certain expenses incurred in connection with the issue of the Notes.

The Managers are entitled, under certain circumstances, to terminate the agreement reached with the Issuer. In such event, no Notes will be delivered to investors. Furthermore, the Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

The Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer as well as PHOENIX and its affiliates, for which the Managers or their affiliates have received or will receive customary fees and commissions.

There are no interests of natural and legal persons other than the Issuer and the Guarantors involved in the issue, including conflicting ones, that are material to the issue.

Selling Restrictions

General

Each Manager has acknowledged that no action is taken or will be taken by the Issuer or the Guarantors in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of any offering material relating to them, in any jurisdiction where action for that purpose is required.

Each Manager has represented and agreed that it will comply with all applicable laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes any offering material relating to them.

European Economic Area and the United Kingdom

In relation to each Member State of the European Economic Area and the United Kingdom (each, a "**Relevant State**"), each Manager has represented and agreed that it has not made and will not make an offer of Notes to the public in that Relevant State at any time other than:

(a) to any legal entity that is a qualified investor as defined in the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation); or

(c) in any other circumstances falling within Article 1 (4) of the Prospectus Regulation,

provided that no such offer of Notes shall require the Issuer, the Guarantors or the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a Prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United States of America and its Territories

Each Manager has acknowledged that the Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States of America (the "**United States**") to or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has represented and agreed that neither it, nor any persons acting on its behalf has offered, sold or delivered and will offer, sell or deliver any Notes within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Manager has represented and agreed that neither it, nor its affiliates nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this subparagraph have the meaning given to them by Regulation S.

The Notes will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**" or "**TEFRA D**") (or, any successor rules in substantially the same form as TEFRA D Rules, as applicable, for purposes of Section 4701(B) of the U.S. Internal Revenue Code or any successor provision governing an excise tax exception regarding TEFRA D).

Each Manager has represented and agreed that:

(a) except to the extent permitted under TEFRA D, (i) it has not offered or sold, and agrees that during the restricted period it will not offer or sell, such Notes to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and agrees that it will not deliver within the United States or its possessions such Notes that are sold during the restricted period;

(b) it has and throughout the restricted period they will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;

(c) if it was considered a United States person, that it is acquiring the Notes for purposes of resale in connection with their original issuance and agrees that if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of the TEFRA D Rules; and

(d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period that it will either (i) repeat and confirm the representations and agreements contained in sub-clauses (a), (b) and (c) above on such affiliate's behalf, or (ii) obtain from such affiliate for the benefit of the Issuer and the Parent Guarantor the representations and agreements contained in sub-clauses (a), (b) and (c) above.

Terms used in the preceding paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA D Rules. In addition, each Manager has represented and agreed that it has not entered and will not enter into any contractual arrangement with any distributor (as that term is defined for purposes of Regulation S and the D Rules) with respect to the distribution of the Notes, except with its affiliates or with the prior written consent of the Issuer.

United Kingdom of Great Britain and Northern Ireland

Each Manager has represented and agreed that, if applicable:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended ("**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or any Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Other relationships

Certain of the Managers have, directly or indirectly through affiliates, provided investment and commercial banking, financing, financial advisory and other services to PHOENIX KG and its affiliates from time to time, for which they have received monetary compensation. Certain of the Managers may from time to time also enter into swap and other derivative transactions with PHOENIX KG and its affiliates. In addition, certain of the Managers and their affiliates may in the future engage in investment banking, commercial banking, financial or other advisory transactions with the PHOENIX KG or its affiliates.

GENERAL INFORMATION

Authorisation and Issue Date

The creation and issuance of the Notes has been authorised by a resolution of the board of managing directors of PHOENIX PIB Dutch Finance B.V. dated 30 July 2020. Each of the Notes Guarantees was authorised by a resolution of the shareholders or partners (as applicable) of the relevant Guarantor.

Admission to the Luxembourg Stock Exchange and Commencement of Trading

Application has been made for admission of the Notes to the official list of the Luxembourg Stock Exchange and for admission for trading on the Euro MTF in accordance with the rules of that exchange. Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published in a Luxembourg newspaper of general circulation (which is expected to be the *Luxemburger Wort* or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange, (www.bourse.lu)).

Documents on Display

For so long as the Notes are listed on the official list of the Luxembourg Stock Exchange, copies of the following documents may be inspected and obtained free of charge at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the articles of association of the Issuer and the Guarantors;
- the most recent audited consolidated financial statements and unaudited quarterly statements of PHOENIX KG;
- the Issuer's most recent audited financial statements;
- this Prospectus (including the Conditions of Issue);
- the agency agreement (with the forms of the Global Notes attached to it);
- the Notes Guarantees.

The Issuer does not publish consolidated financial statements.

The Issuer will maintain a paying agent for as long as any of the Notes are outstanding. The Issuer reserves the right to vary such appointment. In this case a notice of such change of appointment will be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

The Notes are freely transferable save for the restrictions described in the section "SUBSCRIPTION AND SALE OF THE NOTES – Selling Restrictions".

Clearance and Settlement

The Notes have been accepted for clearance by Clearstream Banking S.A. and Euroclear Bank SA/NV. The Notes have been assigned the following securities codes: ISIN XS2212959352, Common Code 221295935, WKN A280VZ.

Yield

The yield of the Notes for investors is 2.500 % per annum. Such yield is calculated in accordance with the ICMA (*International Capital Markets Association*) method.

Rating

S&P has assigned a preliminary rating of BB+ to the Notes. The rating assigned to the Notes should be evaluated independently from similar ratings on other types of securities. A security rating is not a recommendation to buy, sell or hold securities.

Sources of certain Information

To the extent not otherwise indicated, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which PHOENIX operates are based on assessments of PHOENIX.

The information in this Prospectus that has been sourced from third parties has been accurately reproduced, and, as far as PHOENIX is able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus are incorporated by reference into this Prospectus:

(1) The audited financial statements of PHOENIX PIB Dutch Finance B.V. as of and for the fiscal year ended 31 January 2020 and the independent auditor's report thereon as included in the PHOENIX PIB Dutch Finance B.V. Annual Report for the year 2019/20 (the "**Issuer's Annual Report 2019/20**"):

– Balance sheet (page 8 in the Issuer's Annual Report 2019/20).

– Statement of income (page 9 in the Issuer's Annual Report 2019/20).

– Cash flow statement (page 10 in the Issuer's Annual Report 2019/20).

– Notes to the financial statements (pages 11 to 27 in the Issuer's Annual Report 2019/20).

– Independent auditor's report (pages 29 to 33 in the Issuer's Annual Report 2019/20).

(2) The audited consolidated financial statements of PHOENIX KG as of and for the fiscal year ended 31 January 2019 and the independent auditor's report thereon as included in the Annual Report 2018/19 PHOENIX Pharmahandel GmbH & Co KG (English translation from the German language) (the "**PHOENIX KG's Annual Report 2018/19**"):

– Consolidated income statement (page 28 in the PHOENIX KG's Annual Report 2018/19).

– Consolidated statement of comprehensive income (page 29 in the PHOENIX KG's Annual Report 2018/19).

– Consolidated statement of financial position (pages 30 to 31 in the PHOENIX KG's Annual Report 2018/19).

– Consolidated statement of cash flows (pages 32 to 33 in the PHOENIX KG's Annual Report 2018/19).

– Consolidated statement of changes in equity (pages 34 to 35 in the PHOENIX KG's Annual Report 2018/19).

– Notes to the consolidated financial statements (pages 36 to 107 in the PHOENIX KG's Annual Report 2018/19).

– Independent auditor's report (pages 108 to 111 in the Issuer's Annual Report 2018/19).[2]

Any information not listed in the cross reference list but included in the documents incorporated by reference is either not relevant for the investor or covered in another part of this Prospectus.

