Financial Statements

Consolidated Income Statement

		2018		2017	
	Notes	CHF 1,000	%	CHF 1,000	%
Net revenue	5	**1,207,108**	**100.0**	982,921	100.0
Other operating income	7	[1] **3,067**		9,740	
Cost of goods	8	[1] **–1,015,896**		–836,343	
Personnel expenses	9	**–93,688**		–78,339	
Other operating expenses	10	**–113,129**		–99,173	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**–12,538**	**–1.0**	–21,194	–2.2
Depreciation, amortisation and impairment	19|20	**–18,862**		–17,120	
Earnings before interest and taxes (EBIT)		**–31,400**	**–2.6**	–38,314	–3.9
Share of results of joint ventures and associates		**173**		134	
Finance income	11	**239**		4,431	
Finance expenses	11	**–7,559**		–2,757	
Earnings before taxes (EBT)		**–38,547**	**–3.2**	–36,506	–3.7
Income tax income / (expense)	12	**–553**		241	
Net income / (loss)		**–39,100**	**–3.2**	–36,265	–3.7
Attributable to Zur Rose Group AG shareholders		**–38,971**		–36,238	
Attributable to non-controlling interests		**–129**		–27	

		CHF 1		CHF 1	
Net income / (loss) per share	28	**–6.14**		–6.94	
Diluted net income / (loss) per share	28	**–6.14**		–6.94	

1) Advertising allowances included in the cost of goods (see Note 8)

Consolidated Statement of Comprehensive Income

	Notes	2018 CHF 1,000	2017 CHF 1,000
Net income / (loss)		**–39,100**	–36,265
Exchange differences on translation of foreign operations		**–2,820**	241
Other comprehensive income to be reclassified in subsequent periods to the income statement		**–2,820**	241
Remeasurement pensions	27	**–506**	–500
Income tax	22	**57**	57
Share of other comprehensive income of joint ventures		**0**	106
Other comprehensive income not to be reclassified in subsequent periods to the income statement		**–449**	–337
Other comprehensive income / (loss)		**–3,269**	–96
Total comprehensive income / (loss)		**–42,369**	–36,361
Attributable to Zur Rose Group AG shareholders		**–42,180**	–36,438
Attributable to non-controlling interests		**–189**	77

Consolidated Balance Sheet

ASSETS	Notes	31.12.2018 CHF 1,000	%	31.12.2017 restated [1] CHF 1,000	%
Cash and cash equivalents	13	**230,693**		107,764	
Current financial assets		**153**		174	
Trade receivables	14	**92,311**		84,005	
Prepaid expenses	15	**9,780**		10,226	
Other receivables	16	**14,411**		12,045	
Inventories	17	**69,400**		59,279	
Current assets		**416,748**	**57.4**	273,493	59.2
Investments in joint ventures and associates	18	**1,192**		1,012	
Property, plant and equipment	19	**34,294**		29,685	
Intangible assets	20	**264,625**		147,573	
Non-current financial assets	21	**1,081**		981	
Deferred tax assets	22	**8,580**		9,024	
Non-current assets		**309,772**	**42.6**	188,275	40.8
Total assets		**726,520**	**100.0**	461,768	100.0

1) See Note 6 Change in Consolidation Scope

Consolidated Balance Sheet

LIABILITIES AND EQUITY		31.12.2018		31.12.2017 restated [1]	
	Notes	CHF 1,000	%	CHF 1,000	%
Current financial liabilities	23	**3,521**		10,391	
Trade payables		**83,127**		75,268	
Other payables	24	**10,134**		9,221	
Tax liabilities		**834**		1,252	
Accrued expenses	25	**19,140**		19,046	
Short-term provisions	26	**2,211**		3,889	
Short-term liabilities		**118,967**	**16.4**	119,067	25.8
Non-current financial liabilities	23	**30,613**		32,024	
Bonds	23	**114,127**		0	
Pension obligations	27	**13,737**		12,987	
Deferred tax liabilities	22	**5,470**		3,467	
Long-term liabilities		**163,947**	**22.6**	48,478	10.5
Total liabilities		**282,914**	**38.9**	167,545	36.3
Share capital	28	**48,127**		35,762	
Capital reserves		**450,946**		272,162	
Treasury shares	28	**–5,453**		–1,216	
Retained earnings		**–34,473**		47	
Exchange differences		**–15,571**		–12,751	
Equity attributable to Zur Rose Group AG shareholders		**443,576**	**61.1**	294,004	63.7
Non-controlling interests		**30**		219	
Total equity		**443,606**	**61.1**	294,223	63.7
Total liabilities and equity		**726,520**	**100.0**	461,768	100.0

1) See Note 6 Change in Consolidation Scope

Consolidated Cash Flow Statement

	Notes	2018 CHF 1,000	2017 CHF 1,000
Net income / (loss)		**–39,100**	–36,265
Depreciation, amortisation and impairment	19|20	**18,862**	17,120
Finance expenses (net)		**6,895**	–2,096
Income tax		**553**	–241
Non-cash income and expenses		**1,975**	3,563
Income taxes paid		**–783**	–55
Interest paid		**–1,698**	–2,296
Interest received		**239**	12
Change in trade receivables, other receivables and prepaid expenses		**–12,230**	–13,081
Change in inventories		**–10,272**	983
Change in trade payables, other liabilities and accrued expenses		**4,123**	6,371
(Increase) / decrease in provisions		**–1,791**	3,758
Cash flows from operating activities		**–33,227**	–22,227
Acquisition of subsidiaries, net of cash acquired	6	**–108,566**	–40,885
Purchase of property, plant and equipment	19	**–10,258**	–5,083
Acquisition of intangible assets	20	**–21,245**	–16,558
Investments in non-current financial assets	21	**–450**	–121
Disposal of non-current financial assets	21	**244**	432
Cash flow from investing activities		**–140,275**	–62,215
Proceeds from capital increases	28	**191,149**	222,403
Increase in financial liabilities (bond, net)	23	**114,065**	0
Repayment of financial liabilities	23	**–1,792**	–56,107
Purchase of treasury shares		**–6,367**	–383
Cash flow from financing activities		**297,055**	165,913
Increase / (decrease) in cash and cash equivalents		**123,553**	81,471
Cash and cash equivalents at the beginning of the year		**107,764**	25,225
Foreign currency differences		**–624**	1,068
Cash and cash equivalents at the end of the year		**230,693**	107,764

Consolidated Statement of Changes in Equity

	Share capital	Capital reserves	Treasury shares	Retained earnings	Exchange difference	Attributable to Group shareholders	Non-controlling interests	Total equity
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
1 January 2017	**24,885**	**59,219**	**–903**	**33,597**	**–12,992**	**103,806**	**0**	**103,806**
Net income / (loss)				–36,238		–36,238	–27	–36,265
Other comprehensive income				–441	241	–200	104	–96
Total comprehensive income				–36,679	241	–36,438	77	–36,361
Share-based payments				3,199		3,199		3,199
Issue of new shares (employees)	1,303	621				1,924		1,924
Purchase of treasury shares			–383			–383		–383
Allocation of treasury shares (employees)			70	–70		0		0
Additions from obtaining control of BlueCare Ltd.						0	142	142
Capital increases IPO & Greenshoe	9,574	223,514				233,088		233,088
Transaction costs of capital increases		–11,192				–11,192		–11,192
31 December 2017	**35,762**	**272,162**	**–1,216**	**47**	**–12,751**	**294,004**	**219**	**294,223**
Net income / (loss)				–38,971		–38,971	–129	–39,100
Other comprehensive income				–389	–2,820	–3,209	–60	–3,269
Total comprehensive income				–39,360	–2,820	–42,180	–189	–42,369
Share-based payments				2,089		2,089		2,089
Purchase of treasury shares			–6,367			–6,367		–6,367
Allocation of treasury shares (employees)			70	–70		0		0
Acquisition of Promofarma Ecom. S.L.			2,060	2,821		4,881		4,881
Capital increases	12,365	187,635				200,000		200,000
Transaction costs of capital increases		–8,851				–8,851		–8,851
31 December 2018	**48,127**	**450,946**	**–5,453**	**–34,473**	**–15,571**	**443,576**	**30**	**443,606**

Notes to the Consolidated Financial Statements

1 Operating activities

The Zur Rose Group operates as an online mail-order pharmacy company and wholesale supplier to medical practitioners for medicine and pharmaceutical products. It also provides medicines management services. Sales are made directly to physicians who prescribe medicine themselves in addition to online mail-order pharmacies and private individuals. Further, Zur Rose operates stationary pharmacy shops.

Zur Rose Group AG (the "Company"), a stock corporation under Swiss law based at Seestrasse 119, 8266 Steckborn (Switzerland), is the parent of the Zur Rose Group (the "Group"). The Company was established on 6 April 1993. The registered office of Group Management and the headquarters of business activities are based at Walzmühlestrasse 60, 8500 Frauenfeld (Switzerland).

The consolidated financial statements were authorised for issue by the Board of Directors on 19 March 2019 and are subject to approval of the Annual General Meeting on 23 May 2019.

Since 5 July 2017, the Company is listed on SIX Swiss Exchange – ISIN CH0042615283.

The values listed in the financial statements are rounded. If the calculations are performed with a higher numerical accuracy, small rounding differences can occur.

2 Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Zur Rose Group have been prepared in accordance with International Financial Reporting standards (IFRS), as published by the International Accounting Standard Board (IASB).

The consolidated financial statements are prepared on a historical cost basis, with the exception of shares included in the financial assets and contingent purchase price payables measured at fair value.

The financial statements are presented in Swiss francs, and all values were rounded to the nearest thousand (CHF 1,000), unless specified otherwise.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of Zur Rose Group AG and its subsidiaries as at 31 December 2018.

An entity is included in consolidation when the Zur Rose Group obtains control and deconsolidated upon loss of control.

The following companies were included in the group of consolidated companies of Zur Rose Group AG:

	Share capital		Share of capital	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
	CHF 1,000	CHF 1,000	%	%
0800 DocMorris Ltd., London (GB)	**1**	1	**100.0**	100.0
ApDG Handels- und Dienstleistungsgesellschaft mbH	**28**	28	**100.0**	3) 100.0
apo-rot B.V. (NL), formerly: Tanimis Pharma B.V. Heerlen (NL)	**22**	22	**100.0**	100.0
apo-rot Service GmbH (DE)	**29**	n/a	**1) 100.0**	n/a
Bluecare AG, Winterthur (CH)	**1,288**	1,288	**78.9**	4) 78.9
Centropharm GmbH, Aachen (DE)	**30**	30	**100.0**	100.0
D&W Mailorder Service B.V., Heerlen (NL)	**22**	22	**100.0**	100.0
DocMorris Holding GmbH, Berlin (DE)	**6,085**	6,085	**100.0**	100.0
DocMorris Kommanditist B.V., Heerlen (NL)	**22**	22	**100.0**	100.0
DocMorris N.V., Heerlen (NL)	**60**	60	**100.0**	100.0
DVD Beteiligungs AG, Frauenfeld (CH)	**3,550**	3,550	**100.0**	100.0
Eurapon B.V., Heerlen (NL)	**0**	5) 0	**100.0**	3) 100.0
Eurapon Pharmahandel GmbH, Bremen (DE)	**28**	28	**100.0**	3) 100.0
OPX Services AG, Frauenfeld (CH)	**100**	100	**100.0**	100.0
Promofarma Ecom, S.L. (ES)	**15,004**	n/a	**2) 100.0**	n/a
Tanimis B.V., Heerlen (NL)	**22**	22	**100.0**	100.0
Tanimis Pharma C.V., Heerlen (NL)	**12**	12	**100.0**	100.0
VfG Cosmian s.r.o., Prague (CZ)	**12**	12	**100.0**	100.0
Vitalsana B.V., Heerlen (NL)	**20**	20	**100.0**	3) 100.0
Zur Rose Pharma GmbH, Halle (DE)	**8,479**	8,479	**100.0**	100.0
Zur Rose Shop-In-Shop Apotheken AG, Frauenfeld (CH)	**100**	100	**100.0**	100.0
Zur Rose Suisse AG, Frauenfeld (CH)	**7,650**	7,650	**100.0**	100.0

1) Acquired on 31 October 2018, refer to Note 6
2) Acquired on 14 September 2018, refer to Note 6
3) Acquired on 29 December 2017, refer to Note 6
4) Consolidated since 5 May 2017 (previously a joint venture, refer to Note 6)
5) Share capital of EUR 1.00

All intragroup balances, transactions, unrealised gains and losses from intragroup transactions and dividends are eliminated in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3 Summary of significant accounting policies

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at the acquisition date in addition to any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are recognised in profit or loss and reported within other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and the prevailing conditions as at the acquisition date.

