Annual Report 2019

Zur Rose Group

Contents

Revenue up

30%

Shop-in-shop and webshop:

Migros and Zur Rose step up cooperation through joint ventures

Strong growth in Germany reinforces clear market leadership

Physicians business sees

7.2%

revenue growth

Digital health processes without media breaks:

partnerships with KRY, the German Association of General Practitioners and the German Association of Specialist Doctors

Law on the launch of e-prescriptions enacted in Germany

Bond:

200

million raised

apo-rot site in Hamburg closed

Debate on bonus ban continues

Proof of concept: pilot project for e-prescriptions with TK health insurer

Zur Rose part of insurance models to reduce costs

Market entry France

Profile

The Swiss Zur Rose Group is Europe's largest e-commerce pharmacy and one of the leading medical wholesalers in Switzerland. It also operates the leading marketplace in southern Europe for consumer health, beauty and personal care products commonly sold in pharmacies. The company is internationally present with strong brands, including Germany's best-known pharmacy brand DocMorris. Zur Rose employs more than 1,800 people at sites in Switzerland, Germany, the Netherlands, Spain and France. In 2019 it generated revenue of CHF 1,569 million (including medpex) and has around seven million active customers in core European markets.

With its business model, the Zur Rose Group offers high-quality, safe and cost-effective pharmaceutical care. It is also characterized by the continuous further development of digital services in the field of drug management using AI-supported applications and new technology. Zur Rose is furthermore actively driving ahead its positioning as a comprehensive provider of healthcare services. By creating a digital healthcare platform – the Zur Rose ecosystem – it networks products and digital services from qualified providers. The contribution made by Zur Rose will be to take these offerings to customers and patients and to make a relevant selection. The aim is to provide people with a seamless accompaniment and empower them to manage their own health optimally using products and digital solutions.

The shares of Zur Rose Group AG are listed on the SIX Swiss Exchange (securities number 4261528, ISIN CH0042615283, ticker ROSE).

Key Financials

	2019	2018	2017
	in CHF million	in CHF million	in CHF million
Revenue incl. medpex	[1] **1,568.7**	–	–
Revenue	**1,355.5**	1,207.1	982.9
Year-on-year revenue growth in %	**12.3**	22.8	11.8
Gross margin in % of revenue	**15.4**	15.8	14.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**–13.8**	[2] –14.0	–21.2
in % of revenue	**–1.0**	[2] –1.2	–2.2
Earnings (EBIT)	**–45.7**	[2] –32.9	–38.3
in % of revenue	**–3.4**	[2] –2.7	–3.9
Net operating income	**–52.4**	–39.1	–36.3
in % of revenue	**–3.9**	–3.2	–3.7
Equity	**405.5**	443.6	294.2
in % of total assets	**40.9**	61.1	63.7
Investments	**41.5**	31.5	22
Number of employees in FTEs at year-end	**1,710**	1,314	1,106

1) As the spin-off of the mail order business has not yet been completed, no revenues from medpex could be consolidated in 2019.
2) Change in presentation of fair value adjustments of contingent consideration (earn-out)

Dear Shareholders

The Zur Rose Group achieved its communicated objectives for 2019. Revenue growth of 30 per cent to CHF 1,568.7 million reinforced its clear number 1 position amongst e-commerce pharmacies in terms of revenue in Europe. It intends to continue on its growth trajectory and is stepping up efforts to leverage the opportunities presented as a result of the low online penetration in the pharmacy market and increasing digitalisation.

During the year under review, the Zur Rose Group once again kept up growth momentum, with revenue rising 30 per cent to CHF 1,568.7 million (including medpex sales). The EBITDA margin was at the lower end of the forecast target range at minus 1.0 per cent. Several exceptional items affected the results. Integrating the apo-rot logistics activities at the Heerlen site was more complex than expected and required a move from two-shift to three-shift operations that will probably have to remain in place until the new distribution centre is operational. Initial expenditure for entering the French market, where the government is planning to allow non-prescription drugs to be sold by mail order in future, further weighed on profit. By contrast, transactions related to the two joint ventures set up with Medbase and the early termination of the earn-out for the founders of medpex had a positive impact. Including all exceptional items, operating profit (EBITDA) remained in line with last year at minus CHF 13.8 million. Net income declined from minus CHF 39.1 million to minus CHF 52.4 million due to increased write-offs in connection with the companies acquired.

Major growth in Germany — The Zur Rose Group boosted revenue including medpex sales by a substantial 45.4 per cent to CHF 976.0 in Germany. Construction of the hall in the logistics extension building at Heerlen in the Netherlands was completed during the

year and fitting out and the installation of equipment has started. The new distribution centre is expected to come into operation as planned during the course of 2021. It will allow distribution for the German market to be centralised in Heerlen, generating considerable efficiencies.

Proven proprietary e-prescription technology deployed in pilot projects — The launch of electronic prescriptions in Germany marks major progress towards a fully digital patient care process. During the year under review, DocMorris set up pilot projects with the German Association of General Practitioners, the German Association of Specialist Doctors (SpiFa) and telemedicine provider KRY. These projects involve using the proven proprietary technology of the Zur Rose Group and the associated app to network doctors, patients and pharmacies all the way through to billing. The cooperation with KRY also includes video consultation with a doctor via a smartphone app. The full acquisition of ClinPath GmbH and the joint venture eHealth-Tec GmbH, two small companies in digital healthcare solutions, should be seen in this light. The Group gained access to technical expertise as a result.

Market position in Switzerland strengthened through cooperations — Despite price cuts mandated by the regulator, Zur Rose was able to increase revenue in Switzerland by 5.0 per cent to CHF 553.7 million, well ahead of the modest 2.8 per cent growth in the market. Particular contributions to revenue growth came from the trend in new clients in the physicians business and new digital services providing added value to doctors' practices. In the retail segment, Zur Rose and Medbase decided to extend their cooperation. Since the start of 2020 they have been running the shop-in-shop pharmacies in Migros branches and the webshop through two joint ventures: the two partners are continuing to roll out the shop-in-shop concept that has been successfully used in Bern, Basel and Zurich under the Zur Rose brand. In the second joint venture, Zur Rose and Medbase are deepening their cooperation in e-commerce: they operate zurrose-shop.ch, a joint webshop for consumer health, beauty and personal care products which offers customers the chance to collect Cumulus points on purchases. In the medium term the aim is to operate the webshop as a marketplace where other partners can offer their products.