The documents incorporated by reference are available on the website of the Luxembourg Stock Exchange (www.bourse.lu) as long as any Notes are listed on the official list of the Luxembourg Stock Exchange and the rules of such stock exchange so require. Copies of the documents incorporated by reference may be obtained free of charge at the specified office of the listing agent in Luxembourg during normal business hours on any weekday.

2 Translation of the German language independent auditor's report (*Bestätigungsvermerk des unabhängigen Abschlussprüfers*) which refers to the German language consolidated financial statements and group management report of PHOENIX KG as of and for the fiscal year ended 31 January 2019 as a whole and not solely to the consolidated financial statements incorporated by reference.

NAMES AND ADDRESSES

ISSUER
PHOENIX PIB Dutch Finance B.V.
Straatweg 2
3604 BB Maarssen
The Netherlands

PARENT GUARANTOR
PHOENIX Pharmahandel GmbH & Co KG
Pfingstweidstraße 10-12
68199 Mannheim
Germany

PRINCIPAL PAYING AGENT
Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60327 Frankfurt am Main
Germany

LUXEMBOURG LISTING AGENT
Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60327 Frankfurt am Main
Germany

JOINT BOOKRUNNERS

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60327 Frankfurt am Main
Germany

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12, place des Etats-Unis
CS 70052
92547 Montrouge Cedex
France

ING Bank N.V., London Branch
8-10 Moorgate
London EC2R 6DA
United Kingdom

UniCredit Bank Austria AG
Rothschildplatz 1
1020 Vienna
Austria

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To the Issuer
Ernst & Young Accountants LLP
Postbus 455
5600 AL, Eindhoven
The Netherlands

To the Parent Guarantor
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft
Flughafenstr. 61
70629 Stuttgart
Germany

LEGAL ADVISORS

To the Issuer and PHOENIX KG as to German law
Hengeler Mueller
Partnerschaft von Rechtsanwälten mbB
Bockenheimer Landstr. 24
60323 Frankfurt am Main
Germany

To the Managers as to German law
Linklaters LLP
Taunusanlage 8
60329 Frankfurt am Main
Germany

FINANCIAL INFORMATION

(1) Excerpt from the unaudited quarterly statement of PHOENIX KG as of and for the three month period ended 30 April 2020 (English translation from the German language):

(2) Audited consolidated financial statements of PHOENIX KG as of and for the fiscal year ended 31 January 2020 and independent auditor's report (English translation from the German language):

Excerpt from the unaudited quarterly statement of PHOENIX KG as of and for the three month period ended 30 April 2020

CONSOLIDATED INCOME STATEMENT

for the first quarter 2020/21

EUR k	1st quarter 2019/20	1st quarter 2020/21
Revenue	**6,558,153**	**7,244,339**
Cost of purchased goods and services	-5,886,947	-6,477,750
Gross profit	**671,206**	**766,589**
Other operating income	36,871	6,773
Personnel expenses	-368,377	-392,635
Other operating expenses	-198,152	-211,418
Result from associates and joint ventures	-101	176
Result from other investments	58	37
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**141,505**	**169,522**
Amortisation of intangible assets and depreciation of property, plant and equipment	-66,660	-71,107
Earnings before interest and taxes (EBIT)	**74,845**	**98,415**
Interest income	4,592	4,059
Interest expenses	-18,712	-16,977
Other financial result	-1,596	-4,166
Financial result	**-15,716**	**-17,084**
Profit before tax	**59,129**	**81,331**
Income taxes	-16,320	-23,993
Profit for the period	**42,809**	**57,338**
thereof attributable to non-controlling interests	8,323	8,568
thereof attributable to owners of the parent company	34,486	48,770

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 30 April 2020

ASSETS

EUR k	31 January 2020	30 April 2020
Non-current assets		
Intangible assets	1,813,605	1,814,279
Property, plant and equipment	1,782,480	1,738,719
Investment property	11,744	11,451
Investments in associates and joint ventures	6,272	5,991
Trade receivables	589	359
Other financial assets	113,054	110,031
Deferred tax assets	77,371	90,883
	3,805,115	**3,771,713**
Current assets		
Inventories	2,561,829	2,796,465
Trade receivables	2,624,812	2,679,135
Income tax receivables	21,182	16,359
Other receivables and other financial assets	270,216	267,984
Other assets	139,886	154,430
Cash and cash equivalents	245,986	212,783
	5,863,911	**6,127,156**
Non-current assets held for sale	19,786	14,680
Total assets	**9,688,812**	**9,913,549**

a PHOENIX company

EQUITY AND LIABILITIES

EUR k	31 January 2020	30 April 2020
Equity		
Unlimited and limited partners' capital	1,000,000	1,000,000
Reserves	2,126,012	2,173,962
Accumulated other comprehensive income	-243,429	-297,799
Equity attributable to the shareholders of the parent company	**2,882,583**	**2,876,163**
Non-controlling interests	282,836	289,430
	3,165,419	**3,165,593**
Non-current liabilities		
Financial liabilities	1,070,520	1,050,852
Trade payables	435	1,735
Provisions for pensions and similar obligations	216,265	229,687
Other non-current provisions	3,479	3,479
Deferred tax liabilities	125,400	128,365
Other non-current liabilities	1,142	1,338
	1,417,241	**1,415,456**
Current liabilities		
Financial liabilities	915,250	1,036,869
Trade payables	3,785,029	3,885,528
Other provisions	48,465	43,760
Income tax liabilities	35,338	39,098
Other liabilities	322,070	327,245
	5,106,152	**5,332,500**
Liabilities directly associated with assets held for sale	0	0
Total equity and liabilities	**9,688,812**	**9,913,549**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the first quarter 2020/21

EUR k	30 April 2019	30 April 2020
Profit after tax	**42,809**	**57,338**
Income taxes	16,320	23,993
Profit before income taxes	**59,129**	**81,331**
Adjustments for:		
Interest expenses and interest income	14,120	12,918
Amortisation/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and investment property	66,660	71,107
Result from associates and other investments	43	-213
Net result from the disposal of assets related to investing activities	100	741
Other non-cash expense and income	37,314	27,197
	177,366	**193,081**
Interst paid	-13,148	-12,070
Interest received	3,070	3,317
Income taxes paid	-29,649	-11,990
Dividends received	58	36
Result before change in assets and liabilities	**137,697**	**172,374**
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	-8,113	-8,859
Result before change in operating assets and liabilities	**129,584**	**163,515**
Change in inventories	-186,683	-267,328
Change in trade receivables	-14,891	-90,612
Change in trade payables	-161,206	156,509
	-362,780	**-201,431**
Change in other assets and liabilities not related to investing or financing activities	-54,326	-6,473
Change in operating assets and liabilities	**-417,106**	**-207,904**
Cash flow from operating activities	**-287,522**	**-44,389**
Acquisition of consolidated companies and business units, net of cash acquired	-17,527	-10,939
Capital expenditures for intangible assets, property, plant and equipment, and investment property	-34,590	-42,046
Investment in other financial assets and non-current assets	-2,500	-308
Cash outflows for investments	**-54,617**	**-53,293**