Goodwill is initially measured at cost, as the excess of the aggregate of the consideration transferred and the amount of non-controlling interests over the identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the aggregate consideration transferred, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units of the Group that are expected to benefit from the business combination. This applies regardless of whether other assets or liabilities of the acquiree are assigned to these cash-generating units.

Investments in associates and joint ventures

The Group's investments in associates and joint ventures are accounted for using the equity method. An associate is an entity over which the Group has significant influence (generally a share of voting rights of 20 percent to 49.9 percent). A joint venture is a jointly controlled entity.

Using the equity method, investments in an associate or joint venture are recognised at cost in the balance sheet plus the Group's share of changes in the net assets of the associates and joint ventures since the acquisition date.

The consolidated income statement includes the Group's share in the result of the associate / joint venture. Changes recognised outside profit or loss of the associate / joint venture are proportionately recognised and presented in the Group's other comprehensive income, if applicable. Unrealised gains and losses resulting from transactions between the Group and the associate / joint venture are eliminated to the extent of the interest in the associate / joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in the associate / joint venture. At the end of each reporting period, the Group determines whether there is any objective evidence that the investment in the associate / joint venture is impaired. If this is the case, the difference between the recoverable amount of the investment in the associate / joint venture and its carrying amount is recognised as an impairment loss in profit or loss.

Currency translation
The Zur Rose Group operates mainly in Switzerland, Germany, the Netherlands and Austria. The Group's presentation currency is the Swiss franc. Each Group company determines its own functional currency. Foreign currency balances exist in the form of bank accounts, accounts receivable and payable and loans. Foreign currency transactions are converted into the functional currency at the monthly rate at the transaction date. Gains and losses from foreign currency transactions and the adjustment of monetary foreign currency assets and liabilities at the end of the reporting period are recognised in profit or loss.

The financial statements of Group companies in foreign currencies are translated into Swiss francs as follows:

— balance sheet at year-end exchange rates
— income statement and statement of comprehensive income at average rates for the year
— cash flow statement at average rates for the year

Exchange differences arising on translation are recognised in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and translated at the year-end rate.

Exchange differences resulting from a monetary item that is part of the net investment in a foreign operation (e.g. long-term loans which are not expected or likely to be settled in the foreseeable future) are also recognised in other comprehensive income and, in the event of a sale or loss of control over the foreign operation, are reclassified from equity to profit or loss.

The following exchange rates were used for currencies:

	2018		2017	
Currency	Year-end rate	Average rate for the year	Year-end rate	Average rate for the year
EUR 1	**1.1262**	**1.1546**	1.1693	1.1116
CZK 1	**0.0438**	**0.0450**	0.0458	0.0421

Current and non-current classification
The Group presents its assets and liabilities in the balance sheet based on current and non-current classification. An asset is current when:

— It is expected to be realised or intended to be sold or consumed in the normal operating cycle,
— it is held primarily for the purpose of trading,
— it is expected to be realised within twelve months after the reporting period, or
— the asset is a cash or cash equivalent.

All other assets are classified as non-current. A liability is current when:

— It is expected to be settled in the normal operating cycle,
— it is held primarily for the purpose of trading,
— it is due to be settled within twelve months after the reporting period, or
— the Zur Rose Group has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Net revenue
Sales are recognised when an obligation under a customer contract (promised goods or services) has been fulfilled by transferring control of the promised goods or services to the customer. Control over promised goods or services refers to the ability to decide on the use of those goods or services and to obtain any remaining benefits from them. Control is usually transferred at the time of shipment or service provision in accordance with the terms of delivery and acceptance agreed with the customer. The total sales to be recognised (transaction price) is based on the consideration that the Zur Rose Group expects to receive in return for the goods and services, less the interests withheld for third parties, such as VAT.

Net income is recognised less discounts and goods returned. All deductions on product sales are determined at the time of sale.

After the end of a period, the Zur Rose Group determines a liability for goods returned based on empirical data.

Taxes
Current income tax
Current tax assets and liabilities for current and for prior periods are measured at the amount expected to be paid to or recovered from the tax authorities. The tax rates and tax laws used to calculate this amount are the ones that apply at the end of the reporting period in the countries where the Zur Rose Group operates and generates taxable income.

Current taxes relating to items recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is recognised using the liability method based on temporary differences between the carrying amount of an asset or liability on the balance sheet and the tax base at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of:

- deferred tax liabilities arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the transaction date, affects neither accounting profit nor taxable profit or loss, and
- deferred tax liabilities arising from taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when 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.

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carryforwards and unused tax credits to the extent that it is likely that taxable profit will be available against which the deductible temporary differences and unused tax loss carryforwards and tax credits can be used, with the exception of:

- deferred tax assets arising from deductible temporary differences from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the transaction date, affects neither accounting profit nor taxable profit or loss, and
- deferred tax assets from deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures if it is probable that the temporary differences will not reverse in the foreseeable future or insufficient taxable profit will be available against which these temporary differences can be utilised.

The carrying amount of deferred tax assets is assessed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which all or part of the deferred tax asset can be utilised. Unrecognised deferred tax assets are assessed at the end of each reporting period and recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which an asset is realised or a liability is settled. Tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period are applied.

Deferred tax relating to items recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

VAT
Revenue, expenses and assets are recognised net of VAT. The amount of VAT recoverable from or payable to taxation authorities is recognised in other receivables or other payables.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation.

Cost includes the purchase price, customs, non-refundable taxes and levies in addition to directly attributable costs. Expenses for maintenance and repair are recognised in profit or loss when incurred.

Depreciation is charged to profit or loss using the straight-line or diminishing balance methods over the estimated useful lives as follows:

Asset category	Useful life	Method
Interior finishes	5 years	Straight-line
Equipment	3–7 years	Straight-line
Office furnishings	3–5 years	Straight-line
Shop furnishings	5–10 years	Straight-line
IT systems	3–5 years	Straight-line
Vehicles	5 years	Diminishing balance method
Real estate	33 years	Straight-line

Gains or losses from the disposal of property, plant and equipment are included in other operating income or expenses.

Leases
Property, plant and equipment acquired under leases which substantially transfer the risks and rewards of ownership to the Group are classified as finance leases. The fair value of the leased asset or the lower present value of minimum lease payments is recognised as fixed assets and a corresponding lease liability. Finance lease assets are depreciated over their estimated useful lives.

All other leases are treated as operating leases and the expense is recognised on a straight-line basis over the lease term.

Intangible assets
Intangible assets that are not acquired as part of a business combination are initially measured at cost. The cost of intangible assets acquired in a business combination corresponds to their fair value at the acquisition date. In subsequent periods, intangible assets are reported at cost less accumulated amortisation and accumulated impairment. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives and tested for impairment if there is any indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed at the end of each reporting period. Changes to the amortisation method or amortisation period due to changes in the expected useful life or expected consumption of the future economic benefits of the asset are treated as changes in estimates.

Intangible assets with indefinite useful lives are not amortised but tested for impairment at least once a year, either individually or at the level of the cash-generating unit. These intangible assets are not amortised. The assessment of indefinite life is reviewed annually.

Gains or losses arising from the derecognition of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period in which the asset is derecognised.

The useful lives for the intangible assets of the Zur Rose Group can be summarised as follows:

Asset category	Useful life
Software	3–5 years
ERP system	5–10 years
Customer relationship	10 years
Trademarks	Indefinite or 3–5 years

Impairment of non-financial assets
At the end of each reporting period, the Zur Rose Group determines whether there is any indication that a nonfinancial asset is impaired. If there is any indication of this, or when annual impairment testing for an asset is required, the Group estimates the recoverable amount of the respective asset or cash generating unit (CGU). The recoverable amount of an asset is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is impaired and written down to its recoverable amount. To determine the value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In order to determine fair value less costs of disposal, an appropriate measurement model is used.

Goodwill is tested for impairment at the level of the CGU to which it has been allocated annually at 31 December and whenever circumstances indicate that the value might be impaired. If the recoverable amount of the CGU is lower than its carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill cannot be reversed in subsequent periods.

Financial assets
Classification and measurement of financial assets

Trade receivables are initially recognised at the transaction price pursuant to IFRS 15. All other financial instruments are initially recognised at fair value and, in the case of financial assets not measured at fair value through profit or loss, at transaction cost.

With regard to subsequent measurement, the Zur Rose Group distinguishes between the following two measurement categories:

— *At amortised cost.* Assets held for the purpose of collecting contractual cash flows consisting solely of interest and principal payments are accounted for at amortised cost less impairments. Interest income from these financial assets is recognised in the item "finance income" using the effective interest method. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Assets recognised at amortised cost mainly consist of cash and cash equivalents, trade receivables, other receivables and loans.
— *At fair value through profit or loss.* This category includes financial assets recognised at fair value. Value fluctuations are recognised through profit or loss. Assets measured at fair value through profit and loss mainly consist of equity instruments (securities).

Purchases and disposals of financial assets are recognised on the settlement date. Financial assets are derecognised when the Zur Rose Group loses control over the rights to cash flows comprising the financial asset.

At the end of each reporting period, the Zur Rose Group determines whether a financial asset is impaired. If there are objective indications that impairment of assets recognised at amortised cost has occurred or could occur based on forward-looking information, the level of the impairment is the difference between the carrying amount of the asset and the present value of the expected future cash flows, discounted at the original effective interest rate.

For trade receivables, the Zur Rose Group applies the simplified method for calculating expected credit losses. Consequently, an impairment loss is recognised initially and at each subsequent reporting date for expected credit losses over the full term. On foot of empirical data and the inclusion of currently observable data, the Zur Rose Group produces an impairment loss matrix. The receivables are derecognised provided they are qualified as irrecoverable.

Financial liabilities
Classification and measurement of financial liabilities

All financial liabilities are initially measured at fair value, and in the case of public bonds and loans less directly attributable transaction costs. The subsequent measurement depends on the classification. The Zur Rose Group divides its financial liabilities into the following two measurement categories:

— *At amortised cost.* After initial recognition, measurement is at amortised cost using the effective interest rate method. Gains and losses are recognised through profit or loss when the payable is amortised or derecognised. Financial liabilities at amortised cost include, in particular, trade payables, other liabilities and public bonds.
— *At fair value through profit or loss.* Financial liabilities that were initially recognised at fair value through profit or loss or financial liabilities that must be recognised through profit or loss at fair value. The financial liabilities of the Zur Rose Group recognised through profit or loss include contingent consideration liabilities agreed in the context of business combinations.

All purchases and disposals of financial liabilities are recognised on the settlement date. A financial liability is derecognised when the underlying obligation is discharged, cancelled, or expired. If an existing financial liability is replaced with another financial liability of the same lender with substantially different terms or conditions, or if the terms of an existing liability are substantially changed, such replacement or change is treated as derecognition of the original liability and recognition of a new liability.

Fair value of financial instruments
The fair value of financial instruments traded on active markets is determined using the quoted market price or publicly quoted price (bid price quoted by the buyer in a long position and ask price in a short position) at the end of the reporting period without deducting transaction costs.

The fair value of financial instruments that are not traded on active markets is determined using suitable measurement methods. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing and independent parties, with reference to the current fair value of another instrument that is substantially the same, using discounted cash flow methods and other measurement models.

Inventories
Inventories include goods purchased and held for resale only and are measured at cost or the lower net realizable value.

The lower net realizable value corresponds to the expected selling price within normal business activities less expected costs of disposal.

Goods that cannot be sold anymore are written down in full.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and cash at banks in addition to fixed-term deposits with a maturity of no more than three months. These are reported at nominal value.

Treasury shares
When the Zur Rose Group acquires treasury shares, these are recognised at cost and deducted from equity. The purchase, sale, issue, or cancellation of treasury shares are recognised outside profit or loss. Any differences between the carrying amount and the consideration received are recognised directly in equity.

Provisions
Provisions are recognised only if the Zur Rose Group has a legal or constructive obligation towards third parties as a result of a past event, if the obligation can be reliably estimated and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the period until payment is significant, the present value of the payment is determined.

Restructuring provisions are recognised only if there is a detailed formal plan, the associated costs can be determined reliably and a valid expectation has been raised in those affected either as a result of communication or implementation of the plan.

Pension assets and liabilities
Contributions to defined contribution plans are recognised in personnel expense on an accrual basis.

For defined benefit plans, the obligation is determined every year by external experts using the projected unit credit method taking into account the plan benefits, employees' years of service, assumptions regarding discount rates and salary development and the probability of retirement or death, etc.

The present value of the defined benefit obligation (DBO) is compared with the fair value of the plan assets for funded plans and recognised as a net pension liability or net pension asset. A surplus is recognised only to the extent that the Zur Rose Group is entitled to future benefits in the form of future contribution reductions or refunds.