Ongoing expansion in core European markets — In the Europe segment, which groups together the marketplace business in Spain and France and around 20 further countries on a cross-border basis, PromoFarma likewise posted strong revenue growth of 48 per cent to CHF 39.7 million. In February 2019 the Zur Rose Group acquired the French marketplace Doctipharma, which has now been integrated into the PromoFarma platform. Zur Rose distributes around 140,000 consumer health, beauty and personal care products commonly sold in pharmacies from around 7,000 brands over the marketplace platform; these are provided and dispatched by over 800 partners, mainly pharmacies but also pharmaceutical manufacturers.

Seizing the opportunities in digitalisation — Digitalisation is changing the European healthcare sector. Given the launch of electronic prescriptions in Germany, the Zur Rose Group anticipates a considerable expansion in the market share of mail-order for prescription medicines over the next few years from the current level

of just 1 per cent. In France too, Europe's second-largest market for medicines, there are clear signs of a move towards liberalisation. In February 2020 the government announced its intention in a draft law on "Acceleration and Simplification of Public Trading" to make it easier to sell non-prescription drugs so online distribution would be possible in future. Both potential changes would bring about strong momentum favourable to the Zur Rose business model.

Digital transformation with three technology hubs — Zur Rose invested in technology early and is continuing to further extend its expertise at three technology development centres in Berlin, Winterthur and Barcelona. These tech hubs stand at the heart of the digital transformation of the company. In Berlin, DocMorris is putting its platform strategy into action and will be setting up an open and independent marketplace for healthcare service providers over the coming months. Interdisciplinary teams in the tech hubs are also working on developing digital healthcare services. The main focus is on creating a healthcare ecosystem networking qualified providers with products and digital services. The ambition of Zur Rose is to accompany patients and empower them to use products and digital services to optimally manage their own health.

Outlook — As the strategic focus is shifting from pure OTC growth to eRx, management targets sales increase of around 10 per cent in 2020 (including medpex's total annual sales) and as a consequence overproportional Rx growth acceleration starting 2021. The aim is to break even in 2020 at the EBITDA level after adjusting for expenditure on additional growth initiatives, especially in electronic prescriptions and European opportunities. Any effect of the Covid-19 virus on the business is not reflected in the outlook. The medium-term target for the EBITDA margin after adjusting for growth initiatives is around 8 per cent, with revenue in excess of CHF 3 billion. Implementing the healthcare ecosystem will generate further relevant EBITDA potential over the long term.

In the context of the Covid-19 situation, securing the supply of drugs has top priority. In Switzerland, Zur Rose also has a special role to play as part of the federal government's "Continuity planning for pharmaceutical care". As a result of the current Covid-19 crisis the Zur Rose Group expects a much more rapid market acceptance of drug mail order and digital healthcare services

Thanks — In a competitive environment that remains challenging, we will continue to implement our operating and strategic initiatives and would like to thank our staff for their great personal commitment, skill and flexibility. A special thank-you also to our customers for their trust as well as to you, our esteemed shareholders, for your loyalty.

Prof. Stefan Feuerstein
Chairman of the Board

Walter Oberhänsli
Executive Director and CEO

STEFAN FEUERSTEIN *(left)*
AND WALTER OBERHÄNSLI.

Interview

Electronic prescriptions are a reality today.

A conversation with Walter Oberhänsli about digitalisation in healthcare, patient empowerment and the future of the Zur Rose Group.

Walter Oberhänsli, digitalisation hit other sectors a while ago and is now increasingly affecting healthcare too. What changes are we facing?

Digitalisation will thoroughly penetrate healthcare over the next few years and change the way patients behave. Patients will enjoy more convenience, just like in other sectors, but in healthcare there are two additional important aspects: firstly, the quality of treatment will improve massively. By avoiding media breaks as a result of today's standard transfer of health information from paper to IT, it will be possible to identify possible interactions at any time and prevent incorrect medication. Secondly, there will ultimately be cost savings. Digitalisation is a prescription for cutting healthcare costs.

Electronic prescriptions are key to genuine digitalisation in mail-order medication. What is it that makes them so essential?

Electronic prescriptions play a key role in various ways. Firstly, they improve process quality because, as mentioned, electronic processing means media breaks can be avoided. Secondly, they increase efficiency since, to take Germany as an example, it will no longer be necessary to have 500 million prescriptions per year physically handled multiple times. And thirdly, they simplify things considerably for the patients. They can collect their prescription from the nearest pharmacy, or they can forward it to a mail-order pharmacy and have their medication sent to them – just like they do in many other aspects of life. Electronic prescriptions are a reality today.

"Digitalisation is a prescription for cutting healthcare costs."

In Germany, electronic prescriptions are due to be launched in the middle of the year. How has the Zur Rose Group been preparing for that?

Based on our experience in Switzerland, we invested in our own e-prescription technology at an early stage. As a result, the Zur Rose Group is playing a pioneering role in the German market as a systems supplier for e-prescription solutions. Gematik has until the end of June 2020 to draw up the specifications and licensing procedure for e-prescriptions. Experience from the pilot projects under way will be taken in consideration. We are therefore running various e-prescription pilot projects in strategic partnerships, which are giving us many interfaces to the linked systems and platforms. So we already have laid the foundations both internally and externally to connect rapidly and smoothly to the telematic infrastructure.

DocMorris has joined cooperations with the German Association of General Practitioners and healthcare company KRY. The aim is to

fully digitalise the medical care process. What shape will that take in concrete terms?

In the cross-sector pilot project with the Association of General Practitioners, our e-prescription technology uses the associated app to network the general practitioner, patients and pharmacy all the way through to billing. The doctor uses software to prescribe electronically and sends the patient a QR prescription code. They can then use this code to have their prescription filled using an app, email or hard copy – either by mail-order or in a bricks and mortar pharmacy. The cooperation with KRY, Europe's telemedicine provider, goes a step further: patients can contact a doctor over video using the app on their smartphone. After the telephone consultation the doctor can issue a prescrip-tion and send it to the patient digitally via the app. Our pharmacy partner DocMorris is connected seamlessly to the KRY app.

"The Zur Rose eco-system networks various different offerings from healthcare service providers to create a marketplace."

Your vision is already looking further ahead: Zur Rose wants to build a healthcare eco-system. What might that look like?

The Zur Rose eco-system networks various different offerings from healthcare service providers to create a marketplace. Nowadays, patients are confronted with a host of healthcare offerings. This makes it difficult for them to find the right one. Our service will be to network all the offerings digitally and use artificial intelligence to make a relevant selection, so it's easy for patients to select the right choice. Ultimately, this means they can manage their health better. You might also call it patient empowerment. The healthcare service providers get the ability to offer their product range and services on an open digital platform, allowing them to connect with a large number of patients.