EUR k	30 April 2019	30 April 2020
Cash received from the sale of consolidated companies and business units, net of cash disposed	5	555
Cash received from disposal of intangible assets, property, plant and equipment and investment property	5,904	3,037
Proceeds from other financial assets and non-current assets	202,190	636
Cash inflows from realised investments and divestments	**208,099**	**4,228**
Cash flow from investing activities	**153,482**	**-49,065**
Cash available for financing activities	**-134,040**	**-93,454**
Capital contribution from/capital repayment to non-controlling interests	642	0
Acquisition of additional shares in already consolidated subsidiaries	-1,252	0
Dividends paid to non-controlling interests	-3,305	-2,088
Proceeds from bond issuance and bank loans	96,587	429
Repayment of bonds and bank loans	-4,944	-30,940
Change in bank loans which have a maturity period of 3 months or less	66,521	117,252
Proceeds from the issue of loans from shareholders in the parent company	0	16,200
Repayment of loans from shareholders in the parent company	0	-500
Proceeds from the issue of loans from related parties	109,783	0
Repayment of loans to related parties	-100,000	0
Change in ABS/factoring liabilities	10,241	21,187
Change in finance lease liabilities	-35,691	-44,127
Change in other financial liabilities	-630	-15,698
Cash flow from financing activities	**137,952**	**61,715**
Changes in cash and cash equivalents	**3,912**	**-31,739**
Effect of exchange rate changes on cash and cash equivalents	322	-1,464
Cash and cash equivalents at the beginning of the period	152,845	245,986
Cash and cash equivalents at the end of the period	157,079	212,783
Cash and cash equivalents presented in the balance sheet at the end of the period	**157,079**	**212,783**

Audited consolidated financial statements of PHOENIX KG as of and for the fiscal year ended 31 January 2020 and independent auditor's report

CONSOLIDATED INCOME STATEMENT

for fiscal year 2019/20

EUR k	Note	FY 2018/19	FY 2019/20
Revenue	1	**25,812,179**	**27,323,261**
Cost of purchased goods and services		–23,188,211	–24,411,176
Gross profit		**2,623,968**	**2,912,085**
Other operating income	2	158,120	31,705
Personnel expenses	3	–1,420,779	–1,510,114
Other operating expenses	4	–919,112	–830,625
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)		**452,769**	**606,522**
Amortisation of intangible assets and depreciation of property, plant and equipment	6	–138,025	–273,481
Impairment of intangible assets and property, plant and equipment	6	–288,448	–167,391
Earnings before interest and taxes (EBIT)		**26,296**	**165,650**
Interest income		17,845	17,830
Interest expense		–48,902	–75,393
Other financial result		–12,660	–4,175
Financial result	7	**–43,717**	**–61,738**
Profit before income tax		**–17,421**	**103,912**
Income tax	8	–80,185	–68,783
Profit for the period		**–97,606**	**35,129**
thereof attributable to non-controlling interests		40,161	33,753
thereof attributable to equity holders of the parent		–137,767	1,376

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for fiscal year 2019/20

EUR k	FY 2018/19	FY 2019/20
Earnings after taxes	**–97,606**	**35,129**
Items not reclassified to profit or loss		
Remeasurement of defined benefit plans	–16,862	13,534
Items that may be subsequently reclassified to profit or loss as a result		
Currency translation differences	–2,160	3,055
Components of other comprehensive income, net of tax	**–19,022**	**16,589**
Total comprehensive income	**–116,628**	**51,718**
thereof attributable to non-controlling interests	40,025	33,323
thereof attributable to equity holders of the parent	–156,653	18,395

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 January 2020

ASSETS

EUR k	Note	31 Jan 2019	31 Jan 2020
Non-current assets			
Intangible assets	9	1,837,805	1,813,605
Property, plant and equipment	10	966,580	1,782,480
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	88,050	113,054
Deferred tax assets	8	65,811	77,371
		2,975,817	**3,805,115**
Current assets			
Inventories	14	2,301,048	2,561,829
Trade receivables	15	2,552,315	2,624,812
Income tax receivables		35,970	21,182
Other financial assets	15	501,061	270,216
Other assets	16	135,279	139,886
Cash and cash equivalents	17	152,845	245,986
		5,678,518	**5,863,911**
Non-current assets held for sale	24	39,417	19,786
Total assets		**8,693,752**	**9,688,812**

EQUITY AND LIABILITIES

EUR k	Note	31 Jan 2019	31 Jan 2020
Equity			
Unlimited and limited partners' capital	18	1,000,000	1,000,000
Reserves	18	2,136,450	2,126,012
Accumulated other comprehensive income	18	– 260,448	– 243,429
Equity attributable to the shareholders of the parent		**2,876,002**	**2,882,583**
Non-controlling interests	12, 18	268,750	282,836
		3,144,752	**3,165,419**
Non-current liabilities			
Financial liabilities	21	662,282	1,070,520
Trade payables	22	0	435
Provisions for pensions and similar obligations	19	249,589	216,265
Other non-current provisions	20	2,481	3,479
Deferred tax liabilities	8	116,460	125,400
Other non-current liabilities		1,452	1,142
		1,032,264	**1,417,241**
Current liabilities			
Financial liabilities	21	543,324	915,250
Trade payables	22	3,613,235	3,785,029
Other provisions	20	37,271	48,465
Income tax liabilities		32,206	35,338
Other liabilities	23	290,700	322,070
		4,516,736	**5,106,152**
Total equity and liabilities		**8,693,752**	**9,688,812**

CONSOLIDATED STATEMENT OF CASH FLOWS

for fiscal year 2019/20

EUR k	31 Jan 2019	31 Jan 2020
Earnings after income taxes	**– 97,606**	**35,129**
Income taxes	80,185	68,783
Earnings before income taxes	**– 17,421**	**103,912**
Adjustments for:		
Interest expenses and interest income	31,057	57,563
Amortisation, depreciation and write-ups of intangible assets, property, plant and equipment and investment property	426,473	440,872
Result from associates and other investments	– 10,572	– 3,471
Result from the disposal of assets allocated to investing activities	6,505	– 2,248
Other non-cash expenses and income	109,921	68,410
	545,963	**665,038**
Interest paid	– 51,938	– 74,093
Interest received	14,186	18,538
Income tax paid	– 73,690	– 50,907
Dividends received	2,062	2,518
Earnings before changes in assets and equity and liabilities	**436,583**	**561,094**
Changes in assets and equity and liabilities, adjusted for effects from changes in the basis of consolidation and other non-cash changes:		
Changes in non-current provisions	– 31,691	– 38,133
Earnings before changes in operating assets and equity and liabilities	**404,892**	**522,961**
Changes in inventories	– 97,431	– 257,400
Changes in trade receivables	– 103,666	– 81,536
Changes in trade payables	223,531	159,716
	22,434	**– 179,220**
Changes in other assets and equity and liabilities not allocated to investing or financing activities.	– 70,125	– 49,410
Changes in operating assets and equity and liabilities	**– 47,691**	**– 228,630**
Cash flow from operating activities	**357,201**	**294,331**
Acquisition of consolidated entities and business units less any cash and cash equivalents acquired	– 148,887	– 56,653
Investments in intangible assets, property, plant and equipment and investment property	– 174,748	– 200,843
Investments in other financial assets and non-current assets	– 2,955	– 2,515
Investments	**– 326,590**	**– 260,011**

EUR k	31 Jan 2019	31 Jan 2020
Cash received from the sale of consolidated entities and business units less any cash and cash equivalents transferred	353	2,993
Cash received from the sale of intangible assets, property, plant and equipment and investment property	7,728	22,191
Proceeds from other financial assets and non-current assets	106,207	205,773
Proceeds from investments and divestitures	**114,288**	**230,957**
Cash flow from investing activities	**– 212,302**	**– 29,054**
Cash available for financing activities	**144,899**	**265,277**
Capital contribution from/capital repayment to non-controlling interest(s)	0	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 partners of the parent company	60,000	9,783
Repayment of loans to partners of the parent company	– 71,941	– 9,300
Issue of loans from related parties	600,000	103,130
Repayment of loans from related parties	– 600,000	– 100,220
Changes in ABS/factoring liabilities	7,344	– 23,187
Changes in finance lease liabilities	– 982	– 141,649
Changes in other financial liabilities	– 117	5,142
Cash flow from financing activities	**– 97,133**	**– 174,762**
Change in cash and cash equivalents	**47,766**	**90,515**
Effect of exchange rate changes on cash and cash equivalents	664	2,626
Cash and cash equivalents at the beginning of the period	104,415	152,845
Cash and cash equivalents at the end of the period	152,845	245,986
Cash and cash equivalents disclosed at the end of the period	**152,845**	**245,986**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for fiscal year 2019/20