The pension costs of defined benefit plans are recognised as follows:

— Service cost (current and past from plan amendments): recognised in personnel expenses in profit or loss,
— Net interest on net pension liability/asset: recognised in finance expenses in profit or loss,
— Actuarial gains and losses from the remeasurement of the pension obligation and return on plan assets (less interest income recognised in profit or loss) and the effects from a potential asset ceiling are immediately recognised in other comprehensive income.

2.4 Changes in accounting policies

Introduction of amended or new IFRS and new interpretations
The accounting principles are consistent with those applied in the previous financial year, with the exception of new and amended International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which have become effective on 1 January 2018. These amendments do not have a material bearing on the net assets, financial position and results of operations of the Zur Rose Group.

IFRS 15 Revenue from Contracts with Customers
The new standard IFRS 15 replaces previous standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" as well as the relevant interpretations. The core principle of IFRS 15 is that revenue shall be recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expect to be entitled, i.e. the control over goods and services has been transferred to the customer. Revenue is recognised in the amount expected as consideration.

The Zur Rose Group applied the modified retrospective approach as at 1 January 2018. The effect from the initial application of IFRS 15 is immaterial for the Zur Rose Group and did not result in an adjustment to the opening balances.

Advertising allowances of CHF 7.5 million were recognised in 2017 in "other operating income". Under the new guidance, the Zur Rose Group does not provide products or services that are considered distinct within the meaning of IFRS 15. Advertising allowances from suppliers are recognised as a reduction of the purchase cost of goods and presented in cost of goods since 1 January 2018. See Note 8 for the presentation of the effect. This change in presentation does not affect the net loss or profit.

IFRS 9 Financial instruments
As at 1 January 2018, the Zur Rose Group introduced IFRS 9 "Financial Instruments". The new standard replaces the standard IAS 39 "Financial Instruments: Recognition and Measurement" and comprises the following accounting aspects of financial instruments: classification and measurement, impairment and hedge accounting.

The Zur Rose Group has availed of the exemption not to apply the complete retrospective method. The previous year's figures were not adjusted and comply with the requirements of IAS 39 and the accounting policies as set out in the 2017 Financial Report.

The new guidance did not prompt the Zur Rose Group to reclassify the classification of financial instruments, although the measurement methods for financial assets were adjusted. As at 1 January 2018, the Zur Rose Group evaluates the foreseeable losses on financial assets on a forward-looking basis. For trade receivables, the Zur Rose Group applies the simplified approach. An impairment loss is recognised initially and at each subsequent reporting date for expected credit losses over the full term. The probability of default is based on empirical data, supplemented with currently observable data. The adoption of this adjusted impairment loss policy did not result in any significant change in the impairment loss. Accordingly, there is no adjustment of the opening balances due to the first time application.

3 Significant judgements, estimates and assumptions

In preparing these financial statement management has made judgements in applying accounting policies as well as estimates and assumptions regarding the future that affect the carrying amounts of reported assets and liabilities and may result in adjustments in future reporting periods. Such estimates and assumptions are based on experience and other factors, considered to be reasonable in the circumstances. By their very nature, estimates will differ from actual outcomes. Areas with key assumptions concerning the future results and other sources of estimation uncertainty are:

Impairment testing for goodwill and indefinite life intangibles
Every year, the Group tests goodwill (carrying amount CHF 172,423 thousand) and its other indefinite life intangibles (carrying amount CHF 20,866 thousand) for impairment. See Note 20 for a description of the significant assumptions and uncertainties.

Contingent consideration arrangements (earn-out)
A significant portion of the consideration for Eurapon Pharmahandel GmbH acquired on 29 December 2017 is comprised of an earn-out arrangement that will result in payments to be made in 2018 to 2020. Zur Rose has determined the fair value of the contingent consideration liability of CHF 19.4 million as at the end of 2017 (or EUR 16.6 million) using estimates of future revenues, costs and results as well as discount rates and quality of customer portfolio. As at the end of 2018, while taking into account an earn-out share of CHF 1.7 million (or EUR 1.5 million) paid on 4 July 2018, the remaining earn-out components were remeasured at a fair value of CHF 18.6 million (or EUR 16.5 million).

The corresponding changes in the fair value of CHF 1.5 million (or EUR 1.3 million) were recognised through profit or loss. Additional information can be found in Note 30.

Pension obligations
Pension assets and liabilities are calculated in accordance with IAS 19 on the basis of assumptions, such as the discount rate, salary increases and mortality assumptions. These assumptions are assessed and adjusted on an annual basis. Changes in assumptions can have a significant impact on the amount of pension assets and liabilities and amounts recognised in other comprehensive income, which are to be reported in future periods. See Note 27.

Deferred tax assets
Deferred tax assets are recognised for all tax loss carryforwards that can be utilised to the extent that it is probable that taxable profit will be available against which the tax loss carryforwards can be utilised. Significant management judgement is required to determine the amount of deferred tax assets, based on the expected timing and amount of future taxable profits and future tax planning strategies. Further information can be found in Note 22.

4 Standards issued but not yet effective

The IASB has published new standards and interpretations as well as amendments to standards and interpretations before the publication date of these consolidated financial statements. The Group intends to adopt the following amendments when they become effective. Changes potentially relevant for the Group are:

- IFRS 9 – Prepayment Features with Negative Compensation – Amendments to IFRS 9 (effective date: 1 January 2019),
- IFRS 16 – Leases (effective date: 1 January 2019),
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective date 1 January 2019).

Annual Improvements Cycle 2015–2017 (effective date 1 January 2019)

The impact of these changes on the Zur Rose Group's accounting policies are being assessed. Apart from the changes presented below, the Zur Rose Group does not currently anticipate any material effects on the consolidated financial statements.

IFRS 16 – Leases
IFRS 16 was issued in January 2016 and supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 includes a single lessee accounting model. As a result, lessees are no longer required to distinguish between finance and operating leases. Lessees recognise liabilities for future lease payments in their balance sheet in addition to a right-of-use asset. In addition, the accounting practice under IFRS 16 will change with the effect that leasing payments will no longer be charged to the Income Statement through rental expenses, but through depreciation and amortisation on the newly recognised rights of use and through the interest expense on the newly recognised lease liabilities.

For lessors, IFRS 16 will in most cases not result in accounting changes compared with the currently valid IAS 17. They will continue to classify all leases according to the classification principles of IAS 17 and distinguish between two types of leases, specifically between operating and finance leases.

The Zur Rose Group expects the accounting value of the lease obligations to increase by approximately CHF 23 million. An increase in lease objects (enjoyment) in a similar amount is expected at the implementation date. The Zur Rose Group is currently determining the final impact of the new standard.

The first time application on 1 January 2019 will follow the modified retrospective method. Under this method, the previous year's figures are not adjusted, but the cumulative effect from the first-time application of IFRS 16 is accounted in retained earnings. A number of practical simplifications authorised by the standard are used on initial application by the Zur Rose Group, in particular the exceptions relating to the recognition of short-term leases and the leasing of low-value assets.

5 Operating segments

For the purpose of corporate management, the Zur Rose Group is divided into two geographical segments (Switzerland and Germany). The operating results of the segments are individually monitored by Group Management in order to reach decisions on the allocation of resources and determine their performance. However, the financing of the Group is managed uniformly and is allocated to Corporate. In addition to the group-wide operations in Zur Rose Group AG, Corporate included Promofarma S.L. Ecom. in Barcelona (ES) and two smaller Swiss shell companies.

Performance is measured based on EBITDA as included in the internal financial reports reviewed by the Group Management. EBITDA is defined as Earnings before interest, taxes, profit and loss of joint ventures and associated companies, depreciation and amortisation as well as impairment write-downs on property, plant and equipment and on intangible assets. Assets and liabilities are not allocated to operating segments in the management reports.

Reporting as per 31 December 2018	Notes	Switzerland CHF 1,000	Germany CHF 1,000	Corporate CHF 1,000	Eliminations CHF 1,000	Group CHF 1,000
Income statement						
Net revenue with external customers		526,954	671,245	8,909	0	1,207,108
Revenue with other segments		402	0	0	−402	0
Total net revenue		**527,356**	**671,245**	**8,909**	**−402**	**1,207,108**
EBITDA		**12,930**	**−15,395**	**−10,073**	**0**	**−12,538**
Depreciation and amortisation	19|20	−6,671	−11,171	−1,288	0	−19,130
Value appreciation	19|20	0	268	0	0	268
EBIT		**6,259**	**−26,298**	**−11,361**	**0**	**−31,400**

Reporting as per 31 December 2017	Notes	Switzerland CHF 1,000	Germany CHF 1,000	Corporate CHF 1,000	Eliminations CHF 1,000	Group CHF 1,000
Income statement						
Net revenue with external customers		499,750	483,171	0	0	982,921
Net revenue with other segments		284	0	0	−284	0
Total net revenue		**500,034**	**483,171**	**0**	**−284**	**982,921**
EBITDA		**12,048**	**−21,643**	**−11,599**	**0**	**−21,194**
Depreciation and amortisation	19|20	−4,432	−6,662	−1,015	0	−12,109
Impairments	19|20	−4,261	−750	0	0	−5,011
EBIT		**3,355**	**−29,055**	**−12,614**	**0**	**−38,314**

Net revenue by customer location	Switzerland	Germany	Other	Group
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
2018	**526,954**	**671,245**	**8,909**	**1,207,108**
2017	499,750	483,171	0	982,921

Property, plant and equipment and intangible assets by registered location of statutory company	Switzerland	Netherlands	Germany	Other	Group
	CHF 1,000	CHF 1,000	CHF 1,000		CHF 1,000
2018	**74,848**	**87,483**	**72,798**	**63,790**	**298,919**
2017 (restated [1])	65,092	28,054	84,112	0	177,258

1) See Note 6 Change in Consolidation Scope

The Switzerland segment comprises the two business units "Physicians business" (B2B) and "Retail business" (B2C) as well as BlueCare. Around three quarters of the segment revenue is generated in the physicians' business, which supplies the affiliated doctors. The retail business is structured around deliveries to end customers. BlueCare provides services for the digitalisation of software solutions in the healthcare industry.

In the Germany segment the mail-order business is divided into the business units "Prescription Drugs" (Rx) and "Over-the-Counter Drugs" (OTC). There is no direct supply to physicians.

The breakdown of revenue from contracts with customers according to IFRS 15 to the segments of Zur Rose Group is shown in the following tables:

Segment Switzerland	**2018**	**2017**
Type of goods or service	CHF 1,000	CHF 1,000
Physician business (B2B)	**388,197**	367,966
Retail business (B2C)	**132,673**	127,149
BlueCare	**6,084**	4,635
Total revenue from contracts with customers	**526,954**	499,750

Segment Germany	**2018**	**2017**
Type of goods or service	CHF 1,000	CHF 1,000
Medication prescription (Rx)	**302,636**	277,491
Medication without prescription (OTC)	**368,608**	205,680
Total revenue from contracts with customers	**671,245**	483,171

Corporate	**2018**	**2017**
Type of goods or service	CHF 1,000	CHF 1,000
Promofarma	**8,909**	0
Total revenue from contracts with customers	**8,909**	0

6 Change in Consolidation Scope

Provisional fair values	apo-rot CHF 1,000	Promofarma CHF 1,000
Cash and cash equivalents	–	876
Other current assets	1,171	336
Inventory	2,012	–
Property, plant and equipment	97	129
Intangible assets	8,273	10,153
Deferred tax assets	–	10
Total assets	**11,553**	**11,504**
Short-term liabilities	–	4,676
Accrued expenses	–	203
Non-current financial liabilities	–	856
Deferred tax liabilities	–	2,366
Total liabilities	**–**	**8,101**
Net assets acquired	**11,553**	**3,403**
Goodwill	**45,455**	**47,245**
Fair value of purchase consideration	57,008	50,647
Total consideration	**57,008**	**50,647**
less cash acquired	–	876
less settlement with treasury shares	–	4,881
Cash inflow / (outflow) from acquisition of subsidiaries	–57,008	–44,890

Up to twelve months from the effective date of these acquisitions, adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed as well as to the consideration transferred to reflect new information about facts and circumstances that existed as of the acquisition date.