What are the next potential markets for a marketplace like this?

Our most important markets are Switzerland and Germany. So initially we want to launch the marketplace model in these two countries: Germany first, then Switzerland. We already operate an e-commerce marketplace for consumer health, beauty and personal care products commonly sold in pharmacies in France and Spain, giving affiliated partner pharmacies quick access to mail-order sales for little investment.

Let's come back to that word "empowerment". You want to make it possible for patients to manage their health themselves. What makes you so confident they actually want to do this?

I think this fits with a general trend for patients to want to know about their diagnosis and their treatment. For example, whether an application or a medication prescribed by a doctor might have side effects, or is generally tolerated. They want a second or third opinion. We strongly believe there is a great need to receive this information quickly and simply. Sharing information will mean that patients have a better understanding, which in turn is crucial for treatments and medications to have a better effect. It's a matter of the patient knowing what they are doing. And of helping them not just to return to health, but above all to stay healthy. That is the great benefit of this approach.

"It's a matter of helping patients not just to return to health, but above all to stay healthy."

Finally, let's take a look into the future: where will Zur Rose be five years from now?

Our vision is that five years from now Zur Rose will be *the* healthcare platform in Europe, where patients get everything they need for their health so they are ultimately in a position to manage their health and become healthier.

WALTER OBERHÄNSLI

In 2019 the Worry Barometer once again showed the extent to which the Swiss are concerned about the rising cost of healthcare. The issue ranked in second place, behind retirement savings. December saw the Federal Council put forward its healthcare strategy 2020 to 2030. This emphasised both the importance of good quality care and the need to check the growth in costs. It pointed out that digitalisation of healthcare is a key part of this, which is why it has to be given targeted encouragement. The need for action in Switzerland is considerable — the country performs poorly on an international comparison.

Market environment

Price cuts and supply shortages in the drug market — Based on ex-factory prices, the total size of the drugs market in 2019 was CHF 6.1 billion — a slight rise on the previous year despite government price cuts. The review of the last third of the medications on the list of specialities in the autumn marked the end of the latest round of reviews of pharmaceutical prices by the Federal Office of Public Health (FOPH). According to the FOPH, this realised total savings of around CHF 450 million between 2017 and 2019. The Office ordered price cuts on more than half the original products and generics reviewed in 2019. These measures further increased the margin pressure on medications.

Another issue in 2019 was the increasing number of supply shortages for drugs. Reported disruptions in supply have more than doubled since 2016. According to the Federal Office for National Economic Supply (FONES), this deterioration in the supply situation is mainly due to the global shortage of active ingredients, the cost pressure associated with market withdrawals and increasing logistical problems.

Cost-cutting package referred by the Federal Council to parliament — In August the Federal Council referred the dispatch on what is known as the first cost-cutting package to parliament. This puts forward nine measures aimed at slowing cost growth in the healthcare sector: Zur Rose welcomes measures that raise awareness among all market participants, such as the obligation to give patients a comprehensible copy of invoices or the call to tariff partners to introduce measures to manage costs and benefits into their agreements. The company also supports the intended experimentation element that will make it possible to test and roll out innovative cost-cutting projects quickly. With regard to the desired reduction in drug costs, Zur Rose remains committed to ensuring that the economical drug dispensation channels of mail order and medical self-dispensation are not further discriminated against compared to other channels.

Planned distribution margin reduction under the Health Insurance Benefits Ordinance — Under Article 38 of the Health Insurance Benefits Ordinance HIBO the Federal Council is keen to achieve a major distribution margin reduction of drugs and save a further CHF 50 million. Zur Rose is committed to security of supply of medications for the people of Switzerland, and hence supplies the full range of drugs. As a result the company bears the risks associated with holding drugs in the medium to expensive price segment, which consumes a great deal of capital. Other market participants are unable or unwilling to bear these risks in full. Zur Rose has repeatedly drawn attention to the fact that the planned distribution margin reduction puts security of supply at risk and places mail-order pharmacies at a disadvantage: this would mainly affect medications in the medium to high-price segment, which account for a particularly large percentage of the product mix for mail-order pharmacies compared to brick-and-mortar stores.

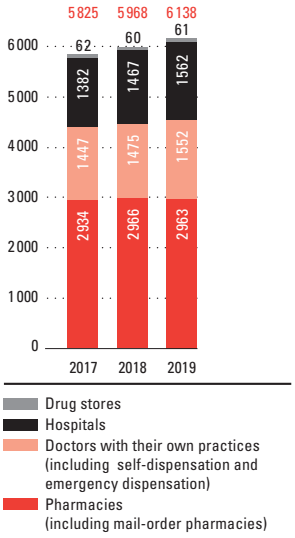
Integrity and Transparency in Therapeutic Products Ordinance (ITTPO) — The ITTPO came into effect on 1 January 2020 as the executive law provisions for the revised Therapeutic Products Act. Amongst other things, it brings in new arrangements for price discounts and compensation in connection with supplies of medications.

Encouraging electronic prescriptions in Switzerland along the lines of the German model — If higher e-health penetration is to be achieved in Switzerland, electronic prescriptions will have to become standard: this is demonstrated in a recent study by the Bertelsmann-Stiftung*. A comparison of the healthcare systems of 14 countries in the EU and three selected OECD countries ranks Switzerland 14th out of 17 in the e-health index. The leaders are countries where a national e-health strategy has been put in place and electronic prescriptions are standard. So far, electronic prescriptions have barely been used in Switzerland due to a lack of incentives. This is in spite of the fact that patient safety is improved by electronic prescriptions. They increase security against prescription error and counterfeiting and reduce the risk of incorrect medication, with the associated cost consequences for the healthcare system.

* "SmartHealthSystems – Digitalisierungsstrategien im internationalen Vergleich", November 2018

DRUGS MARKET VOLUME IN SWITZERLAND

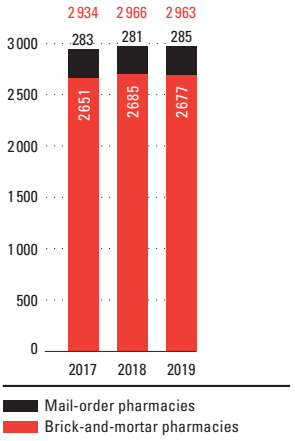
in million CHF at ex-factory prices
(including Swissmedic lists A, B, D)



Source: IQVIA, 2019

PHARMACY MARKET VOLUME IN SWITZERLAND

in million CHF at ex-factory prices
(including Swissmedic lists A, B, D)



Source: IQVIA, 2019

Just as at Group level, in the Switzerland segment Zur Rose drove forward further development towards an e-health ecosystem. Digital access brings services closer to the client, allows the treatment path to be better monitored and is essential to achieving the highest possible quality and efficacy of medication.