EUR k	Unlimited and limited partners' capital	Reserves
1 February 2018	**1,000,000**	**1,721,560**
First-time application of IFRS 9		–12,110
1 February 2018 (restated)	**1,000,000**	**1,709,450**
Earnings after taxes		–137,767
Accumulated other comprehensive income		
Total comprehensive income after taxes		**–137,767**
Changes in interests for subsidiaries		102,435
Sale of treasury shares		266,783
Dividends		
Other transactions with owners		199,186
Other changes in equity		–3,637
31 January 2019	**1,000,000**	**2,136,450**
1 February 2019	**1,000,000**	**2,136,450**
First-time application of IFRS 16		–10,991
1 February 2019 (restated)	**1,000,000**	**2,125,459**
Earnings after taxes		1,376
Accumulated other comprehensive income		
Total comprehensive income after taxes		**1,376**
Changes in interests for subsidiaries		–1,223
Dividends		
Other changes in equity		400
31 January 2020	**1,000,000**	**2,126,012**

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
−96,269	**12,511**	**−139,806**	**2,497,996**	**341,973**	**2,839,969**
	−12,511		−24,621	−1,385	−26,006
−96,269	**0**	**−139,806**	**2,473,375**	**340,588**	**2,813,963**
			−137,767	40,161	−97,606
−2,044		−16,842	−18,886	−136	−19,022
−2,044		**−16,842**	**−156,653**	**40,025**	**−116,628**
−2,304		−2,930	97,201	−100,439	−3,238
		−253	266,530	0	266,530
			0	−13,568	−13,568
			199,186	0	199,186
			−3,637	2,144	−1,493
−100,617	**0**	**−159,831**	**2,876,002**	**268,750**	**3,144,752**
−100,617	**0**	**−159,831**	**2,876,002**	**268,750**	**3,144,752**
			−10,991	−408	−11,399
−100,617	**0**	**−159,831**	**2,865,011**	**268,342**	**3,133,353**
			1,376	33,753	35,129
3,480		13,539	17,019	−430	16,589
3,480		**13,539**	**18,395**	**33,323**	**51,718**
			−1,223	−656	−1,879
			0	−19,045	−19,045
			400	872	1,272
−97,137	**0**	**−146,292**	**2,882,583**	**282,836**	**3,165,419**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for fiscal year 2019/20

GENERAL

The company

The group of PHOENIX Pharmahandel GmbH & Co KG, Mannheim ("PHOENIX"), is a European pharmaceuticals trading group. PHOENIX has business activities in 27 European countries. In several countries, PHOENIX also operates pharmacy chains of its own. The company is entered in the commercial register at Mannheim under HRA 3551 and has its registered office at Pfingstweidstrasse 10 – 12 in 68199 Mannheim, Germany. The consolidated financial statements of PHOENIX Pharmahandel GmbH & Co KG are included in the consolidated financial statements of PHOENIX Pharma SE, Mannheim.

Basis of presentation

The consolidated financial statements of PHOENIX 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 PHOENIX for the fiscal year as of 31 January 2019 were authorised for issue by the Management Board of PHOENIX Pharmahandel GmbH & Co KG on 9 April 2020.

Application of new accounting standards

In fiscal year 2019/20, PHOENIX 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, PHOENIX 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.

PHOENIX 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, PHOENIX 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	895,019
Discounted using the lessee's incremental borrowing rate at the time of first-time application of IFRS 16	792,485
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	– 1,691
Reassessment of terms according to the provisions under IFRS 16	107,214
Lease liabilities recognised as of 1 February 2019	876,678

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 PHOENIX 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 PHOENIX.

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 significant effect on the assets, liabilities, financial position and financial performance of PHOENIX.

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 significant effect on the assets, liabilities, financial position and financial performance of PHOENIX.

Annual Improvements to IFRS 2015 to 2017 Cycles
The annual improvements to IFRSs, 2015 – 2017 cycle, contains clarifications of individual standards. There was no significant impact on the assets, liabilities, financial position and financial performance of PHOENIX.

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 significant effect on the assets, liabilities, financial position and financial performance of PHOENIX.

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 any significant effects on the assets, liabilities, financial position and financial performance of PHOENIX.

The application of IFRS 17 is not expected to have any effects on the assets, liabilities, financial position and financial performance of PHOENIX.

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. We do not expect the amendments to IAS 1 and IAS 8 to have any impact on PHOENIX’s assets, liabilities, financial position and financial performance. 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 any significant effects on the assets, liabilities, financial position and financial performance of PHOENIX.

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 effects on the assets, liabilities, financial position and financial performance of PHOENIX.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of PHOENIX 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.

PHOENIX 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 429 (31 January 2019: 426) 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. The complete list of shareholdings is an integral component of the notes to the consolidated financial statements and will be published in the electronic version of the German Federal Gazette.

137 (31 January 2019: 136) entities are fully consolidated although PHOENIX holds less than 50% of the voting rights. Contractual arrangements give PHOENIX 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 assets, liabilities, financial position and financial performance of PHOENIX.

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

in %	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 PHOENIX 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:

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.

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	BGN	1.9558	1.9558	1.9558	1.9558
Bulgaria	BAM	1.9558	1.9558	1.9558	1.9558
Croatia	CZK	25.7600	25.2100	25.6641	25.6330
Czech Republic	HRK	7.4238	7.4440	7.4175	7.4192
Denmark	DKK	7.4657	7.4731	7.4549	7.4667
Hungary	GBP	0.8758	0.8418	0.8849	0.8746
North Macedonia	HUF	315.8800	337.0500	319.7983	326.5545
Norway	MKD	61.5882	61.6780	61.5177	61.5268
Poland	NOK	9.6623	10.1893	9.6076	9.8662
Romania	PLN	4.2736	4.3009	4.2726	4.2941
Serbia	RON	4.7271	4.7789	4.6589	4.7516
Sweden	RSD	118.4347	117.5797	118.2490	117.7765
Switzerland	SEK	10.3730	10.6768	10.2970	10.6137
United Kingdom	CHF	1.1409	1.0694	1.1513	1.1079

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 licences	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 Management 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 PHOENIX 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.

PHOENIX 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.

Impairment of financial assets

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.

PHOENIX 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, PHOENIX 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.

Equity

The components of equity are recognised in accordance with IAS 32. Financial instruments have to be classified on initial recognition as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangements and the definitions of IAS 32. The capital contributions of the unlimited and limited partners of PHOENIX Pharmahandel Gesellschaft mit beschränkter Haftung & Co KG (puttable instruments) are classified as equity as all criteria of IAS 32 were satisfied. The criteria for puttable instruments that should be classified as an equity instrument are:

a) The instrument entitles the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation.

b) The instrument is in the class of instruments that is subordinate to all other classes of instruments.

c) All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.

d) Apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, and it is not a contract that will or may be settled in the entity's own equity instruments as set out in the definitions for financial liabilities in accordance with IAS 32.

e) The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity over the life of the instrument (excluding any effects of the instruments).

Treasury shares

Any treasury shares that the group acquires are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale or cancellation of the group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in retained earnings.

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. PHOENIX 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

PHOENIX 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 PHOENIX 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 PHOENIX 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 PHOENIX does not bear substantially all the risks and rewards and holds 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 value in use. 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, PHOENIX 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 27.

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 PHOENIX 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

EUR k	Other
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, GBP, 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

EUR k	Wholesale and retail Romania	Other	Total
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 commissions	Distribution fees and consignment 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	231,291	28,695,212
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**	**231,260**	**27,303,929**
thereof: Satisfaction of performance obligation at a point in time	26,424,038	102,324	75,353	37,810	412,374	177,597	27,229,496
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 commissions	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 27,323,261k (prior year: EUR 25,812,179k). This includes revenue from leases of EUR 19,332k.