The scope of consolidation has changed in 2018 as a result of the following transactions:

Promofarma
On 14 September 2018, the Zur Rose Group acquired 100 percent of the issued capital and control over Promofarma Ecom S.L. (Promofarma). Promofarma is based in Barcelona and operates an e-commerce marketplace for standard pharmaceutical products from the areas of health, cosmetics and personal care. The purchase price of CHF 50.6 million comprises a cash payment of CHF 45.7 million made in 2018 and transferred shares of Zur Rose Group AG with a fair value at the acquisition date of CHF 4.9 million (36,086 shares). The goodwill of CHF 47.2 million reflects the development of new markets (internationalisation), the additions to Zur Rose's e-commerce business in existing markets and the skills of the workforce in e-commerce marketplace development. The goodwill is provisional and has not yet been allocated to a segment. Transaction costs of CHF 1.2 million (incl. 33 shares of Zur Rose Group AG for consulting services in connection with the transaction) were recognised in other operating costs. The purchase price allocation is provisional.

apo-rot
On 31 October 2018, the Zur Rose Group acquired the mail-order business of “Apotheke am Rothenbaum” (apo-rot). The purchase consideration amounted to CHF 57.0 million in cash. The provisional

goodwill of CHF 45.5 million has been allocated to the segment Germany. The goodwill corresponds to the added value based on the acquirer-specific synergies expected to arise from the acquisition, the growth in market share and the employees gained. With the purchase of apo-rot, the Zur Rose Group can increase its market share in the mail-order pharmacy market. Transaction costs of CHF 1.4 million were recognised in other operating costs. The agreed consideration is subject to working capital adjustments at the acquisition date and may change during the measurement period. The purchase price allocation is provisional.

The following companies were acquired in 2017, and their purchase price allocations were finalised in 2018:

Eurapon
The Zur Rose Group acquired Eurapon Pharmahandel GmbH on 29 December 2017. Based on the purchase price settlements, the purchase price payment increased by CHF 4.9 million to CHF 59.4 million. The goodwill position and the other net assets increased by CHF 4.7 million and CHF 0.2 million respectively. The consequential cash outflow took place on 16 July 2018.

Vitalsana
The Zur Rose Group acquired Vitalsana B.V. and ApDG Handels- und Dienstleistungsgesellschaft mbH on 29 December 2017. Based on the purchase price settlements, the purchase price payment was reduced by CHF 0.5 million to CHF 21.0 million. The goodwill position was reduced by CHF 0.9 million and the other net assets increased by CHF 0.4 million. The consequential cash inflow took place on 3 July 2018.

Change in Consolidation Scope 2017

	Eurapon			**Vitalsana**		
	31.12.2017	Adaption	31.12.2017	31.12.2017	Adaption	31.12.2017
CHF 1,000			restated			restated
Identified net assets	8,860	166	9,025	3,011	373	3,384
Goodwill	45,654	4,746	50,400	18,530	–904	17,627
Fair value of purchase consideration	**54,513**	**4,912**	**59,425**	**21,541**	**–531**	**21,010**
Cash payment	21,024	–	21,024	21,541	–	21,541
Purchase price adjustment	–	4,912	4,912	–	–531	–531
Deferred consideration liabilities	14,054	–	14,054	–	–	–
Contingent consideration liabilities	19,435	–	19,435	–	–	–

7 Other operating income	2018	2017
	CHF 1,000	CHF 1,000
Rental income	**452**	441
Market development funds	**0**	7,527
Other income	**2,615**	1,772
	3,067	9,740

8 Cost of goods	2018	2017
		restated
	CHF 1,000	CHF 1,000
Goods purchased and held for resale (net)	**–1,013,293**	–833,320
Packaging materials	**–2,351**	–1,898
Inventory allowance	**–252**	–1,125
	–1,015,896	–836,343

Advertising allowances of CHF 7.5 million were recognised in 2017 in "Other operating income". Under the new guidance, the Zur Rose Group does not provide goods or services that are considered distinct within the meaning of IFRS 15. Advertising allowances from suppliers are recognised as a reduction of the purchase cost of goods and presented in cost of goods since 1 January 2018. This change in presentation does not affect the net loss or profit. The old and new (IFRS 15) accounting policies are shown in the following table:

Advertising allowances as per 31.12.2018	old	new (IFRS 15)	change
	CHF 1,000	CHF 1,000	CHF 1,000
Other operating income	13,058	**3,067**	–9,991
Cost of goods	–1,025,887	**–1,015,896**	9,991

9 Personnel expenses	2018	2017
	CHF 1,000	CHF 1,000
Wages and salaries	**–69,539**	–57,996
Pension expenses	**–2,508**	–2,478
Other social security benefits	**–11,359**	–9,609
Other personnel expenses	**–10,282**	–8,256
	–93,688	–78,339

Increase of personnel expenses in 2018 is mainly due to the increase in volume and the takeovers. Other personnel expenses mainly comprise temporary employment in the logistic centre in Heerlen (NL).

10 Other operating expenses	2018	2017
	CHF 1,000	CHF 1,000
Distribution expenses	**–33,140**	–26,552
Office and administrative expenses	**–24,908**	–27,436
Advertising and acquisition expenses	**–41,261**	–33,666
Office rentals	**–5,967**	–4,208
Other operating expenses	**–7,853**	–7,311
	–113,129	–99,173

The increase in operating expenses is mainly due to the increase in volume and the takeovers.

11 Financial result

	2018	2017
	CHF 1,000	CHF 1,000
Finance income		
Interest income	**237**	0
Interest income from joint ventures	**2**	12
Income from securities	**0**	144
Foreign exchange gains, net	**0**	4,275
	239	4,431
Finance expenses		
Interest expenses	**−1,698**	−2,296
Bank charges and fees	**−425**	−422
Losses from securities	**−83**	−39
Foreign exchange losses, net	**−3,886**	0
Fair value adjustment Earn-out	**−1,467**	0
	−7,559	−2,757
Financial result (net)	**−7,320**	1,674

In the reporting year the losses from securities includes losses on the sale of securities of CHF 56 thousand and a fair value adjustment of CHF 27 thousand.

12 Income tax income / (expense)

	2018	2017
	CHF 1,000	CHF 1,000
Current income tax of the current period	**−365**	−1,095
Deferred income tax	**−188**	1,336
	−553	241

Analysis of tax expenses	2018	2017
	CHF 1,000	CHF 1,000
Earnings before taxes (EBT)	**−38,547**	−36,506
Tax rate of the operating Swiss company	**16.4 %**	16.4 %
Expected income / expenses from income tax	**6,322**	5,987
Effect of unrecognised tax losses	**−6,548**	−9,035
Effect of tax losses not recognised in prior periods	**501**	3,992
Effect of non-deductible expenses and income	**−748**	−916
Effect of higher tax rates at foreign subsidiaries	**−86**	−49
Other effects	**6**	262
	−553	241

Additional information on deferred taxes can be found in Note 22.

13 Cash and cash equivalents

	31.12.2018	31.12.2017
	CHF 1,000	CHF 1,000
CHF	**100,603**	77,997
EUR	**130,060**	29,730
CZK	**30**	37
	230,693	107,764

Cash at banks bears variable interest rates based on daily traded bank deposit rates. Short-term deposits are made for various periods of between one day and three months, depending on cash requirements. Short-term deposits earn interest at the respective short-term deposit rates.

14 Trade receivables

	31.12.2018	31.12.2017 restated[1]
	CHF 1,000	CHF 1,000
From third parties	**93,829**	85,435
From joint ventures	**0**	62
Bad debt allowance	**–1,518**	–1,492
	92,311	84,005

1) See Note 6 Change in Consolidation Scope

Due to its diversified customer base, there are no significant concentrations of credit risk. Most payments are made by direct debit and are thus generally recoverable before their due date. The receivables are settled by the customers in the local currency of their home market.

The age structure of trade receivables consists of the following:

			31.12.2018	31.12.2017 restated[1]
CHF 1,000	Gross	Expected credit loss	Net	Gross
Total receivables	93,829	1,518	**92,311**	85,435
not due	76,236	85	**76,151**	70,310
less than 30 days overdue	13,022	188	**12,834**	13,217
31–60 days overdue	1,565	40	**1,525**	1,400
61–90 days overdue	464	64	**400**	132
91–180 days overdue	473	129	**344**	146
181–360 days overdue	867	139	**728**	54
> 360 days overdue	1,202	873	**329**	176

1) See Note 6 Change in Consolidation Scope

Impairment of trade receivables (bad debt allowance) developed as follows:

Bad debt allowance	**2018**	**2017**
	CHF 1,000	CHF 1,000
1 January	**–1,492**	–1,683
Additions	**–1,080**	–734
Utilisation	**989**	1,060
Reversals	**75**	117
Exchange differences	**–10**	–252
31 December	**–1,518**	–1,492

15 Prepaid expenses

	31.12.2018	**31.12.2017**
	CHF 1,000	CHF 1,000
Unbilled receivables	**3,925**	4,722
Prepaid expenses	**5,855**	5,503
	9,780	10,226

16 Other receivables

	31.12.2018	**31.12.2017**
		restated [1]
	CHF 1,000	CHF 1,000
Payments on account and creditors with debit balances	**2,940**	2,038
VAT	**10,571**	9,291
Security deposits	**397**	73
Other receivables of associated companies	**300**	0
Other	**203**	643
	14,411	12,045

1) See Note 6 Change in Consolidation Scope

17 Inventories

	31.12.2018	**31.12.2017**
		restated [1]
	CHF 1,000	CHF 1,000
Goods purchased and held for resale	**70,142**	59,614
Inventory allowance	**–742**	–335
	69,400	59,279

1) See Note 6 Change in Consolidation Scope

18 Investments in joint ventures and associates

The following companies were accounted for using the equity method in the consolidated financial statements of Zur Rose Group AG:

	Carrying amount		Share of capital	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
Joint Ventures and associates	CHF 1,000	CHF 1,000	%	%
ehealth-tec GmbH, Berlin (DE)	**0**	0	**50.0**	50.0
König Gesellschaft für Image- und Dokumentenverarbeitung mbH, Gottmadingen (DE)	**560**	460	**50.0**	50.0
König IT-Systeme GmbH, Gottmadingen (DE)	**494**	459	**50.0**	50.0
PolyRose AG, Frauenfeld (CH)	**131**	93	**50.0**	50.0
DatamedIQ GmbH, Köln (DE)	**7**	–	**25.0**	–
Total investments	**1,192**	1,012	**–**	–

ehealth-tec GmbH is an IT company that develops solutions to generate, transfer and store electronic services for the healthcare sector in a secure way.

The König companies offer a comprehensive service to mail-order pharmacies for all matters related to prescription accounting.

PolyRose Ltd. is a logistics company specialised in the transportation of pharmaceutical products.

25 percent of DatamedIQ GmbH was acquired in 2018. This company helps pharmaceutical companies manage their mail-order activities with innovative analyses and exclusive databases.

19 Property, plant and equipment

	Real estate	Interior finishes and equipment	Office and shop furnishings and IT systems	Vehicles	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost					
1 January 2017	**21,837**	**24,476**	**21,587**	**784**	**68,684**
Additions	154	3,691	1,671	128	5,644
Disposals	0	–32	0	–126	–158
Additions from acquisition of subsidiaries	0	992	28	0	1,020
Exchange differences	457	1,273	472	9	2,211
31 December 2017	**22,448**	**30,400**	**23,758**	**795**	**77,401**
Additions	3,175	[1] 4,897	[2] 1,445	276	9,793
Additions from acquisition of subsidiaries	0	108	118	0	226
Exchange differences	–280	–750	–289	–10	–1,329
31 December 2018	**25,343**	**34,655**	**25,032**	**1,061**	**86,091**

	Real estate	Interior finishes and equipment	Office and shop furnishings and IT systems	Vehicles	Total
Accumulated depreciation and impairment					
1 January 2017	**8,585**	**19,018**	**14,139**	**726**	**42,468**
Additions	603	2,109	1,099	36	3,847
Impairment losses	0	395	23	9	427
Disposals	0	0	0	–97	–97
Exchange differences	154	478	430	9	1,071
31 December 2017	**9,342**	**22,000**	**15,691**	**683**	**47,716**
Additions	584	2,856	1,386	92	4,918
Value appreciation		–147		0	–147
Exchange differences	–74	–408	–206	–2	–690
31 December 2018	**9,852**	**24,301**	**16,871**	**773**	**51,797**
Net carrying amount as at					
31 December 2017	13,106	8,400	8,067	112	29,685
31 December 2018	**15,491**	**10,354**	**8,161**	**288**	**34,294**

1) Of which CHF 377 thousand of additions yet to be paid
2) Of which CHF 94 thousand of additions yet to be paid

With the exception of the properties in Frauenfeld and Steckborn with a carrying amount of CHF 16,727 thousand (previous year: CHF 17,193 thousand), no property, plant and equipment was pledged as at 31 December 2018. The book value of interior finishes and equipment held under finance leases amounts CHF 2,748 thousand (previous year: CHF 3,691 thousand).