Business performance

Pleasing performance in the Switzerland segment — Despite price cuts mandated by the regulator, in 2019 Zur Rose boosted revenue in Switzerland by 5.0 per cent to CHF 553.7 million, growing considerably faster than the market. The physicians business (Professional Services), which reported revenue growth of 7.2 per cent, was a key factor. The retail and brick-and-mortar businesses (B2C) also enjoyed a positive performance. However, government price cuts in particular on high-priced medicines and changes to treatment within the specialty care business had an impact on the otherwise strong performance in B2C.

Growth in market share in the physicians business (**Professional Services**) — Zur Rose increased market share in the physicians business from 24.5 to 25 per cent. In 2019 Zur Rose once again held more than 50 information and training events for doctors and medical practice assistants on issues related to the medication process and increasing therapy adherence. Zur Rose continues to support doctors' practices in digitalising practice management. The following services are some examples: Smart Order allows practices to optimise orders, process them more efficiently, avoid ordering items that are unavailable and benefit from more favourable logistics conditions. The unavailable items account provides a real-time overview of all articles that are on order and are currently out of stock. It shows how long they have been outstanding, and changing and amending orders is quick and simple. The electronic medication plan lets doctors record medications electronically and share them with other doctors. The Medical Safe is a way for doctors to send patients reports, prescriptions, X-rays, medication plans and findings digitally and in a way that meets data protection requirements.

Automating medication management — Zur Rose is engaged in several projects to support doctors' practices to introduce automated handling of medications for the practice pharmacy. This optimises the range of medications in the practice, improves availability and makes the administration process more efficient and quicker.

Specialty care for patients with complex therapies — The experts in Specialty Care assist patients with complex therapies in the correct administration of medication at home or in practices, for example when conducting infusion treatments. The offering was further enhanced during the year and the staff in the HomeCare team reinforced.

Two joint ventures in retail set up with Medbase — In 2019 Zur Rose and Medbase, the healthcare provider of Migros, decided to further extend their cooperation through two joint ventures. The first joint venture relates to the roll-out of shop-in-shop pharmacies in Migros branches. The three pilot projects in Bern, Basel and Zurich were well received by Migros customers and more than met the targets set. The intention is therefore to continue to roll the concept out under the Zur Rose brand. To this end, the existing shop-in-shop pharmacies and the Zur Rose pharmacy at Welle 7 in Bern were transferred to the joint venture with Medbase.

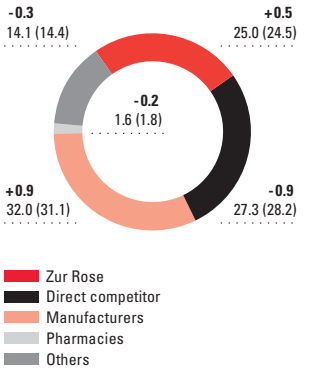
In the second joint venture, Zur Rose and Medbase are intensifying their cooperation in e-commerce: from now on they will operate a shared webshop for beauty and personal care products at zurrose-shop.ch. In the medium term the aim is to run this as a marketplace where other partners will be able to offer their products. During the year under review the Zur Rose webshop posted stable growth in sales above plan, with a further increase in customer loyalty. There was also a significant rise in the number of new customers, partly due to the launch of new offer formats and more intense digital marketing. The product range was expanded once again. Various measures were taken to optimise customer friendliness, such as the new premium MyDelivery service, which lets customers chose for themselves the place, date and time of their delivery. The agreements for both joint ventures were completed at the end of 2019.

Mail-order pharmacy customers satisfied — The existing customers of the mail-order pharmacy appreciate the service, as a poll carried out at the end of the year shows: more than 90 per cent of those questioned were satisfied or very satisfied with the service. Further refinements were made to the control process during dispatch in the year under review: Zur Rose is now also using Smart Data to check every order for problematic multiple prescriptions and deviations from the strength of medication prescribed. To optimise electronic ordering, Zur Rose launched the prescription account on the patient portal zurrose.ch. Barrier-free user-friendliness and responsive design tailored to the customer group simplify digital follow-up orders of repeat prescriptions.

ApoBox: an innovative offering from Zur Rose and Selecta — In the spring Zur Rose and Selecta presented Switzerland's first ApoBox at the head office of the dispensing machine supplier in Kirchberg in the canton of Bern. Since then, customers have been able to obtain 45 different beauty and personal care products from the dispensing machines at their convenience, at any time of the day or night. By the end of the year ApoBoxes were available at ten high-footfall locations in Switzerland.

MARKET SHARES IN THE DOCTORS' SEGMENT

As per end of 2019 (value of previous year 2018) in %



Source: IQVIA, 2019

Increased therapy adherence thanks to Dailymed — Individual blister packaging for people who take several medications each week became increasingly popular over the year under review. Both revenue and the number of patients at Dailymed rose more than 50 per cent year-on-year. A customer survey indicated that over 90 per cent of users were satisfied or very satisfied with the service. Patients with chronic illnesses using Dailymed enjoy the increased security when taking their medication, as well as the convenience. The French-speaking customer service of Dailymed was further expanded to provide better cover for users in that part of the country. As a consequence of various investments it was possible to realise efficiency gains in manufacturing the blister packaging and further cut production costs.

Innovative supply solutions with health insurers and managed care organisations — Zur Rose is cooperating with various insurers to develop alternative insurance models that coordinate service provision, thereby improving the quality of treatment, making it possible to reduce premiums for policy holders and contributing to reducing the cost of healthcare.

A good example of this is Multimed, the innovative alternative basic insurance model launched by CSS Insurance jointly with Zur Rose and other partners during the autumn premium round: the product focuses on strictly coordinating the treatment path between the service providers involved, including exchanging data on medical care. Patients with chronic illnesses obtain their medications either directly from their general practitioner or from a mail-order pharmacy.

During the year under review, Zur Rose also stepped up its collaboration with managed care organisations and physician networks and entered into various cooperation agreements. Once again, the focus of these is on putting into practice joint measures to improve medication safety and therapy adherence, raising the quality of service for patients.

Investing in logistics and IT — The further digitalisation of process stages was driven ahead in both logistics and IT. The enterprise architecture was extended and improved. This now represents a cutting-edge solution allowing flexible integration of new services.