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

EUR k	FY 2018/19	FY 2019/20
Net gain on disposal of fixed assets	1,402	5,475
Income from services	22,360	437
Rental income	11,117	0
Marketing and other services	63,106	0
Allocation of freight costs	8,605	0
Other	51,530	25,793
Other operating income	**158,120**	**31,705**

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

EUR k	FY 2018/19	FY 2019/20
Wages and salaries	1,074,385	1,151,730
Social security contributions, retirement benefits and similar expenses	241,237	253,478
Other personnel expenses	105,157	104,906
	1,420,779	**1,510,114**

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

EUR k	FY 2018/19	FY 2019/20
Transport costs	313,467	326,748
Lease and rental costs	173,576	38,225
Exchange rate gains/losses	408	645
Net impairment of receivables	204	7,097
Other building and equipment costs	68,407	72,610
Marketing and advertising expenses	66,866	76,284
Communication and IT expenses	80,701	91,007
Legal and consulting fees	69,839	72,049
Repair and maintenance costs	35,742	41,432
Net loss on the disposal of fixed assets	8,870	4,151
Other taxes	15,541	16,507
Office supplies	9,777	10,199
Insurance costs	9,248	9,630
Expenses related to ABS and factoring programmes	1,318	1,244
Other	65,148	62,797
Other operating expenses	**919,112**	**830,625**

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

EUR k	FY 2018/19	FY 2019/20
Amortisation of intangible assets and depreciation of property, plant and equipment	**138,025**	**273,481**
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

EUR k	FY 2018/19	FY 2019/20
Interest income	17,845	17,830
Interest expenses	– 48,902	– 75,393
Other financial result	– 12,660	– 4,175
Financial result	**– 43,717**	**– 61,738**

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 5,967k), 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 796k (prior year: EUR 4,022k).

The financial result includes interest income and interest expenses of EUR – 26,188k on financial assets and liabilities that are not classified as “at fair value through profit or loss” (prior year: EUR – 26,474k).

8 Income tax

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

EUR k	FY 2018/19	FY 2019/20
Current taxes	64,332	70,602
Deferred taxes	15,853	– 1,819
	80,185	**68,783**

The current income tax includes income for prior periods of EUR 3,456k (prior year: EUR 8,919k) and expenses of EUR 8,150k (prior year: EUR 2,009k).

In fiscal year 2019/20, net tax income (after non-controlling interests) of EUR 549k was recognised outside profit or loss (prior year: EUR 9,799k). This amount results from actuarial gains and losses from pension obligations (EUR – 4,668k; prior year: EUR 3,744k) as well as net investments in foreign operations (EUR 5,217k; prior year: EUR 1,880k).

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		FY 2019/20	
	EUR k	in %	EUR k	in %
Profit before tax	**– 17,421**	**100.0**	**103,912**	**100.0**
Expected income tax expense	**– 3,624**	**20.8**	**28,576**	**27.5**
Impact of changes to tax rates on deferred taxes	– 2,983	17.1	1,156	1.1
Tax effect of non-deductible expenses and tax-exempt income	3,372	– 19.4	6,460	6.2
Effect of taxes relating to prior years recognised in the fiscal year	– 7,335	42.1	3,055	2.9
Effect of differing national tax rates	12,113	– 69.5	1,852	1.8
Effect of loss allowances/adjustments to carrying amounts	27,108	– 155.6	15,064	14.5
Effects of impairments on goodwill	50,924	– 292.3	15,214	14.6
Other effects	610	– 3.5	– 2,594	– 2.4
Income taxes	**80,185**	**– 460.3**	**68,783**	**66.2**

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 January 2019		31 January 2020	
EUR k	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	5,838	81,846	6,093	75,653
Property, plant and equipment	5,265	33,722	6,330	140,455
Financial and other assets	9,996	11,711	12,178	17,131
Inventories	6,240	3,137	6,210	3,378
Assets classified as held for sale	0	0	0	0
Provisions	43,858	2,120	37,397	3,647
Liabilities	6,558	5,920	115,738	4,373
Deferred taxes on temporary differences	**77,755**	**138,456**	**183,946**	**244,637**
Deferred taxes on unused tax losses	10,052	0	12,662	0
Netting	– 21,996	– 21,996	– 119,237	– 119,237
Total deferred taxes	**65,811**	**116,460**	**77,371**	**125,400**

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 323,725k (31 January 2019: EUR 271,684k). Deferred taxes includes expenses from a reversal of used tax losses and interest 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:

EUR k	31 Jan 2019	31 Jan 2020
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	271,647	323,725
	271,684	**323,725**

No deferred tax liabilities were recognised on distributable reserves of subsidiaries amounting to EUR 2,598,421k (31 January 2019: EUR 3,015,687k) because these reserves are intended to be indefinitely reinvested in the operations of subsidiaries.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

9 Intangible assets

EUR k	Rights and licences	Goodwill	Prepayments
Cost			
1 February 2018	**513,505**	**1,837,481**	**10,145**
Currency translation	– 428	100	– 91
Changes in the basis of consolidation	35,187	0	0
Additions	21,884	142,365	7,595
Disposals	– 9,210	– 45,161	0
Reclassifications from non-current assets held for sale	– 40,729	0	– 66
Reclassifications	1,718	– 147,556	– 1,954
31 January 2019	**521,927**	**1,787,229**	**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 January 2020	**581,196**	**1,884,140**	**37,033**

EUR k	Rights and licences	Goodwill	Prepayments
Accumulated amortisation and impairment			
1 February 2018	**147,875**	**236,148**	**28**
Currency translation	– 337	3,146	0
Changes in the basis of consolidation	– 365	0	0
Additions	23,098	0	0
Impairment losses	10,815	279,513	0
Reversals of impairment losses	– 2,676	0	0
Disposals	– 7,489	– 44,368	0
Reclassifications from non-current assets held for sale	– 10,428	0	0
Reclassifications	– 403	– 147,556	– 21
31 January 2019	**160,090**	**326,883**	**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 January 2020	**213,544**	**472,713**	**2,507**
Net carrying amount 31 January 2019	**361,837**	**1,460,346**	**15,622**
Net carrying amount 31 January 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		28,021	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:

in %	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 – 11.28	7.40 – 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:

EUR k	31 Jan 2019	31 Jan 2020
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:

EUR k	31 Jan 2019	31 Jan 2020
Impairment of licences		
Pharmacy licences, United Kingdom	3,188	19,148
Reversal of impairment loss on licences		
Pharmacy licences, 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

EUR k	Land and buildings	Plant and machinery	Other equipment, furniture and fixtures	Assets under construction	Investment property
Cost					
1 February 2018	**928,450**	**328,512**	**648,550**	**94,233**	**15,271**
Currency translation	–6,477	–1,091	–3,551	–567	3
Changes in the basis of consolidation	445	911	–5,424	465	0
Additions	44,895	13,746	64,483	26,142	0
Disposals	–10,320	–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 January 2019	**956,714**	**348,066**	**682,171**	**94,028**	**15,399**
Effect from first-time application of IFRS 16	807,273	858	25,538	0	
1 February 2019 (adjusted)	**1,763,987**	**348,924**	**707,709**	**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	129,431	12,203	77,210	34,509	0
Disposals	–19,670	–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 January 2020	**1,890,955**	**359,714**	**747,411**	**112,007**	**20,222**
Accumulated depreciation and impairment					
1 February 2018	**383,900**	**233,732**	**466,976**	**0**	**4,675**
Currency translation	–2,825	–672	–2,868	0	2
Changes in the basis of consolidation	–24,043	0	–13,770	0	0
Additions	36,795	20,905	56,749	0	478
Impairment losses	408	390	1	0	0
Disposals	–7,202	–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 January 2019	**384,833**	**244,064**	**485,502**	**0**	**5,357**
Effect from first-time application of IFRS 16	14,603	0	154	0	
1 February 2019 (adjusted)	**399,436**	**244,064**	**485,656**	**0**	**5,357**
Currency translation	–3,581	–27	–2,617	0	13
Changes in the basis of consolidation	0	0	31	0	0
Additions	153,995	21,164	72,308	0	561
Impairment losses	6,315	50	103	0	0
Disposals	–9,541	–5,857	–34,543	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 January 2020	**548,802**	**258,187**	**520,618**	**0**	**8,478**
Net carrying amount 31 January 2019	**571,881**	**104,002**	**196,669**	**94,028**	**10,042**
Net carrying amount 31 January 2020	**1,342,153**	**101,527**	**226,793**	**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