20 Intangible assets

	Goodwill	Software and development costs	Trademarks, customers	Total
	restated 1)			
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost				
1 January 2017	**27,078**	**72,335**	**26,759**	**126,172**
Additions	58	15,255	0	15,313
Additions from acquisition of subsidiaries (adjusted)	71,802	1,991	5,786	79,579
Exchange differences	3,308	4,692	771	8,771
31 December 2017	**102,246**	**94,273**	**33,316**	**229,835**
Additions	0	2) 24,430	0	24,430
Additions from acquisition of subsidiaries	92,700	7,039	11,387	111,126
Exchange differences	−4,119	−2,580	−410	−7,109
31 December 2018	**190,827**	**123,162**	**44,293**	**358,282**
Accumulated amortisation and impairment				
1 January 2017	**16,673**	**41,596**	**4,783**	**63,052**
Additions	0	7,964	298	8,262
Impairment losses	0	4,584	0	4,584
Exchange differences	2,436	3,288	640	6,364
31 December 2017	**19,109**	**57,432**	**5,721**	**82,262**
Additions	0	12,867	1,345	14,212
Value appreciation	0	−121	0	−121
Exchange differences	−705	−1,730	−261	−2,696
31 December 2018	**18,404**	**68,448**	**6,805**	**93,657**
Net carrying amount as at				
31 December 2017	83,137	36,841	27,595	147,573
31 December 2018	**172,423**	**54,714**	3) **37,488**	**264,625**

1) See Note 6 Change in Consolidation Scope
2) Of which CHF 5,006 thousand of additions yet to be paid
3) Of which CHF 20,323 thousand for the DocMorris trademark with an indefinite useful life (previous year CHF 20,323 thousand) and CHF 543 thousand for the BlueCare trademark with an indefinite useful life (previous year: CHF 543)

Impairment testing of intangible assets with indefinite useful lives
The Zur Rose Group performed its annual impairment test in December 2018 and 2017. For impairment testing the intangible assets and goodwill acquired through business combinations and trademarks with indefinite useful lives are allocated to the following cash-generating units (CGUs) Switzerland and Germany, which are the operating and reportable segments from the Zur Rose Group. The goodwill from the acquisition of Promofarma has not yet been assigned to a CGU. An impairment test of the DocMorris brand on level CGU DocMorris, which is included in the CGU Germany, was performed.

Cash-generating units and intangibles	**Switzerland**		**Germany** 2)	
	2018	**2017**	**2018**	**2017** restated 1)
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Goodwill	**8,111**	8,111	**117,103**	75,026
Trademarks	**543**	543	**20,323**	20,323
	8,654	**8,654**	**137,426**	**95,349**

1) See Note 6 Change in Consolidation Scope
2) The CGU "Germany" comprises the CGU "DocMorris", at whose level the impairment test for the DocMorris brand is performed.

The recoverable amounts have been determined based on a value in use calculation using cash flow projections from financial business plan.

The tables below illustrate the discount rates before taxes, the growth rate used for cash flows after the five-year period and the EBITDA margin for residual value.

Discount rates	**2018**	**2017**
	%	%
Switzerland	**8.4**	7.6
Germany	**10.8**	9.4
Trademark DocMorris	**10.9**	9.5

The rates of growth for the residual values amount to 1.0 percent each as in the previous year for Switzerland, Germany and the DocMorris brand:

EBITDA margins for residual value	**2018**	**2017**
	%	%
Switzerland	**4.0**	4.1
Germany	**7.2**	6.7
Trademark DocMorris	**7.4**	7.1

Assumptions to determine the value in use

The following assumptions underlying the determination of the value in use are subject to estimation uncertainty:
— Revenue development
— EBITDA margins
— Discount rates
— Growth rate used to extrapolate cash flow forecasts outside the budget period.

Revenue development – The revenue development of the CGUs is based on marketing plans from the individual market segments for the budgeted year. On this basis, projections were used by management while taking into account market forecasts and the competitive situation. The underlying revenue development is based on multi-year planning approved by the Board of Directors.

EBITDA margins – EBITDA margins are determined using average figures achieved in three previous financial years before the beginning of the budget period. During the budget period, EBITDA margins are adjusted for expected price and margin changes that are mainly due to political decisions or market developments.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rates are specific to the operating segments and are derived from the Group's weighted average cost of capital (WACC).

Growth rate estimates – Growth rates are based on published industry-related market research and management's estimates.

Sensitivity of the assumptions – Management has performed a sensitivity analysis and considers that no reasonably possible changes in one of the underlying assumptions for the CGU Switzerland and the CGU Germany (including the CGU DocMorris) would result in the carrying amount significantly exceeding the recoverable amount.

21 Non-current financial assets	**31.12.2018**	**31.12.2017**
	CHF 1,000	CHF 1,000
Equity securities	**141**	439
Loans granted	**940**	542
	1,081	981

The loans include a loan made to Polyrose AG of CHF 100 thousand (previous year: CHF 100 thousand), a loan made to ehealth-tec GmbH of CHF 341 thousand (previous year: CHF 354 thousand), a loan to DatamedIQ GmbH of CHF 450 thousand and a loan to employees of CHF 49 thousand (previous year: CHF 88 thousand).

The change in investments is due to sales of CHF 271 thousand (realised loss of CHF 56 thousand) and a fair value adjustment of CHF 27 thousand.

22 Deferred tax

	Balance sheet		Income statement	
Net carrying amounts	**31.12.2018**	**31.12.2017**	**2018**	**2017**
		restated [1]		
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Deferred tax due to temporary differences				
Deferred tax assets				
Non-current assets	**1,801**	1,798	**–10**	–7
Pension obligations	**2,220**	2,117	**47**	97
Tax loss carryforwards	**4,559**	5,109	**–550**	1,248
	8,580	9,024	**–513**	1,338
Deferred tax liabilities				
Intangible assets	**–5,470**	–3,467	**325**	–1
Net deferred tax asset	**3,110**	5,557		
Exchange differences			**0**	–1
Deferred tax expense (income)			**–188**	1,336

1) See Note 6 Change in Consolidation Scope

Deferred tax reported on the balance sheet	**31.12.2018**	**31.12.2017**
		restated [1]
	CHF 1,000	CHF 1,000
Deferred tax assets	**8,580**	9,024
Deferred tax liabilities	**–5,470**	–3,467
	3,110	5,557

1) See Note 6 Change in Consolidation Scope

Movement of deferred tax	**2018**	**2017**
		restated [1]
	CHF 1,000	CHF 1,000
1 January	**5,557**	5,288
Recognition / reversal of deferred tax in income statement	**–188**	1,336
Recognition / reversal of deferred tax in other comprehensive income	**57**	57
Additions from acquisition of subsidiaries	**–2,354**	–1,178
Exchange differences	**38**	54
31 December	**3,110**	5,557

1) See Note 6 Change in Consolidation Scope

Unrecognised deferred tax assets

Deferred tax assets, including on loss carryforwards that can be used for tax purposes and expected tax credits, are recognised only if it is probable that future taxable profits will be available, against which the tax losses or credits can be used for tax purposes. Zur Rose Suisse AG has sustained profits in recent years, which is why it is considered probable that capitalised loss carryforwards, which are based on non-recurring impairments, can be used with future results.

Tax loss carryforwards	**31.12.2018**	**31.12.2017**
	CHF 1,000	CHF 1,000
Total tax loss carryforwards	**237,632**	191,576
Of which loss carryforwards recognised in deferred income tax	**27,633**	31,150
Unrecognised tax loss carryforwards (total)	**209,999**	160,426

Deferred tax assets from loss carryforwards changed as follows:

Movement in tax assets from loss carryforwards	**2018**	**2017**
	CHF 1,000	CHF 1,000
1 January	**5,109**	3,861
Recognition of deferred tax assets from loss carryforwards	**0**	1,248
Use of deferred tax assets from loss carryforwards	**–550**	0
31 December	**4,559**	5,109

	31.12.2018	**31.12.2017**
	CHF 1,000	CHF 1,000
Unrecognised loss carryforwards expire as follows:		
Within a year	**6,723**	6,848
In two to five years	**34,177**	28,977
In more than five years	**99,018**	57,990
Unlimited	**70,081**	66,611
	209,999	160,426
Tax effect on unrecognised tax loss carryforwards	**55,289**	42,644

Explanations on income tax and the analysis of tax expenses can be found in Note 12.

23 Financial liabilities

23 Financial liabilities	**31.12.2018**	**31.12.2017**
		restated [1]
	CHF 1,000	CHF 1,000
Current financial liabilities and bonds	**3,521**	10,391
Non-current financial liabilities and bonds	**144,740**	32,024
	148,261	42,415
Current financial liabilities		
Current portion of finance lease	**835**	837
Deferred consideration liabilities	**0**	5,394
Contingent consideration liabilities	**2,686**	4,160
	3,521	10,391

1) See Note 6 Change in Consolidation Scope

Non-current financial liabilities and bonds	**31.12.2018**	**31.12.2017**
	CHF 1,000	CHF 1,000
Bond 2.5% 2018–2023, nominal CHF 115 million	**114,127**	0
Mortgages and loans from banks	**350**	450
Finance lease	**1,913**	2,854
Deferred consideration liabilities	**12,480**	13,447
Contingent consideration liabilities	**15,870**	15,273
	144,740	32,024

The liability for logistic and administration building in Heerlen (NL) held under financial lease at 31 December 2018 was CHF 2,748 thousand (2017: CHF 3,691 thousand). The non-current portion is CHF 1,913 thousand and the current portion CHF 835 thousand. Leased assets are pledged as security for the related finance lease.

Changes in liabilities arising from financing activities	Mortgages and loans from banks	Bond	Financial lease	Deferred and contingent consideration liabilities [1]	Total [1]
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
1 January 2017	**5,100**	**49,861**	**4,123**	**0**	**59,084**
Repayment of financial liabilities	–5,200	–50,000	–907	0	–56,107
Change in financial liabilities (non-financing cash flow or non-cash movements)	0	139	111	38,274	38,524
Additions from acquisition of subsidiaries	550	0	0	0	550
Currency translation effects	0	0	364	0	364
31 December 2017	**450**	**0**	**3,691**	**38,274**	**42,415**
1 January 2018	**450**	**0**	**3,691**	**38,274**	**42,415**
Proceeds from financial liabilities	0	114,065	0	0	114,065
Repayment of financial liabilities	–956	0	–836	0	–1,792
Change in financial liabilities (non-financing cash flow or non-cash movements)	0	62	0	1,026	1,088
Additions from acquisition of subsidiaries	856	0	0	0	856
Payment of purchase price [2]				–7,066	–7,066
Currency translation effects	0	0	–107	–1,198	–1,305
31 December 2018	**350**	**114,127**	**2,748**	**31,036**	**148,261**

1) See Note 6 Change in Consolidation Scope
2) Repayment of purchase price also includes a purchase price adjustment of TCHF 4,912 according to Note 6.

Average interest	**2018**	**2017**
	%	%
Bank mortgages	**2.0**	1.1
Bonds	**2.5**	4.3
	2.5	4.0

24 Other payables	31.12.2018	31.12.2017
	CHF 1,000	CHF 1,000
Social security	**3,012**	4,548
Debtors with credit balances	**1,603**	2,666
VAT	**2,811**	85
Other	**2,708**	1,922
	10,134	9,221

The increase in the category Other is mainly due to the capital increase and the resulting Swiss federal issuance stamp tax.

25 Accrued expenses	31.12.2018	31.12.2017
	CHF 1,000	CHF 1,000
Goods purchased	**3,976**	494
Personnel expenses	**5,672**	6,939
Marketing expenses	**1,230**	3,803
Other operating expenses	**8,262**	7,811
	19,140	19,046

Due to the goods receipts not yet invoiced as at 31 December 2018, accrued expenses increased in the area of goods purchased.

26 Provisions	Other	Restructuring	Total
	CHF 1,000	CHF 1,000	CHF 1,000
1 January 2018	**111**	**3,778**	**3,889**
Recognition	0	217	217
Utilization		–859	–859
Reversal	–104	–829	–933
Foreign currency differences		–103	–103
31 December 2018	**7**	**2,204**	**2,211**

The restructuring costs incurred by Zur Rose Pharma GmbH in Halle (DE) were reassessed in 2018, resulting in a reversal of provisions of CHF 829 thousand.

27 Pension

There are pension plans in Switzerland and Germany which qualify as defined benefit plans in accordance with IAS 19. The German pension plan is unfunded. All other pension plans are defined contribution plans.

All Swiss Group companies are either part of a comprehensive insurance scheme or semi-autonomous solution provided by a pension fund. This pension fund is a legally independent institution subject to the Swiss Federal Law on Occupational Old Age, Survivors' and Invalidity Pension Plans (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge – BVG). The board of trustees of the fund is responsible for its management, the preparation of plan rules, the determination of the investment strategy and the financing of benefits. This board is made up of employee and employer representatives.

The pension fund's significant risks include investment risk, interest rate risk, disability risk, death risk and longevity risk. These risks are borne by the pension fund in the case of the comprehensive insurance plan solution and are re-insured for the term of the comprehensive insurance plan. The semi-autonomous pension fund fully bears the risk of longevity and the interest and investment risk itself, with the risks of disability and death covered by Swiss insurance companies. An adverse development of the risks borne by the semi-autonomous pension fund may, according to the BVG, lead to deficient cover by the relevant fund. In such cases, the law permits restructuring measures (e.g. additional contributions or lower interest payments) to be implemented by the affiliated companies and their policyholders until the coverage ratio returns to 100 percent.