Zur Rose as an employer — At the end of 2019, Zur Rose employed more than 400 people in Switzerland. The company once again improved employment conditions: all staff can now take part in an attractive share participation programme on request. They also enjoy a mobility package that includes discounted tickets for public transport. A project is under way to provide targeted support to work / life balance in the company.

The foundation of the Zur Rose Academy marked a major expansion of the training and development offering. Various measures were taken to further reinforce the company's strongly team-based culture. The new location at Walzmühle opened in the autumn has a open-office concept with modern design to encourage agile working. This is also reflected in an organisational development process toward a business context orientation which the company has initiated.

Subsidiary BlueCare to be a technology hub of Zur Rose — Cooperation within the Group focusing on technology was considerably stepped up during the year. BlueCare is contributing to the development of the system landscape of the Zur Rose Group through innovative software applications. Examples include Remedi for follow-on orders and Smart Data checking of prescriptions: this measurably improves patient safety. The algorithms for checking prescriptions were developed by Data Analytics in the Smart Data lab, which in future will have an automatic data feed from the operating systems through a data hub.

BlueEvidence, the leading IT system for implementing and controlling supply coordinated by general practitioners, was also further developed during the year under review. For example, BlueEvidence Praxis is now available in Italian, following the launch of the first network of physicians in Ticino. The system combats the trend towards healthcare centres by providing new options for evaluation in BlueEvidence Analyzer. The number of policy holders managed in BlueEvidence rose once again.

BlueConnect also saw strong growth in 2019, with a further increase in both usage and the user base. More than 1,000 Swiss doctors already use this communication platform in addition to their practice information system. A total of over 150,000 transfers and reports are exchanged every month over the platform in a way that meets data protection requirements.

For the first time during the year under review, a health insurer also deployed the technology platform of BlueCare, with CSS and its innovative Multimed product. Using the communication platform means the requirements of the policy holder model are met in an automated process.

BlueCare launched a new application called BlueMedication in a joint pilot project with the managed care organisations Argomed and eastcare. This assists doctors in the medical treatment of patients taking multiple medications and automates the time-consuming reconciliation of medication when leaving a hospital with medication from the practice. The list of medications can be checked by a Clinical Decision Support Service, and optimised if necessary. Patients receive the updated list of medications as a clear and comprehensible standard eMediplan. The new electronic service Medical Safe also allows doctors' practices to share documents with patients in a way that meets data protection requirements. Patients can access this data at any time using their smartphone. The basic version of Medical Safe is free for both practices and patients.

Electronic prescriptions will be introduced across Germany in mid-2020. Gematik has until the end of June to put the necessary specifications and licensing procedures in place so doctors' orders for prescription medicines can be sent electronically. In November 2019 the Bundestag also approved a law for better supply through digitalisation and innovation. Turning innovative solutions in this area into reality is a key element in the cooperation between DocMorris and the German Association of Specialist Doctors.

Market environment

Market growth in Germany[1] — Europe's largest drugs market, Germany, increased in 2019 by 7 per cent to EUR 46.4 billion. The market share of the pharmacies amounts to 86 per cent; 14 per cent of the sales are generated through hospitals and clinics. The prescription drug (Rx) mail-order share of the pharmacy channel amounts to just under 1 per cent[2], whereas the non-prescription mail-order share comes to 19.4 per cent. Pharmacy sales of prescription drugs (Rx) rose by 7.2 per cent to EUR 33 billion and in the field of non-prescription drugs they rose by 1.5 per cent to EUR 5.2 billion. Mail-order sales of non-prescription drugs increased by almost 6 per cent to EUR 1.9 billion, of which OTC is with 51 per cent the product segment with the highest sales share, followed by healthcare products accounting for 27 per cent.

1 IQVIA™ market report on the development of the German pharmaceutical market in 2019

2 Federal Ministry of Health: Financial results of the Statutory Health Insurance (GKV) 1st to 3rd quarter 2019 (KV45)

Infringement proceedings against Germany — The European Commission launched infringement proceedings against Germany back in November 2013 by sending a formal request to the German authorities. The Commission takes the view that the system of fixed prices for prescription drugs under German law (the Medicines Act) limits pharmacies' ability to grant price discounts, thereby adversely affecting trade between EU member states. National regulations of this sort are thus seen as breaching the principle of the free movement of goods set out in articles 34 to 36 of the Treaty on the Functioning of the European Union. The Commission's interpretation was upheld by a judgment handed down in October 2016 by the European Court of Justice in the case involving the German Parkinson's Association. Germany was ordered to bring its legal provisions into compliance with EU regulations as a matter of priority. Because Germany did not obey this order, in March 2019 the Commission decided to send a reasoned opinion to the Federal Republic.

Greater Security in the Supply of Medicines Act — In August 2019 the Greater Security in the Supply of Medicines Act (GSAV) came into effect. This contains a schedule for gradually introducing electronic prescriptions in Germany. The official nation-wide launch of electronic prescriptions is planned for mid-2020. The effect of the act is to give the autonomous system consisting of statutory health insurers, the Association of Statutory Health Insurance Physicians and the German Association of Pharmacists seven months to put in place the arrangements needed to use e-prescriptions based on the telematics infrastructure. In particular the intention is to change the current arrangements whereby medicines can only be prescribed on paper. The act also provides for pharmacies to be able to issue prescription medicines after an obviously sole remote consultation. Gematik has until 30 June 2020 to take the measures needed so doctors' orders for prescription medicines can be sent electronically.

Strengthening Local Pharmacies Act — In July 2019 the Federal cabinet approved a draft act to strengthen local pharmacies. The plan in the coalition agreement to ban mail-order business in prescription medicines is therefore over for the current legislative period. As far as the intended ban on patient bonuses from mail-order pharmacies based in the EU but outside Germany is concerned, the Federal Minister of Health is negotiating with the European Commission – at the time of going to press, no official reaction had been received. The significance under EU law of the 2016 ECJ judgment and the infringement proceedings on the issue of bonuses already under way against Germany will be taken into account. As its actions in the infringement proceedings have shown, this is the benchmark by which the European Commission will assess compatibility with EU law. Until its consideration has been completed, there will be no further legislative activity in Germany. Failure to reach a joint solution may result in the European Commission referring the proceedings to the ECJ without any further intermediate actions.

Some aspects of the Strengthening Local Pharmacies Act, like repeat prescriptions, have been brought forward and already implemented in other bills. In future doctors will be able to issue prescriptions that can be dispensed up to three times. This will make it much easier for people with chronic illnesses in particular to obtain medicines.