PHOENIX 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:

EUR k	31 Jan 2020
Right-of-use assets	
Land and buildings	778,498
Plant and machinery	927
Other equipment, furniture and fixtures	29,637
	809,062
Lease liabilities	
Current financial liabilities	128,817
Non-current financial liabilities	708,765

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 119,022k.

PHOENIX 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:

EUR k	2019/20
Amortisation of right-of-use assets	
Land and buildings	116,529
Plant and machinery	427
Other equipment, furniture and fixtures	14,620
	131,576
Interest expenses	26,390
Expenses relating to short-term leases	15,409
Expenses relating to leases of low-value assets	6,337
Expenses in connection with variable lease payments, which are not included in lease liabilities	16,479
Income from subleasing right-of-use assets	6,293

Total payments for leases in fiscal year 2019/20 amounted to EUR 206,263k.

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:

EUR k	31 Jan 2019
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:

EUR k	31 Jan 2019
Minimum lease payments	
due within one 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 17 are summarised as of 31 January 2019 by due date below:

EUR k	31 Jan 2019
Minimum lease payments	
due within 1 year	153,538
due in between 2 and 5 years	423,780
due in more than 5 years	317,701
Total minimum lease payments	**895,019**

The expected income from sublet properties amounted to EUR 917k in the prior year. In the prior year, the lease expense from operating leases broke down as follows:

EUR k	31 Jan 2019
Lease expense	
Minimum lease payments	169,166
Contingent rents	3,480
Sublease payments received	930
Total lease expense	**173,576**

Leases where the group acts as lessor

PHOENIX 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:

EUR k	31 Jan 2020
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:

EUR k	31 Jan 2020
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:

EUR k	31 Jan 2019
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:

EUR k	31 Jan 2020
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:

EUR k	31 Jan 2020
Revenue from operating leases	13,086
Income from subletting operating leases	4,350
Income from operating leases	**17,436**

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

EUR k	31 Jan 2019
Minimum lease payments	
due within 1 year	22,584
due in between 2 and 5 years	35,745
due in more than 5 years	10,913
Total minimum lease payments	**69,242**

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. The complete list of shareholdings is an integral component of the notes to the consolidated financial statements and will be published in the electronic version of the German Federal Gazette.

	FY 2018/19		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:

EUR k	31 Jan 2019	31 Jan 2020
Brocacef Group	212,117	228,882
Comifar Group	33,427	33,644
Other	23,206	20,310
	268,750	**282,836**

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

EUR k	FY 2018/19	FY 2019/20
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 PHOENIX, typically the calendar year.

13 Other financial assets

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

EUR k	31 Jan 2019	31 Jan 2020
Trade receivables	309	589
Other financial assets		
Equity and debt instruments	51,060	52,403
Other loans	25,951	26,449
Lease receivables	10,699	33,852
Other financial assets	340	350
	88,050	**113,054**

14 Inventories

EUR k	31 Jan 2019	31 Jan 2020
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

EUR k	31 Jan 2019	31 Jan 2020
Trade receivables	2,552,315	2,624,812
Other financial assets		
Loans to and receivables from associates	1,660	643
Other loans	394,335	187,125
Derivative financial instruments	8,289	1,092
Lease receivables	2,800	9,078
ABS/factoring receivables	58,728	50,688
Other financial assets	35,249	21,590
	501,061	**270,216**

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.

Other loans contain a purchase price loan of EUR 148,520k (31 January 2019: EUR 344,984k) granted to PHOENIX Pharma SE. Further details are disclosed in Note 29.

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

EUR k	31 Jan 2019	31 Jan 2020
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IFRS 9		
Volume of receivables	234,224	214,387
Financial liability	204,433	177,651
Continuing involvement		
Volume of receivables	169,164	175,314
Continuing involvement	8,514	8,119
Financial liability	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, PHOENIX 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		
EUR k	Lifetime ECL impaired trade receivables	Lifetime ECL simplified approach	Total
Trade receivables			
Loss allowances as of 1 February 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 January 2020	**−69,709**	**−17,862**	**−87,571**

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 February 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 January 2020	**−228**	**−1,469**	**−23,455**	**−25,152**

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 February 2019	**0**	**−151**	**−151**
Changes due to the first-time application of IFRS 16	0	−333	−333
Loss allowances as of 1 February 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 January 2020	**0**	**−404**	**−404**

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

EUR k	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 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

EUR k	31 Jan 2019	31 Jan 2020
Prepayments	70,015	58,226
Tax claims – VAT and other taxes	46,036	60,036
Sundry other assets	19,228	21,624
Other assets	**135,279**	**139,886**

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

EUR k	31 Jan 2019	31 Jan 2020
Bank balances	146,803	240,480
Cash on hand	6,029	5,484
Cash equivalents	13	22
	152,845	**245,986**

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

18 Equity

Unlimited and limited partners' capital

In 2010/11, the limited partners increased their capital in the parent company by contribution in cash of EUR 550,000k to EUR 1,050,000k. A partial sum of EUR 44,500k was contributed by the fully consolidated entities and offset against reserves. In fiscal year 2014/15, the limited partners increased their capital in the parent company by contribution in cash of EUR 135,000k to EUR 1,185,000k. A partial sum of EUR 10,935k was contributed by the fully consolidated entities and offset against reserves. In fiscal year 2017/18, the limited partners reduced their capital in the parent company by EUR 185,000k to EUR 1,000,000k. A partial amount of EUR 14,985k relates to fully consolidated entities and was offset against reserves.

In addition, no cash outflows stemming from a redemption or repurchase of these financial instruments are expected for the foreseeable future.

Treasury shares

Treasury shares previously offset against equity (historical cost: EUR 298,737k) were sold to PHOENIX Pharma SE in fiscal year 2018/19 at a price of EUR 266,530k.

Reserves

Reserves primarily comprise retained earnings.

In fiscal year 2018/19, the limited partners waived their receivables relating to the payment of interest from additional contributions of EUR 192,175k. The amount was added to the reserves. The unlimited partners' capital is still EUR 0k.

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 33,753k (prior year: EUR 40,161k).