Beneficiaries are insured against the financial consequences of old age, death and disability. Benefits for beneficiaries are determined in the provisions of the pension plan and go beyond the minimum benefits of the BVG. Retirement benefits are based on the retirement savings of each insured individual, which increase as a result of annual employer and employee contributions and interest credited. Annual contributions are determined in the pension plan rules. Their amount is based on the insured salary, age and seniority of the plan participant.

Upon retirement, plan participants can choose between a lump-sum payment and a lifelong pension. In the event of a withdrawal from the pension fund, the assets of the insured individual are transferred to a new pension solution.

The net pension obligations of all defined benefit plans are derived as follows:

Net pension obligations of all defined benefit plans	**2018**	**2017**
	CHF 1,000	CHF 1,000
Present value of obligations (DBO)	**57,802**	46,909
Plan assets at fair value	**44,065**	33,922
Net pension liabilities	**13,737**	12,987
of which Switzerland	**13,308**	12,530
of which Germany (unfunded plan)	**429**	457

Net pension obligations developed as follows:	**2018**	**2017**
	CHF 1,000	CHF 1,000
Net pension obligations as at 1 January	**12,987**	8,875
Pension expense recognised in profit or loss	**2,646**	2,454
Pension expense recognised in other comprehensive income	**505**	500
Employer contributions	**–2,385**	–1,885
Additions from acquisitions of subsidiaries	**0**	3,004
Foreign exchange differences	**–16**	38
Net pension obligations as at 31 December	**13,737**	12,987

Present value of obligations (DBO)	**2018**	**2017**
	CHF 1,000	CHF 1,000
Present value of obligations as at 1 January	**46,909**	30,555
Additions from acquisitions of subsidiaries	**0**	10,168
Interest cost	**370**	244
Current service cost	**2,801**	2,363
Employee contributions	**1,447**	1,176
Benefits paid / transferred	**5,837**	1,774
Past service cost	**–277**	1
Administrative costs	**23**	18
Actuarial losses	**707**	572
Foreign exchange differences	**–16**	38
Present value of obligations as at 31 December	**57,801**	46,909
of which Switzerland	**57,372**	46,452
of which Germany	**429**	457
of which active	**54,281**	43,708
of which pensioners	**3,520**	3,201
Average duration	**17.3 years**	18.2 years

Development of fair value of plan assets	**2018**	**2017**
	CHF 1,000	CHF 1,000
Fair value of plan assets as at 1 January	**33,923**	21,679
Additions from acquisitions of subsidiaries	**0**	7,164
Interest income from plan assets	**271**	172
Employer contributions	**2,385**	1,884
Employee contributions	**1,447**	1,176
Benefits paid / transferred	**5,837**	1,774
Actuarial gain (loss)	**201**	74
Fair value of plan assets as at 31 December	**44,064**	33,923

In the period under review, Zur Rose recognised the following costs for defined benefit plans in profit or loss:	**2018**	**2017**
	CHF 1,000	CHF 1,000
Current service cost (employer)	**2,801**	2,363
Past service cost	**–277**	1
Administrative costs	**23**	18
Net interest expense	**99**	72
Total pension expense	**2,646**	2,454
of which personnel expense	**2,547**	2,382
of which finance expense	**99**	72

The remeasurement of pensions recognised in other comprehensive income is made up of the following:	**2018**	**2017**
	CHF 1,000	CHF 1,000
Changes in financial assumptions	**1,649**	803
Changes in demographic assumptions [1]	**622**	0
Experience adjustments	**–2,978**	–1,376
Subtotal remeasurement pension obligations	**–707**	–573
Actuarial gain (loss) on the asset	**201**	73
Total remeasurement pensions	**–506**	–500

1) The change in demographic assumptions is based in particular on an adjustment of the probability of disability.

The remeasurement of pensions recognised in other comprehensive income is made up of the following:

Assumptions	**2018**	**2017**
	%	%
Discount rate in Switzerland	**0.9**	0.7
Salary increases	**1.5**	1.5

Changes to these key actuarial assumptions would have the following estimated impact on the present value of the defined pension obligation:

An increase / decrease in the discount rate by 0.25 percent would lead to a decrease / increase in DBO of 4.5 percent. An increase / decrease in the salary rate by 0.25 percent would lead to an increase / decrease in DBO of 0.7 percent.

The individual sensitivities were calculated separately and reflect the changes deemed reasonably possible as at the end of the relevant reporting period. Interdependencies are not taken into account, and the actual outcome may differ from these estimates.

The fair value of the plan assets of all plans is entirely made up of the asset allocation of the pension fund.

The pension funds do not hold any Zur Rose shares, and no Group companies make use of the assets of the pension funds.

The Zur Rose Group anticipates employer contributions to defined benefit plans of CHF 2,505 thousand (Switzerland) for the year 2019.

The weighted average duration of defined benefit obligation in 2018 amounts to 17.3 years (previous year: 18.2 years).

28 Equity

		31.12.2018	31.12.2017
Issued and paid share capital	Value in CHF 1,000	**48,127**	35,762
	Number of shares	**8,369,985**	6,219,447
Authorised capital	Value in CHF 1,000	**2,901**	2,901
	Number of shares	**504,511**	504,511
Contingent capital	Value in CHF 1,000	**134**	134
	Number of shares	**23,357**	23,357

In 2018, the Zur Rose Group increased its share capital by issuing a total of 2,150,538 new shares to 8,369,985 shares at year-end. The share capital amounted to CHF 48.1 million on 31 December 2018. The gross proceeds of the new shares issued on 4 December 2018 amounted to CHF 200 million.

Treasury shares / amount	2018	2017
	CHF 1,000	CHF 1,000
1 January	**1,216**	903
Purchases	**6,367**	383
Acquisition of Promofarma Ecom. S.L.	**–2,060**	0
Allocations (to employees, non-cash transaction)	**–70**	–70
31 December	**5,453**	1,216

Allocations relate to shares delivered to participants under the Group's share-based payment arrangements.

Treasury shares / number	2018	2017
	Number	Number
1 January	**36,124**	33,192
Purchases	**62,531**	5,009
Acquisition of Promofarma Ecom. S.L.	**–36,119**	0
Allocations	**–2,067**	–2,077
31 December	**60,469**	36,124

Net income / (loss) per share		31.12.2018	31.12.2017
Net income / (loss) per share attributable to Zur Rose Group AG shareholders	CHF 1,000	**–38,971**	–36,238
Net income / (loss) per share	CHF 1	**–6.14**	–6.94
Diluted net income / (loss) per share	CHF 1	**–6.14**	–6.94
Average number of outstanding shares -basic	Number	**6,348,641**	5,217,882
Average number of theoretically outstanding shares – diluted	Number	**6,348,641**	5,217,882
Proposed dividend per share	CHF 1	**0.00**	0.00

29 Commitments and contingent liabilities

The total of future minimum lease payments under non-cancellable operating leases are as follows:

Due date for rental payments	31.12.2018	31.12.2017
	CHF 1,000	CHF 1,000
Within a year	**4,668**	2,563
In two to five years	**11,387**	8,283
In more than five years	**10,204**	12,145
	26,259	22,991

Contingent liabilities
In context with legal disputes, contingent liabilities total around CHF 13 million. Based on current estimates, no provisions had to be recorded.

30 Finalcial instruments

Carrying amount of financial instruments	31.12.2018	31.12.2017
		restated 1)
	CHF 1,000	CHF 1,000
Financial assets		
Cash and cash equivalents	**230,693**	107,764
Trade receivables	**92,311**	84,005
Prepaid expenses (financial instruments) 2)	**3,925**	4,722
Other receivables (financial instruments) 3)	**600**	716
Current financial assets	**153**	174
Non-current financial assets	**1,081**	981
	328,763	198,362

1) See Note 6 Change in Consolidation Scope
2) Total amount of prepaid expenses as per balance sheet: CHF 9,780 thousand (previous year: CHF 10,226 thousand)
3) Total amount of other receivables as per balance sheet: CHF 14,411 thousand (previous year: CHF 12,045 thousand)

The financial assets include in Non-current financial assets investments of CHF 141 thousand (2017: CHF 439 thousand), which are measured at fair value through profit or loss similar to the Current financial assets. All other financial assets are measured at amortised cost.

Carrying amount of financial instruments	31.12.2018	31.12.2017
		restated 1)
	CHF 1,000	CHF 1,000
Financial liabilities		
Current financial liabilities and bonds	**3,521**	10,391
Trade payables	**83,127**	75,268
Other payables (financial instruments) 2)	**2,377**	4,588
Accrued expenses 3)	**13,468**	12,107
Non-current financial liabilities	**30,613**	32,024
Bond 2.5% 2018–2023, nominal CHF 115 million	**114,127**	0
	247,233	134,378

1) See Note 6 Change in Consolidation Scope
2) Total amount of other payables as per balance sheet: CHF 10,134 thousand (previous year: CHF 9,221 thousand)
3) Total amount of accrued expenses: CHF 19,140 (previous year: CHF 19,046 thousand)

The financial liabilities include contingent consideration liabilities of CHF 2,686 thousand (2017: 4,160) or CHF 15,870 thousand (2017: 15,273) in Current financial liabilities and Non-current financial liabilities, which are measured at fair value through profit or loss. All other financial liabilities are measured at amortised cost.

For cash and cash equivalents as well as the Other financial assets and liabilities expiring within 12 months, it is assumed that the carrying amount is a reasonable approximation of fair value due to their short-term nature.

Fair value measurement
The fair values of financial instruments that are actively traded on markets are based on market prices (offer prices) at the end of the reporting period. Such instruments are reported as Level 1. The fair values of financial instruments that are not actively traded on markets are determined using measurement models. If all parameters required for measurement are based on observable market data, the instrument is reported as Level 2. If one or more parameters are based on non-observable market data, the instrument is classified as Level 3. No transfers within these levels took place both in the year under review and in the previous year.

Financial assets and liabilities		**31.12.2018** Fair value	**31.12.2018** Carrying amount	**31.12.2017** Fair value	**31.12.2017** Carrying amount
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Current financial assets	Level 1	**153**	**153**	174	174
Equity securities	Level 3	**141**	**141**	439	439
Loans granted	Level 2	**940**	**940**	542	542
Bonds	Level 1	**118,220**	**114,127**	0	0
Financial lease	Level 2	**2,748**	**2,748**	3,691	3,691
Loans from banks	Level 2	**350**	**350**	450	450
Deferred consideration liabilities	Level 2	**12,480**	**12,480**	14,054	14,054
Contingent consideration liabilities	Level 3	**18,556**	**18,556**	19,433	19,433
		153,588	**149,495**	38,783	38,783

Details on measurement of the fair values at level 3 are presented below:

Contingent consideration liability	**31.12.2018**	**31.12.2017**
	CHF 1,000	CHF 1,000
As per 1 January	**19,435**	0
Settled	**–1,681**	0
Additions from business combinations [1]	**0**	19,435
Change in fair value (through profit or loss)	**1,467**	0
Exchange differences	**–665**	0
Total contingent consideration liability	**18,556**	19,435

[1] Acquisition Eurapon as per 29 December 2017

In 2018, these liabilities increased by CHF 1.5 million due to a reassessment of the achievement of revenue targets. The change in fair value was recognised in the income statement under financial expenses.

The contingent consideration liabilities comprise the earn-out component from the acquisition of Eurapon, which was agreed by contract. The contract does not specify a maximum amount. To determine the fair value of this financial liability, various non-observable input parameters are used. The “35 percent of additional sales" compared to the previous year is the most significant input factor. Other factors are the development of the number of new and existing customers, the future cost and margin development as well as the discount rate. Changes to these input parameters may result in significant adjustments to the recognised liability and the payments to the seller of Eurapon in 2019 and 2020.

The input factors impact each other and the fair value measurement is based on the weighting of various scenarios. An isolated change in the factor "35 percent of additional sales" of −10 percent or 20 percent respectively results ceteris paribus in a reduction or increase in the liability of CHF 1.5 million and CHF 2.9 million respectively, which would duly change the net income / (loss).

31 Financial risk management

Foreign currency effects
The Zur Rose Group operates in Switzerland, Germany, the Netherlands, Austria and the Czech Republic. In Switzerland the Zur Rose Group is not exposed to any significant exchange risks as only minor foreign currency transactions take place. As most foreign income and expenses in EUR functional currency entities are incurred in EUR, these foreign companies are also not exposed to any significant foreign currency risks. For these reasons, the Zur Rose Group does not hedge against foreign currency risks.