Digital Supply Act (**DVG**) — In November 2019 the Bundestag approved a law for better supply through digitalisation and innovation. This requires pharmacies to be connected to the telematics infrastructure by 30 September 2020. Linked to this is the requirement for pharmacies to update electronic medication plans as part of drug treatment safety. Turning innovative solutions in this area into reality is a further key element in the cooperation between DocMorris and the German Association of Specialist Doctors (SpiFa). The act also aims to strengthen telemedicine by making it simpler to hold video consultations, amongst other things. The combination of tele-doctors, e-prescriptions and online pharmacies will make it possible to treat patients fully digitally for the first time.

The Zur Rose Group was able to significantly strengthen its market leadership in Germany in 2019, increasing sales including medpex by 50 per cent in local currency terms. Pilot projects with the German Association of Specialist Doctors and the German Association of General Practitioners on sending prescriptions electronically and other innovative solutions are now making it possible for the first time to have a fully digital process for caring for patients. All those involved in the market are able to benefit from proven proprietary e-prescription technology and the extensive drug treatment safety check even before electronic prescriptions are officially launched.

Business performance

Clear number one position in Germany strengthened — The Zur Rose Group further extended its market leadership in the German pharmaceutical mail-order business in 2019. Sales in Germany including medpex rose substantially in local currency terms by 50.9 per cent to EUR 876.7 million. In Swiss francs the growth rate was 45.4 per cent.

Cooperation with the German Association of Specialist Doctors (SpiFa) — SpiFa, which represents over 160,000 specialist doctors in clinics and surgeries, and the Sanakey Group which belongs to it, entered into a cooperation agreement with DocMorris in May 2019. The aim is to jointly seek innovative solutions in issues such as drug treatment safety and distribution and run a pilot project on the launch of electronic prescriptions. Operational implementation began at the start of 2020. The intention is that the DocMorris e-prescription solution, with an additional medication management and AMTS tool included, will then be included in new SpiFa agreements with health insurers. At the same time, SpiFa and DocMorris are also keen to develop care models together.

Cooperation with the HÄVG — In October, DocMorris entered into a strategic cooperation with the HÄVG (the organisation that manages the contracts for the German Association of General Practitioners). The HÄVG provides healthcare services for around 30,000 organised general practitioners. In November 2019 the cooperation partners started supporting the German Association of General Practitioners and its regional group in Westfalen-Lippe in a pilot project on sending prescriptions digitally. A second phase will see a checking module on drug treatment safety included. The cross-sectoral pilot project will network general practitioners, patients and pharmacies by combining the e-prescription technology of eHealth-Tec GmbH, the DocMorris eRx app and the AMTS database.

Speeding up integration — The fitting and installation of equipment started in the new hall of the logistics extension in Heerlen, which was completed on time and on budget in August 2019. The Zur Rose Group expects the new distribution centre to be fully operational as scheduled during the course of 2021. An ongoing review is under way to assess whether the logistics activities of other Group companies can be moved to Heerlen in 2020, earlier than planned, to achieve greater efficiencies.

As part of the integration of apo-rot, the next stage was to combine the marketing, service and IT divisions in Heerlen to realise additional synergies. With this in mind, the apo-rot Service GmbH site in Hamburg, where this work was performed by a team of around 80, was closed as planned on 31 December 2019. Out of a sense of social responsibility, apo-rot Service GmbH voluntarily developed socially acceptable solutions in the form of severance packages which took suitable account of the interests of the staff.

Acquisition of ClinPath GmbH and eHealth-Tec GmbH — With the full acquisition of ClinPath GmbH and the joint venture eHealth-Tec GmbH, two small companies in digital healthcare, Zur Rose has secured technical expertise and laid a further key building block in the development of the healthcare eco-system. eHealth-Tec gives the Zur Rose Group a pioneering role in the German market as a systems provider for e-prescription solutions. Initial e-prescription pilot projects with health insurers and other healthcare partners are already being turned into reality by eHealth-Tec in strategic partnerships. In addition, ClinPath is an established provider for designing, developing, installing and applying innovative software solutions to optimise processes in hospitals. Almost 100 clinics and facilities, some in associations and groups, already have the ERPath emergency admission information system from ClinPath in operation. In the interests of consistent branding, since 2020 the ClinPath GmbH product range has been offered under the name eHealth-Tec, which already has a market presence in e-prescription solutions.

Partnership with KRY — In December 2019 the healthcare company KRY, which has operations all over Europe, and DocMorris entered into a partnership to launch KRY in Germany. Across the country, KRY offers patients professional medical diagnosis and advice by video from freelance physicians working and licensed in Germany. If necessary, the attending physician can also issue an electronic prescription, which can be dispensed by DocMorris or a local pharmacy, at the patient's choice. As part of the cooperation, DocMorris advertises the services of KRY by highlighting its telemedical offering across a range of channels including the webshop, package inserts and newsletters. In return, DocMorris acts as the online pharmacy partner of KRY and is seamlessly integrated in the KRY app. Digital prescriptions will be transferred using the eHealth-Tech GmbH technical solution during the course of the first quarter of 2020.

In September 2018 the Zur Rose Group acquired PromoFarma based in Spain, southern Europe's leading e-commerce marketplace for consumer health, beauty and personal care products commonly sold in pharmacies. With this move, the Group added the less capital-intensive marketplace model to its business model, while successfully driving internationalisation forward in core European markets.

Business performance

Strengthening internationalisation strategy — David Masó and Adrià Carulla established Barcelona-based PromoFarma in 2012, setting new standards in the pharmacy market with their proprietary platform technology. The platform offers a unique online shopping experience at European level and allows independent pharmacies to do online business profitably. By acquiring this company in September 2018, the Zur Rose Group has bolstered its internationalisation strategy and enhanced its e-commerce technology expertise. The two founding partners, both remaining in senior management, are driving the expansion and internationalisation of the marketplace forward in a focused manner. In February 2019 the Group acquired the French DoctiPharma marketplace, which has since been integrated into the PromoFarma platform, steadily expanding the product offering internationally. In addition, PromoFarma already serves 20 countries in Europe on a cross-border basis.

Capital-efficient business model with major customer benefits — Through the PromoFarma platform, the Zur Rose Group distributes around 140,000 consumer health, beauty and personal care products from some 7,000 brands now provided and shipped by more than 800 partners, mainly pharmacies, but also pharmaceutical manufacturers. Thanks to the use of cutting-edge technology, the affiliated partners have rapid access to e-commerce for little investment. As a marketplace, PromoFarma takes care of all the digital services required, such as the web shop, online marketing and processing of end customers' payments. Customers order their products in the PromoFarma and DoctiPharma web shop, and the platform automatically allocates the order to a partner pharmacy. The platform also manages the shipping process from the pharmacy to the end customer, ensuring an excellent end-to-end shopping experience. This combination offers end customers genuine added-value – access to the largest range of products at attractive prices and with outstanding service.