Capital management

The objective of capital management at PHOENIX 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	31 Jan 2020
Equity	EUR k	3,144,752	3,165,419
Total equity and liabilities	EUR k	8,693,752	9,688,812
Equity ratio	**in %**	**36.2**	**32.7**

EUR k	31 Jan 2019	31 Jan 2020
+ Financial liabilities (non-current)	662,282	1,070,520
./. Derivative financial instruments (non-current)	– 187	– 145
+ Financial liabilities (current)	543,324	915,250
./. Derivative financial instruments (current)	– 5,733	– 5,324
./. Cash and cash equivalents	– 152,845	– 245,986
+ 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	**1,451,178**	**2,153,180**

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 PHOENIX 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 PHOENIX 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:

EUR k	31 Jan 2019	31 Jan 2020
Calculation of net defined benefit liability		
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	– 95,502	– 107,131
Net defined benefit liability	**– 249,589**	**– 216,265**

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	
EUR k	31 Jan 2019	31 Jan 2020	31 Jan 2019	31 Jan 2020	31 Jan 2019	31 Jan 2020
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	96,728	108,563	786	853	– 95,942	– 107,710
Total	**745,494**	**753,203**	**495,905**	**536,938**	**– 249,589**	**– 216,265**

The net defined benefit liability developed as follows:

EUR k	Present value of the defined benefit obligation	Fair value of plan assets	Total
1 February 2018	**701,654**	**–466,692**	**234,962**
Service cost	23,770		23,770
Interest expenses/income	14,683	–10,374	4,309
Other	42		42
	38,495	**–10,374**	**28,121**
Remeasurements			
Return on plan assets excluding amounts contained in interest expenses/income		–7,654	–7,654
Gain/loss from changes in demographic assumptions	23,141		23,141
Gain/loss from changes in financial assumptions	4,143		4,143
	27,284	**–7,654**	**19,630**
Effects from business combinations	5,605	–4,394	1,211
Employer contributions		–28,166	–28,166
Employee contributions	2,185	–2,185	0
Benefits paid	–24,283	21,019	–3,264
Plan settlements	–640		–640
Exchange differences	–4,806	2,541	–2,265
31 January 2019	**745,494**	**–495,905**	**249,589**

EUR k	Present value of the defined benefit obligation	Fair value of plan assets	Total
1 February 2019	**745,494**	**–495,905**	**249,589**
Service cost	22,658		22,658
Past service cost	615		615
Interest expenses/income	16,521	–11,786	4,735
Other	44		44
	39,838	**–11,786**	**28,052**
Remeasurements			
Return on plan assets excluding amounts contained in interest expenses/income		–24,441	–24,441
Gain/loss from changes in demographic assumptions	–2,418		–2,418
Gain/loss from changes in financial assumptions	7,741		7,741
	5,323	**–24,441**	**–19,118**
Effects from business combinations	6,192	–5,065	1,127
Employer contributions		–34,097	–34,097
Employee contributions	2,335	–2,335	0
Benefits paid	–24,913	21,341	–3,572
Plan settlements	–1,663		–1,663
Exchange differences	–19,403	15,350	–4,053
31 January 2020	**753,203**	**–536,938**	**216,265**

Net interest expenses are recognised within the financial result.

Plan assets break down as follows:

EUR k	31 Jan 2019	31 Jan 2020
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 PHOENIX'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:

in %	31 Jan 2019	31 Jan 2020
Discount rate by currency region		
NOK	2.6	2.3
GBP	2.7	1.8
EUR	1.05 – 1.9	0.3 – 1.05
CHF	0.9	0.2
SEK	2.5	1.6
Future salary increases	1.2 – 4.5	1.0 – 3.8
Future pension increases	1.75 – 3.5	0.00 – 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 Januar 2020	Change in actuarial assumption in %	Increase in assumption EUR k	Decrease in assumption EUR k
Interest rate	0.5	66,935	– 77,749
Future salary increases	0.5	– 25,721	23,394
Future pension increases	0.5	– 46,620	36,719
Life expectancy	10.0	– 8,199	7,702

31 January 2019	Change in actuarial assumption in %	Increase in assumption EUR k	Decrease in assumption EUR k
Interest rate	0.5	64,491	– 74,484
Future salary increases	0.5	– 24,522	21,982
Future pension increases	0.5	– 45,886	30,251
Life expectancy	10.0	– 6,686	6,202

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

In Norway and the Netherlands, PHOENIX 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, PHOENIX 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 101.00%). 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, PHOENIX does not expect any major burdens to arise from the multi-employer plans; there is no intention to exit one of these plans.

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

20 Other provisions

EUR k	Restructuring	Personnel	Other	Total
1 February 2019	**4,993**	**16,522**	**18,237**	**39,752**
Changes due to the first-time application of IFRS 16	0	0	–462	–462
1 February 2019 (restated)	**4,993**	**16,522**	**17,775**	**39,290**
Currency translation	8	42	–35	15
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 January 2020	**3,252**	**24,664**	**24,028**	**51,944**

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. PHOENIX 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. PHOENIX does not expect reimbursements.

21 Financial liabilities

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

EUR k	31 Jan 2019	31 Jan 2020
Financial liabilities (non-current)		
Liabilities to banks	149,708	149,955
Bonds	497,631	199,296
Loans	252	110
Lease liabilities	2,510	708,803
Other financial liabilities	12,181	12,356
	662,282	**1,070,520**

EUR k	31 Jan 2019	31 Jan 2020
Financial liabilities (current)		
Liabilities to banks	137,482	142,668
Bonds	0	299,696
Loans	116,242	111,758
Liabilities to associates	541	0
ABS/factoring liabilities	213,607	186,156
Lease liabilities	6,581	128,916
Other financial liabilities	68,871	46,056
	543,324	**915,250**

In May 2013, PHOENIX issued a corporate bond with a volume of EUR 300.0m, a term of seven years and an interest coupon of 3.125%.

At the end of July 2014, PHOENIX issued a corporate bond with a volume of EUR 300.0m, a term of seven years and an interest coupon of 3.625%. In November 2017, PHOENIX redeemed bonds with a nominal value of EUR 100.0m.

Other financial liabilities contain financial liabilities to PHOENIX Pharma SE of EUR 2,173k (31 January 2019: EUR 38,089k).

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

In June 2012, PHOENIX 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, PHOENIX 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 200.0m in December 2015 and a residual term of five years agreed. In November 2016, PHOENIX made use of the option to extend the agreement by one year. In October 2017, PHOENIX made use of the option to extend the agreement by one year.

In October 2016, PHOENIX issued a promissory note with a total volume of EUR 150.0m. 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 53.0m, 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 51.0m, a term of up to 7 years and a variable interest coupon

22 Trade payables

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

23 Other liabilities

EUR k	31 Jan 2019	31 Jan 2020
VAT and other tax liabilities	71,895	101,441
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	15,948	8,814
Other liabilities	**290,700**	**322,070**

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 the company'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:

31 January 2020	Category pursuant to IFRS 9					
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	52,403	0	0	52,403	52,403
Trade receivables	2,411,014	214,387	0	0	2,625,401	2,625,401
Loans to and receivables from associates or related parties	643	0	0	0	643	643
Other loans	213,574	0	0	0	213,574	214,500
Derivative financial assets without hedge accounting	0	1,092	0	0	1,092	1,092
Other financial assets	72,628	0	0	0	72,628	72,628
Lease receivables	0	0	42,930	0	42,930	42,930
Cash and cash equivalents	245,986	0	0	0	245,986	245,986

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:

31 January 2019	Category pursuant to IFRS 9					
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	51,060	0	0	51,060	51,060
Trade receivables	2,318,400	234,224	0	0	2,552,624	2,552,624
Loans to and receivables from associates or related parties	1,660	0	0	0	1,660	1,660
Other loans	420,286	0	0	0	420,286	421,403
Derivative financial assets without hedge accounting	0	8,289	0	0	8,289	8,289
Other financial assets	94,317	0	0	0	94,317	94,317
Lease receivables	0	0	13,499	0	13,499	13,499
Cash and cash equivalents	152,845	0	0	0	152,845	152,845

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 January 2020	Category pursuant to IFRS 9					
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	292,623	0	0	0	292,623	292,748
Bonds	498,992	0	0	0	498,992	516,924
Loans	111,868	0	0	0	111,868	111,868
Trade payables	3,785,464	0	0	0	3,785,464	3,785,464
Liabilities to associates	0	0	0	0	0	0
ABS/factoring liabilities	186,156	0	0	0	186,156	186,156
Other financial liabilities at amortised cost	48,829	0	0	0	48,829	48,829
Other financial liabilities at fair value	0	4,114	0	0	4,114	4,114
Lease liabilities	0	0	837,719	0	837,719	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:

31 January 2019	Category pursuant to IFRS 9					
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	3,613,235	0	0	0	3,613,235	3,613,235
Liabilities to associates	541	0	0	0	541	541
ABS/factoring liabilities	213,607	0	0	0	213,607	213,607
Other financial liabilities at amortised cost	68,125	0	0	0	68,125	68,125
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 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

PHOENIX applies the following fair value hierarchy to define and present its financial instruments measured at fair value:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Techniques that use inputs that are not based on observable market data.