The impact of changes in exchange rates is limited to the measurement at the end of the reporting period of loans and receivables / liabilities balances between the parent in Switzerland and subsidiaries in Germany, the Netherlands and the Czech Republic.

The following table shows the sensitivity of future earnings before taxes (EBT) assuming a change in exchange rate on the basis of historical experience. For the purpose of this sensitivity analysis all other parameters remain unchanged.

	Increase / decrease foreign currency	Impact on earnings before taxes (EBT)
	%	CHF 1,000
2018		
EUR	**+ / −10**	**+ / −24,986**
2017		
EUR	+ / −10	+ / −10,169

The methods and assumptions underlying the calculation of the sensitivities listed above to not differ from those in the previous year.

Credit risk
Credit risks result from the possibility that the counterparty to a transaction is unable or unwilling to meet its obligations, leading to a financial loss for the Zur Rose Group.

Credit risk from balances with banks and financial institutions are reviewed on an annual basis. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Group's cash and cash equivalents are held with several banks, with no more than one third held at one bank at 31 December 2018.

Credit risks are considered minor because the amounts receivable from the physician business are attributable to a large number of physicians, who, for the most part, are also shareholders. These receivables are mainly collected by direct debit and thus collected before the due date.

Receivables from the mail order business in Switzerland include, in particular, receivables from Swiss health insurance companies for which no substantial bad debt is expected.

Receivables from activities in Germany, the Netherlands and the Czech Republic include receivables from health insurance companies, pharmacies and private individuals.

Before engaging in business relationships, counterparties with whom significant volumes are to be transacted are subject to credit verification procedures. Loans are only granted to related parties and known third parties.

Interest rate risk
Interest rate risks result from changes in interest rates that could have a negative impact on the net assets and financial position of the Zur Rose Group. Interest rate changes lead to changes in interest income and expenses of interest-bearing assets and liabilities at variable rate.

Financial instruments bear prevailing market interest rates. Contractually agreed terms are short-term in nature and can thus be adapted as necessary. The bond that was issued on 19 July 2018 carried a fixed interest rate of 2.5 percent and a term of five years.

The following table shows the sensitivity of consolidated profit before taxes. For the purpose of this sensitivity analysis all other parameters remain unchanged.

	Increase / decrease market interest rate	Impact on earnings before taxes (EBT)
	%	CHF 1,000
2018		
Increase / decrease in market interest rate	**+/–1**	**+/–805**
2017		
Increase / decrease in market interest rate	+/–1	+/–1,078

As with the calculation of the sensitivities of the foreign exchange risk, the interest rate risk was also calculated using the same methods and assumptions as in the previous year.

The interest rates of financial instruments, classified as variable rate financial instruments, are adjusted within a one-year period. The interest rate of the bond is fixed until the end of the term. Other financial instruments of the Zur Rose Group which are not included in this presentation do not bear any interest and are thus not exposed to an interest rate risk.

Liquidity risk
Liquidity is monitored and managed at Group level on an ongoing basis.

The contractually agreed due dates and cash flows (incl. interest) of financial liabilities are as follows:

Cash flows 2018	1 year	2 years	3 years	4–5 years	> 5 years
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Finance Lease	**919**	**919**	**919**	**152**	**0**
Trade payables	**83,127**	**0**	**0**	**0**	**0**
Other current payables	**2,377**	**0**	**0**	**0**	**0**
Accrued expenses	**13,468**	**0**	**0**	**0**	**0**
Bank loans	**102**	**102**	**152**	**0**	**0**
Bonds	**2,875**	**2,875**	**2,875**	**116,438**	**0**
Deferred consideration liabilities	**0**	**12,480**	**0**	**0**	**0**
Contingent considerations liabilities	**2,686**	**15,870**	**0**	**0**	**0**
	105,554	**32,246**	**3,946**	**116,590**	**0**

Cash flows 2017	1 year	2 years	3 years	4–5 years	> 5 years
restated	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Finance Lease	954	954	954	1,113	0
Trade payables	75,268	0	0	0	0
Other current payables [1)]	9,375	0	0	0	0
Accrued expenses	12,107	0	0	0	0
Bank loans	9	8	6	6	450
Deferred consideration liabilities	607	0	13,447	0	0
Contingent considerations liabilities	4,160	6,073	9,200	0	0
	102,480	7,035	23,607	1,119	450

1) See Note 6 Change in Consolidation Scope

Capital management
Capital risk management is aimed at ensuring a sustainable and strategic focus for the Group, adjusted for the financial, tax and financing structure. To ensure a balanced financing structure, the Group may sell assets, determine the amount of the dividend in line with requirements, obtain external funding, or increase equity. One of the most important key figures is the equity ratio (equity / balance sheet total) 61.1 percent (previous year: 63.7 percent).

32 Share-based payments

Total expense recognised in 2018 for share-based payments amounted to CHF 1,986 thousand (previous year: CHF 3,238 thousand) and is composed of expenditure for the following plans:

Stock ownership plans
The members of the Board of Directors, Group Management and other selected employees of the Zur Rose Group had the right to participate in a stock ownership plan in previous years. The last allocation under this plan took place in 2017. The shares are subject to a five-year vesting period. If plan participants leave the Zur Rose Group within four years, Zur Rose Group AG has a right, but no obligation, to buy back a decreasing portion of the allocated shares. The right to buy back the allocated shares decreases on an annual basis, resulting in the cancellation of this right to buy back shares after the four-year period. No cash was paid for the allocated shares in the year under review. Total number of shares sold: zero (previous year: 10,942).

The expense recognised in 2018 amounts to CHF 547 thousand (previous year: CHF 550 thousand).

An employee of the Group's subsidiary BlueCare AG acquired shares in that company at a purchase price below fair value in 2015. At the time BlueCare AG was a joint venture of the Zur Rose Group. The shares are subject to a seven-year vesting period and on termination of employment the shares will revert to the Zur Rose Group for cash consideration. The difference between the purchase price and the estimated redemption value is recognised in personnel expense and a liability is recognised for this cash settled share-based payment arrangement. No cash was paid in the year under review.

The expense adjustment recognised in 2018 amounts to CHF 103 thousand (previous year: expense of CHF 39 thousand). The liability amounts to CHF 8 thousand at 31 December 2018.

Long-term performance-based remunerations
Since 2017, the members of the Group Management of the Zur Rose Group participate in the performance share plan. Each participant has been communicated annually a monetary amount to be converted into a number of Zur Rose Group AG shares based on the share price after the respective annual general meeting. Vesting is subject to meeting service conditions and performance targets. The final number of shares to be delivered depends on EBIT and revenue targets and can range between 0 and 200 percent. The fair value of the awards is based on the monetary amount communicated to plan participants. Although these awards will not legally be granted until approval of the remuneration is obtained at the next annual general meeting of shareholders, the expense has been recognised over a service period starting from 1 January of the reporting year as plan participants have begun rendering services from that date. 4,953 shares (previous year: zero) were allocated in the reporting year.

The Zur Rose Group has recognised an expense of CHF 552 thousand in connection with this plan in 2018 (previous year: CHF 378 thousand).

Some employees of the subsidiary Promofarma Ecom. S.L. acquired in 2018 participated in a plan for performance-related share-based payments. Each participant has been communicated annually an monetary amount to be converted into a specific number of Zur Rose Group AG shares, whereby Zur Rose has the right of choice and intends to implement the plan by issuing shares. Vesting is subject to meeting service conditions and performance targets. The final number of shares to be delivered depends on EBITA, revenue targets, qualitative targets and the share price development and can range between 0 and 133 percent. With the share price development of Zur Rose Group AG, half of the compensation is subject to market conditions and these are included in fair value. 76,000 rights to shares of Zur Rose Group AG with a fair value of CHF 57.68 per right were granted. The corresponding expense is distributed on a straight-line basis over the vesting period until 31 December 2022 The other half of the compensation is subject to performance targets that are not market conditions and is not included in fair value, but the degree of target achievement is estimated at each balance sheet date. The fair value of the awards is based on the monetary amount communicated to plan participants of CHF 4,384 thousand. This portion of the compensation is vested in four annual tranches, and the expense is recognised on a straight-line basis over the respective period.

Zur Rose Group has recognised an expense of CHF 749 thousand in connection with this plan in 2018 (previous year: zero).

Option plan
Zur Rose Group AG granted options to members of the Board of Directors and Group Management and selected employees on 1 September 2016. All options were exercised and the plan terminated in 2017. The expense recognised in 2017 amounts to CHF 2,026 thousand.

Board compensation
In 2018, board members received 30 percent of their compensation in restricted shares. The restriction period is three years. In 2018, an expense of CHF 241 thousand was recognised under this plan (previous year: CHF 244 thousand).

33 Related party transactions

The outstanding shares in Zur Rose Group AG are owned by 5,995 shareholders (previous year: 5,213 shareholders). None of them has a controlling interest in the Company.

Receivables and liabilities from joint ventures are shown separately in the Notes.

Transactions and balances with associated companies and joint ventures	Sales	Purchase	Accounts receivable	Liabilities	Loans
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
2018	**0**	**4,975**	**332**	**100**	**891**
2017	80	4,631	62	0	454

Compensation paid to the Board of Directors and Group Management

Part of compensation was paid in the form of Zur Rose Group AG shares in the year under review. These share-based payments are aimed at aligning the interests of management and Board of Directors to the interests of shareholders.

Board of Directors	**2018**	**2017**
	CHF 1,000	CHF 1,000
Short-term benefits to the Board of Directors	**674**	1) 1,163
Share-based payments	**323**	870
	997	2,033

1) In 2017 the options out of the option plan were exercised and led to an recognition of social security expenses in the amount of CHF 405 thousand.

Group management	**2018**	**2017**
	CHF 1,000	CHF 1,000
Short-term benefits to the Group Management	**2,583**	1) 3,720
Retirement benefits	**290**	337
Share-based payments	**829**	1,846
	3,702	5,903

1) In 2017 the options out of the option plan were exercised and led to an recognition of social security expenses in the amount of CHF 1,063 thousand.

34 Events after the end of the reporting period

On 4 January 2019 the Zur Rose Group completed the takeover of mail-order activities from medpex. Under the terms of this transaction the Group acquired Comventure GmbH in Forst (Germany), Visionrunner GmbH in Mannheim (Germany), medpex wholesale GmbH in Ludwigshafen (Germany) and Apotheke esando B.V. in Venlo (Netherlands). With this expansion, the Zur Rose Group is further expanding its market position in Europe. The Medpex Group, which focuses on over-the-counter medicines, achieved sales of around 140 million euros in 2017 with more than 1,454 million active customers.

The temporary transaction price includes a fixed purchase price of CHF 132.3 million (EUR 117.6 million) comprising a cash payment of CHF 100.1 million (EUR 89 million) as well as shares of Zur Rose Group AG at the market price at the takeover date of CHF 32.2 million (EUR 28.6 million), a contingent earn-out component of between CHF 0 and 111 million (EUR 0 to 99 million) and a purchase price for the warehouse. The purchase price allocation has yet to be completed.

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To the General Meeting of
Zur Rose Group AG, Steckborn

Zurich, 19 March 2019

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Zur Rose Group AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 46 to 91) give a true and fair view of the consolidated financial position of the Group as at 31. December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical 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 opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial

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statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of intangible assets with indefinite useful lives

Area of focus	As at 31 December 2018, the Zur Rose Group has goodwill of CHF 172.4 million and trademarks with indefinite useful lives of CHF 20.9 million in relation to business combinations. Under IFRS, the Company is required to test the amount of goodwill and trademarks with indefinite useful lives for impairment, both annually and if there is a trigger for testing. The impairment tests were significant to our audit due to the complexity of the assessment process, management's estimates and assumptions involved which are affected by expected future market or economic conditions. Assumptions, sensitivities and results of the impairment tests are disclosed in note 20 of the consolidated financial statements of Zur Rose Group.
Our audit response	Our audit procedures included, among others, the involvement of a valuation expert to assist us in evaluating the assumptions and methodologies used by the Company, in particular those relating to the pre-tax discount rate and the valuation model. Furthermore, we tested the cash flow projections for each cash-generating unit, taking into account the relevant internal processes and controls of the Zur Rose Group and an assessment of the historical accuracy of management's estimates and evaluation of business plans. In addition, we assessed the adequacy of the disclosures relating to the impairment test. In the context of our audit procedures, there were no objections regarding the valuation of intangible assets with indefinite useful lives.