Sales on the platform have risen on average by over 30 per cent per year since its inception. In 2019 PromoFarma achieved revenue growth of 48 per cent to CHF 39.7 million with the marketplace in the Europe segment. The total market volume for the lightly regulated product segment in Europe is around EUR 100 billion.

Expanding technology expertise — While diversifying its business, the Zur Rose Group is also leveraging PromoFarma's technology expertise to implement a Technology Development Centre in Barcelona. More than 100 people from 15 nationalities are based at the Centre, most of them with a tech background: software engineers, data scientists, UX designers and product managers. The development teams will support the expansion of the current flexible, high-performance and scalable microservices-based platform to deploy marketplace business in other countries like Germany and Switzerland, as well as designing digital health services using mobile technologies. Development of the marketplace platform, which allows pharmacies and other healthcare providers to offer their products and services, will focus on creating a digital health services ecosystem to empower healthy lifestyles.

Corporate Governance

The Zur Rose Group applies the principles and rules of Corporate Governance set out in the "Swiss Code of Best Practice for Corporate Governance" of economiesuisse. The content and structure of this section comply with the Directive on Information relating to Corporate Governance issued by the SIX Swiss Exchange. Unless otherwise stated, all information relates to the reporting date of 31 December 2019. The key elements of corporate governance are defined in the Company's Articles of Association, Organisational Regulations and Terms of Reference of the Committees of the Board of Directors. The Zur Rose Group publishes these documents online at zurrosegroup.com > "Investors & Media" > "Corporate Governance".

1 Group Structure and Shareholders

1.1 Group Structure

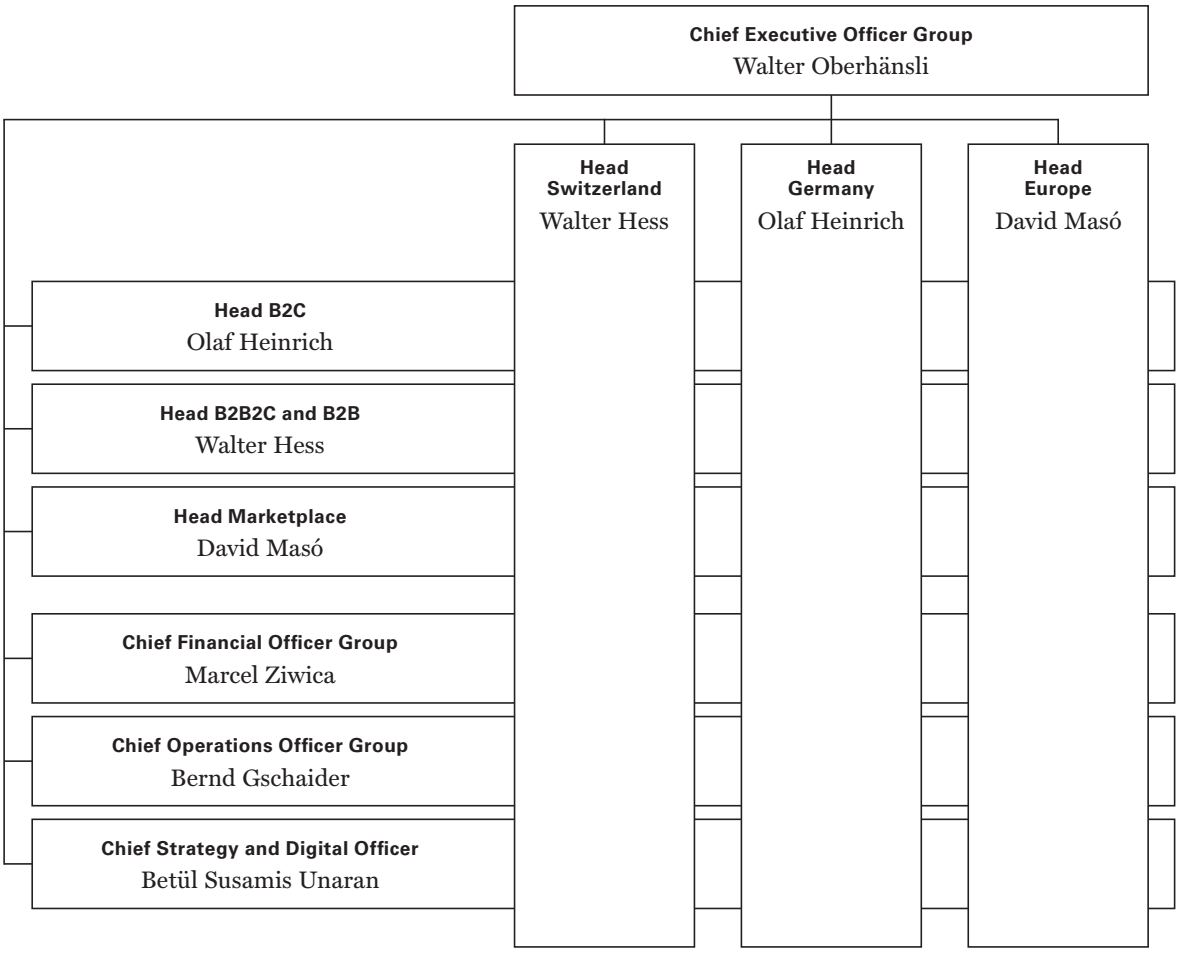
Zur Rose Group AG based in Steckborn is organised as a stock corporation under Swiss law. The registered shares with the security number 4261528 are listed on the SIX Swiss Exchange. The Board of Directors supervises the Zur Rose Group, while the Group Management is responsible for the operational management. The operational business is divided into three geographic segments:

- The operating segment Switzerland comprises the wholesale business of supplying products to Swiss medical practitioners and the retail business focused on providing end consumers with drugs and health products from Zur Rose.
- The operating segment Germany comprises the mail-order business in drugs and health products, as well as services for mail-order pharmacies.
- The operating segment Europe (countries outside Germany, Austria and Switzerland) comprises the marketplace business of PromoFarma and Doctipharma.

As per 1 May 2020 the Zur Rose Group is adapting its leadership structure to the needs and opportunities of the company that has seen strong growth. In addition to the existing segment organisation with both regional and revenue responsibility, a cross-segment business model organisation with B2C, B2B2C & B2B as well as Marketplace is being put in place. The Group structure also includes the functions of Finance, Operations as well as Strategy & Digitisation. The function of Finance, which provides services for the whole Group, is under the responsibility of the CFO. The CFO is also responsible for Investor Relations. Operations includes the management, control and organisation of all logistics processes across the Group. Strategy & Digitisation covers the company's digital strategy and the development of the healthcare ecosystem. The Communication and Legal departments report to the CEO. They provide services for the whole Group.