	Financial instruments measured at fair value			
EUR k	**Level 1**	**Level 2**	**Level 3**	**Total**
31 January 2020				
Equity and debt instruments	0	0	52,403	52,403
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 January 2019				
Equity and debt instruments	0	0	51,060	51,060
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 February 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 January 2019	**51,060**	**7,007**
Purchase	0	0
Sale of shares	− 709	0
New measurements (through profit or loss)	− 1,197	0
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	749	− 183
31 January 2020	**52,403**	**4,114**

Net gains or losses on each category of financial instruments

EUR k	**FY 2018/19**	**FY 2019/20**
Financial assets measured at amortised cost	− 21,479	4,477
Financial liabilities measured at amortised cost	− 2,982	− 208
Financial instruments measured at fair value	13,572	− 15,409
	− 10,889	**− 11,140**

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:

EUR k	Gross amount of financial assets	Gross amount of financial liabilities	Net amount of financial assets reported in the statement of financial position
31 January 2020			
Trade receivables (current)	2,681,243	– 56,431	2,624,812
Other financial assets (current)	422,438	– 152,222	270,216
31 January 2019			
Trade receivables (current)	2,590,256	– 37,941	2,552,315
Other financial assets (current)	648,654	– 147,593	501,061

Offsetting within financial liabilities breaks down as follows:

EUR k	Gross amount of financial liabilities	Gross amount of financial assets	Net amount of financial liabilities reported in the statement of financial position
31 January 2020			
Trade payables (current)	3,942,429	– 157,400	3,785,029
31 January 2019			
Trade payables (current)	3,724,905	– 111,670	3,613,235

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

	31 January 2019		31 January 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, PHOENIX 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 PHOENIX. 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 Management Board, specifying how financial risks are to be controlled. The Management Board is informed on an ongoing basis about the current risk exposure and the development on the global financial markets.

Derivatives are used by PHOENIX 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 PHOENIX.

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 PHOENIX 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 PHOENIX 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, PHOENIX 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.

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

31 January 2020		Pharmacies	Hospitals	Health insurance companies	Other	Individual loss allowance	Total
Expected credit loss	in %	0.8	0.4	0.1	1.6	24.2	
Trade receivables, gross	in EUR k	1,609,620	240,846	147,851	268,769	287,930	2,555,016
Lease receivables, gross	in EUR k	–	–	–	42,930	–	42,930
Loss allowance	**in EUR k**	**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 January 2019		Pharmacies	Hospitals	Health insurance companies	Other	Individual loss allowance	Total
Expected credit loss	in %	1.1	1.3	0.6	2.0	30.1	–
Trade receivables, gross	in EUR k	1,650,855	233,117	120,740	238,665	198,895	2,442,272
Lease receivables, gross	in EUR k	–	–	–	13,650	–	13,650
Loss allowance	**in EUR k**	**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 in %	Carrying amount (before loss allowance) in EUR k
Performing	Debtor has a low credit risk	12-month ECL	0.1	167,036
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 in %	Carrying amount (before loss allowance) in EUR k
Performing	Debtor has a low credit risk	12-month ECL	0.1	368,634
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. PHOENIX 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 PHOENIX spreads the derivatives between more than ten of our core banks, there is no concentration of risks of default with a single bank. Additionally, PHOENIX 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, PHOENIX 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	149,818	82,334	91,384		
Bonds	316,625	207,250			
Loans	112,248				
Trade payables	3,785,029	435			
Liabilities to associates and related parties	0				
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		
Cash inflow	– 534,209	– 2,944			
Total derivatives	5,886	165	48		

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	3,613,235				
Liabilities to associates and related parties	54,193				
ABS/factoring liabilities	213,799				
Other financial liabilities	26,905	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 245,986k at the end of the reporting period (prior year: EUR 152,845k) and comprised cash of EUR 245,964k (prior year: EUR 152,832k) 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	0		0		3,393	– 1,220			2,173
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	867,587	876,678		– 141,649	95	154	102,441	837,719
Other liabilities	198,087		198,087	– 44,939	5,142	546	45	9,226	168,107

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
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	– 227,740	20,002	– 117	300	– 51		– 49,787	198,087

29 Related party disclosures

General

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

	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	
EUR k	2018/19	2019/20	2018/19	2019/20
Partners	**20,830**	**3,821**	**16,357**	**3,826**
from financing	19,802	3,401	1,036	229
from leases, other services	1,028	420	15,321	3,597
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**	**2,596**	**1,024**
from financing	0	0	711	37
from leases, other services	0	0	1,885	987
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

	Receivables as of 31 January		Liabilities as of 31 January	
EUR k	2019	2020	2019	2020
Partners	**350,581**	**154,149**	**53,652**	**110,521**
from financing	350,581	148,538	38,089	2,173
from leases, other services	0	5,611	15,563	108,348
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**	**59**
from financing	0	0	0	0
from leases, other services	0	0	66	59
from goods sold	0	0	0	0
Loss allowances	**0**	**0**	**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.

Due to the first-time application of IFRS 16, there are liabilities from company lease agreements to related parties of EUR 75,037k. Interest of EUR 2,053k were accrued thereon.

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 660,000k to PHOENIX, which were repaid in the prior year. Interest expenses of EUR 743k were accrued thereon.

In the reporting period, PHOENIX 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, PHOENIX International Beteiligungs GmbH sold an equity investment including treasury shares to PHOENIX Pharma SE at a market price of EUR 428,584k. The entire purchase price was initially granted as a loan. As of 31 January 2020, this loan amounts to EUR 148,520k (31 January 2019: EUR 344,984k). Loan interest of EUR 3,730k was accrued on this. Deconsolidation of the equity investment resulted in a loss of EUR 5,272k.

In September 2018, PHOENIX Pharma SE contributed it shares in PHOENIX International Beteiligungs GmbH of 2.33% to PHOENIX Pharmahandel GmbH & Co KG without receiving consideration in return.

In October 2018, the partners of PHOENIX Pharmahandel GmbH & Co KG waived their receivables from the payment of interest of additional contributions of EUR 192,175k.

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 members of the Management Board

Total Management 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 Management Board in the reporting period was EUR 342k (prior year: EUR 424k).

Former members of the Management Board 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 Advisory Board

Remuneration of the Advisory Board amounted to EUR 765k in the fiscal year (prior year: EUR 539k).

32 Subsequent events

After a change to the law governing pharmacies in Estonia, which enters into force as of 1 April 2020, 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 PHOENIX.

For more information on the impact of coronavirus on PHOENIX'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 Management Board of the unlimited partner
PHOENIX Verwaltungs GmbH

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

The following English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) refers to the German-language consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code), as well as the group management report, prepared on the basis of German commercial law (HGB), of PHOENIX Pharmahandel GmbH & Co KG, Mannheim, as of and for the fiscal year ended 31 January 2020 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The group management report is not part of this Prospectus.

INDEPENDENT AUDITOR'S REPORT

To PHOENIX Pharmahandel GmbH & Co KG

Report on the audit of the consolidated financial statements and of the group management report

Opinions

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

Responsibilities of the executive directors and the advisory 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 advisory 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]