Valuation of purchase price allocation (PPA)

Area of focus	At the acquisition date of Promofarma and apo-rot on 14 September / 31 October 2018, goodwill of CHF 92.7 million and other intangible assets of CHF 18.4 million were recognized. Both acquisitions were significant to our audit due to the complexity of judgments and assumptions involved in valuation of tangible and intangible assets and in relation to fair presentation. The acquisitions are described in note 6 of the consolidated financial statements of Zur Rose Group.
Our audit response	With respect to the accounting for the Promofarma and apo-rot acquisitions, we, among other procedures, read the purchase agreements, tested the identification and fair valuation of the assets and liabilities acquired by the

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Zur Rose Group and assessed the valuation assumptions such as discount, tax and growth rates. In doing so, we involved our valuation and tax experts. Furthermore, we evaluated the appropriateness which are made in the disclosure.

In the context of our audit procedures, there were no objections regarding the valuations carried out as part of the purchase price allocation and the fair presentation.

Other information in the annual report
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is 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 Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
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 to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards 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.
A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Martin Gröli
Licensed audit expert
(Auditor in charge)

Michael Britt
Licensed audit expert

Income Statement

	Notes	2018	2017
		CHF 1,000	CHF 1,000
Net revenue		**3,317**	3,876
Other operating income		**1,558**	1,337
Total net income		**4,875**	5,213
Personnel expenses		**–4,339**	–6,495
Other operating expenses		**–9,113**	–8,449
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**–8,577**	–9,731
Depreciation and amortisation		**–1,078**	–1,742
Reversal of impairment		**0**	38,756
Earnings before interest and taxes (EBIT)		**–9,655**	27,283
Finance income		**8,363**	9,810
Finance expenses		**–7,377**	–2,625
Earnings before taxes (EBT)		**–8,669**	34,468
Tax expenses		**–57**	–958
Net income / (loss)		**–8,726**	33,510

Balance Sheet

ASSETS	Notes	31.12.2018 CHF 1,000	31.12.2017 CHF 1,000
Cash and cash equivalents and short-term assets at market prices	2.1	**169,880**	57,513
Receivables from investments		**7,451**	9,783
Other short-term receivables from third parties		**387**	436
Prepaid expenses from third parties		**949**	182
Prepaid expenses from investments		**79**	260
Current assets		**178,746**	68,174
Loans to investments		**335,019**	209,980
Impairment of loans		**–55,563**	–55,563
Long-term loans granted to related parties		**49**	88
Other non-current financial assets		**50**	50
Investments	2.2	**196,457**	136,207
Impairment of investments		**–12,621**	–12,621
Property, plant and equipment		**392**	360
Real estate	2.3	**16,727**	17,193
Intangible assets		**1,701**	2,160
Non-current assets		**482,211**	297,854
Assets		**660,957**	366,028

Balance Sheet

LIABILITIES	Notes	31.12.2018 CHF 1,000	31.12.2017 CHF 1,000
Current liabilities to third parties		**573**	547
Current liabilities to investments		**207**	185
Current liabilities to boards or bodies		**19**	43
Other current liabilities to third parties		**1,979**	2,379
Accrued expenses to third parties		**3,004**	2,452
Accrued expenses to investments		**114**	142
Short-term provisions		**1,250**	1,252
Short-term liabilities		**7,146**	7,000
Non-current interest-bearing liabilities	2.4	**115,000**	0
Long-term liabilities		**115,000**	0
Liabilities		**122,146**	7,000
Share capital		**48,127**	35,762
Legal capital reserve			
General reserve from equity contribution	2.5	**451,200**	270,164
Legal retained earnings		**1,340**	1,340
Voluntary retained earnings		**44,230**	52,956
Retained earnings brought forward		**40,337**	6,827
Net income / (loss)		**–8,726**	33,510
Retained earnings		**31,611**	40,337
Other voluntary reserves		**12,619**	12,619
Treasury shares	2.6	**–6,086**	–1,194
Equity		**538,811**	359,028
Liabilities and equity		**660,957**	366,028

Notes to the Financial Statements

1 Basic principles

1.1 Accounting policies
These financial statements were prepared in accordance with the commercial accounting requirements set forth in the Swiss Code of Obligations (Art. 957 – 963b CO, effective from 1 January 2013).

1.2 Securities at market prices
Short-term securities are measured at market prices at the end of the reporting period.

1.3 Investments
Investments are recognised at acquisition cost and subsequently tested for impairment if there is any indication that an impairment is required. If an impairment is required, the investment is impaired and the impairment loss recognised.

1.4 Treasury shares
Treasury shares are recognised at acquisition cost and deducted from equity. The gain or loss on resale is recognised as finance income or finance costs. Treasury shares are measured using the FIFO method (first-in-first-out).

1.5 Share-based payments
If treasury shares are used for share-based payments to members of the Board of Directors, Group management or employees, the difference between the acquisition cost and any payment received is recognised as personnel expenses when the shares are allocated.

1.6 Current and non-current interest-bearing liabilities
Interest-bearing liabilities are recognised at nominal value. The bond issue costs are recognised in prepaid expenses and accounted for on a straight-line basis over the bond's term.

2 Information on income statement and balance sheet items

2.1 Cash and cash equivalents and short-term assets at market prices	**31.12.2018**	**31.12.2017**
	CHF 1,000	CHF 1,000
Cash and cash equivalents	**169,727**	57,339
Securities (at market prices)	**153**	174
Total cash and cash equivalents and short-term assets at market prices	**169,880**	57,513

2.2 Investments

	2018 Capital	2017 Capital	2018 Equity interest and ordinary shares	2017 Equity interest and ordinary shares
	CHF 1,000	CHF 1,000	%	%
Direct Investments				
DocMorris Holding GmbH, Berlin (DE), intermediate holding company	**6,085**	6,085	**100.0**	100.0
DVD Beteiligungs AG, Frauenfeld, (CH) intermediate holding company	**3,550**	3,550	**100.0**	100.0
OPX Services AG, Frauenfeld, (CH) pharmaceutical services	**100**	100	**100.0**	100.0
Zur Rose Suisse AG, Frauenfeld, (CH) pharmaceutical business	**7,650**	7,650	**100.0**	100.0
BlueCare AG, Winterthur, (CH) service provider	**1,288**	1,288	**78.9**	78.9
König Gesellschaft für Image- und Dokumentenverarbeitung GmbH, Gottmadingen (DE)	**29**	30	**50.0**	50.0
König IT Systeme GmbH, Gottmadingen (DE)	**28**	29	**50.0**	50.0
Promofarma Ecom. S.L. (ES)	**15,004**	0	**100.0**	0.0
DatamedIQ GmbH, Köln (DE)	**29**	0	**25.0**	0.0
Material Indirect Investments				
Zur Rose Pharma GmbH, Halle (DE)	**8,479**	8,479	**100.0**	100.0
ApDG Handels und Dienstleistungsgesellschaft mbH, Bremen (DE)	**28**	28	**100.0**	100.0
Centropharm GmbH, Berlin (DE)	**30**	30	**100.0**	100.0
Eurapon Pharmahandel GmbH, Bremen (DE)	**28**	28	**100.0**	100.0
D&W Mailorder Service B.V., Heerlen (NL)	**22**	22	**100.0**	100.0
DocMorris N.V., Heerlen (NL)	**60**	60	**100.0**	100.0
Vitalsana B.V., Heerlen (NL)	**20**	20	**100.0**	100.0
Polyrose AG, Frauenfeld (CH)	**200**	200	**50.0**	50.0
VfG Cosmian s.r.o., Prague (CZ)	**12**	12	**100.0**	100.0
Zur Rose Shop-in-Shop Apotheken AG, Frauenfeld (CH)	**100**	100	**100.0**	100.0
apo-rot B.V., Heerlen (NL),	**22**	0	**100.0**	0.0
apo-rot Service GmbH, Hamburg (D	**29**	0	**100.0**	0.0

2.3 Assets pledged

	31.12.2018	31.12.2017
	CHF 1,000	CHF 1,000
Real estate pledged as collateral	**16,727**	17,193
Total assets pledged	**16,727**	17,193

2.4 Outstanding bonds

	Amount CHF	Interest rate %	Maturity
Bonds	**115,000,000**	**2.500**	**19.07.2023**

2.5 Legal capital reserve

Out of the balance of CHF 451,199,980 an amount of CHF 270,156,906 has been confirmed by the Federal Tax Administration. The transactions that occurred during 2018 still need to be confirmed.

2.6 Treasury shares

	Number of transactions	Average price CHF	Number
Number of registered shares			
As at 1 January 2017			**33,192**
Acquisitions	10	76	5,009
Allocation	2	25	−2,077
As at 31 December 2017			**36,124**
Acquisitions	28	102	62,531
Acquisition of Promofarma Ecom. S.L.	20	137	−36,119
Allocation	1	117	−2,067
As at 31 December 2018			**60,469**

3 Other disclosures

3.1 Share-based payments

	31.12.2018 CHF 1,000	31.12.2017 CHF 1,000
Board of Directors (2018: 2,067 shares, 2017: 62,487 shares)	**241**	613
Group Management (2018: 0 shares, 2017: 115,997 shares)	**0**	717
Employees (2018: 0 shares, 2017: 5,493 shares)	**0**	57
Total share-based payments	**241**	1,387

Share-based payments in 2018 correspond to the market price of the share and are subject to a three-year vesting period. Share-based payments in 2017 correspond to a 33 percent discount on the market price of shares. These shares are subject to a three- to five-year vesting period.

3.2 Significant shareholders

	2,018 %
KWE Beteiligungen AG	**10.75**

3.3 Shareholdings Board of Directors and Group Managment

	31.12.2018
	Number of shares
Board of Directors	
Prof. Stefan Feuerstein, Chairman	**80,000**
Walter Oberhänsli, Executive Director and CEO	**133,402**
Dr. Thomas Schneider, Vice Chairman	**29,204**
Prof. Dr. Volker Amelung, Director	**5,061**
Dr. Heinz O. Baumgartner, Director	**594**
Vanessa Frey, Director	**20,210**
Executive Board	
Olaf Heinrich, Head Germany	**40,941**
Walter Hess, Head Switzerland	**40,804**
Marcel Ziwica, CFO	**48,682**

As of 31 December 2018, the members of the Board of Directors and the Group Management held the shares listed above. The members of the Board of Directors acquired three quarters of their shares under incentive plans of the company. These shares have a remaining vesting period between one and four years. All of the shares held by the members of the Group Management have a remaining vesting period between two and four years. If plan participants leave the Zur Rose Group within four years, Zur Rose Group AG has a right, but no obligation, to buy back a decreasing portion of the allocated shares. The right to buy back the allocated shares decreases on an annual basis, resulting in the cancellation of this right to buy back shares after the four-year period. No cash was paid for the allocated shares in the year under review. Total number of shares sold: 0 (previous year: 10,942).

3.4 Employees

	31.12.2018	31.12.2017
Full-time equivalents between 10 and 50	**x**	x

3.5 Lease obligations

	31.12.2018	31.12.2017
	CHF 1,000	CHF 1,000
Remaining amount lease obligations	**524**	29

3.6 Unrecognised commitments

Company	Name	Nature	31.12.2018 CHF 1,000	31.12.2017 CHF 1,000
Montea Comm VA	DocMorris N.V. – Lease – property	Guarantee	**19,176**	21,066
CommerzReal Mobilienleasing GmbH	DocMorris N.V. – Logistics – investment	Co-obligation	**2,749**	3,691

3.7 Contingent and authorised capital

	31.12.2018	31.12.2017
	CHF	CHF
Contingent capital	**134,303**	134,303
Authorised capital	**2,900,938**	2,900,938

3.8 Significant events after the end of the reporting period

None.

Appropriation of Available Earnings

(Proposal of the Board of Directors)

	31.12.2018	**31.12.2017**
	CHF	CHF
Retained earnings brought forward	**40,337,250**	6,826,942
Net income / (loss)	**–8,726,359**	33,510,308
Retained earnings at the disposal of the Annual General Meeting	**31,610,891**	40,337,250
Distribution to shareholders	**–**	–
Carried forward to new account	**31,610,891**	40,337,250

Building a better working world

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To the General Meeting of
Zur Rose Group AG, Steckborn

Zurich, 19 March 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Zur Rose Group AG, which comprise the income statement, balance sheet and notes (pages 96 to 105), for the year ended 31 December 2018.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each

matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of investments

Area of focus	As at 31 December 2018, the Zur Rose Group holds investments of CHF 183.8 million, which corresponds to 28% of total assets. We consider the valuation of investments to be a key audit matter due to the fact that the investments' value represent a significant share of total assets and because the impairment test performed by management is complex and involves significant assumptions. The accounting principles used for the investments are disclosed in note 1.3 of the notes to the stand-alone financial statements of Zur Rose Group AG.
Our audit response	We assessed the impairment testing process used by the company, which includes the impairment of investments, as well as the determination of the key assumptions made using internal and externally available evidence. In doing so, we involved our valuation experts. In the context of our audit procedures, there were no objections regarding the valuation of investments.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Martin Gröli Licensed audit expert (Auditor in charge)	Michael Britt Licensed audit expert