The subsidiaries included in the Group consolidation, with details of their names and registered offices, share capital and the percentage interest held by Group companies, are listed in the Notes to the Consolidated Financial Statements on page 62. The consolidation does not include any companies whose equity securities are listed on a stock exchange, with the exception of Zur Rose Group AG.

STRUCTURE OF THE ZUR ROSE GROUP (from 1 May 2020)



1.2 Significant Shareholders

According to the share register and the disclosure notices to Zur Rose Group AG and the SIX Swiss Exchange, the following shareholders held 3 percent or more of the share capital on 31 December 2019:

Beneficial owner(s) / Person(s) entitled to exercise voting rights	Direct shareholder	Time of disclosure	Percentage
Portsea Asset Management LLP		16.05.2019 [1]	3.52
T. Rowe Price Associates, Inc.		30.01.2019 [1]	5.69
Christiane Maria Bülow-Bichler Ulrich Johannes Spindler Tobias Bodo Kindlieb Frank Müller	Sabine Funke (Notarin)	12.01.2019 [1]	4.25
Patrick Schmitz-Morkamer Patrick Bierbaum	PSquared Master SICAV Ltd. Leveraged Event Fund LP BP Investment Ltd.	08.05.2018 [1]	3.19
Al Faisaliah Group Holding Company	Matterhorn Pharma Holding	13.07.2017 [1]	4.57
Vanessa Frey Beat Frey Brigitte Frey Alexandra Frey	KWE Beteiligungen AG	31.12.2019 [2]	10.30
Members of the Board of Directors and Group Management		31.12.2019 [2]	4.00

1) Compared to share capital at the time of disclosure (changes in capital see 2.3)
2) According to the share register on 31 December 2019

Changes in the shareholder structure after the reporting date: According to the disclosure notice of 31 January 2020, KWE Beteiligungen AG holds less than 3 per cent, according to the disclosure notice of 4 March 2020, ETHENEA Independent Investors S.A. holds 3.9 per cent, according to the disclosure notice of 5 March 2020, Credit Suisse Funds AG holds 3.14 per cent according to the disclosure notice of 9 March 2020, Portsea Asset Management LLP holds less than 3 per cent and according to the disclosure notice of 16 March 2020, T. Rowe Price Associates, Inc. holds 4.92 per cent of the share capital.

The disclosure notices published by Zur Rose Group AG via the electronic publication platform of the SIX Swiss Exchange can be found at *www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html*. The shareholdings of the members of the Board of Directors and Group Management are shown in detail in the Notes to the Financial Statements of Zur Rose Group AG.

Zur Rose Group AG had 6,530 shareholders at 31 December 2019 (5,995 at the end of 2018).

1.3 Cross-Shareholdings

There are no cross-shareholdings with other companies.

2 Capital Structure

Information on the capital structure can be found in the financial report on page 98.

2.1 Capital

The share capital of Zur Rose Group AG as at 31 December 2019 was CHF 262,199,160.00, divided into 8,739,972 registered shares with a par value of CHF 30.00 each.

2.2 Authorised and Conditional Share Capital

Authorized Capital
Zur Rose Group AG has no authorised capital.

Conditional Share Capital for Employee Participations
The share capital of the Company may be increased by an amount not to exceed CHF 5,577,000.00 through the issuance of up to 185,900 fully paid up registered shares with a par value of CHF 30.00 each through issuance of shares to employees and members of the Board of Directors of the Company and its subsidiaries. The preemptive rights and advance subscription rights of the existing shareholders of the Company for the new shares in proportion to their existing participations shall be excluded. The issuance of shares (issue amount, start date of dividend rights, type of contributions) or of options related thereto or a combination of shares and options shall be made pursuant to one or more plans to be issued by the Board of Directors. The issuance of shares or options may occur at a price below the market price. The acquisition of registered shares via the exercise of option rights and any subsequent transfer of such registered shares shall be subject to the restrictions of Article 5 of the Articles of Association.

Conditional Share Capital for Financing, Acquisitions and other Purposes
The share capital of the Company may be increased by an amount not to exceed CHF 39,266,400.00 through the issuance of up to 1,308,880 fully paid up registered shares with a par value of CHF 30.00 each through the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, options, warrants or other securities or contractual obligations of the Company or any of its subsidiaries (hereinafter collectively, the Financial Instruments). The preemptive rights of the existing shareholders shall be excluded upon the exercise of any Financial Instruments in connection with the issuance of shares. The then-current owners of such Financial Instruments shall be entitled to acquire the new shares issued upon conversion, exchange or exercise of any Financial Instruments. The main conditions of the Financial Instruments shall be determined by the Board of Directors.

The Board of Directors shall be authorised to restrict or exclude advance subscription rights of the existing shareholders in connection with the issuance of Financial Instruments by the Company or one of its subsidiaries if (1) the issuance is for purposes of financing or refinancing, or the payment for, the acquisition of companies, parts of companies, participations, products, intellectual property or licenses, or investment projects or (2) the issuance occurs in national or international capital markets or through a private placement. If the advance subscription rights are neither granted directly nor indirectly by the Board of Directors, the following shall apply:

(a) the Financial Instruments shall be issued or entered into at market conditions; and
(b) the conversion, exchange or exercise price of the Financial Instruments shall be set with reference to the market conditions prevailing at the date on which the Financial Instruments are issued; and
(c) the Financial Instruments may be converted, exchanged or exercised during a maximum period of 10 years from the date of the relevant issuance or entry.

The direct or indirect acquisition of registered shares via the conversion, exchange or exercise of Financial Instruments and any subsequent transfer of such registered shares shall be subject to the restrictions of Article 5 of the Articles of Association.

2.3 Changes in Capital

At 31 December 2018, the share capital of Zur Rose Group AG was CHF 48,127,413.75. On 3 January 2019, the share capital increased by CHF 2,046,350.25 to CHF 50,173,764.00 divided into 8,725,872 fully paid in registered shares with a par value of CHF 5.75 each. The new shares were issued from the existing authorised capital in order to pay for the share components of the purchase price within the scope of the acquisition of medpex. On 23 May 2019, the share capital increased as part of an ordinary capital increase by CHF 211,602,396.00 to CHF 261,776,160.00, divided into 8,725,872 fully paid in registered shares with a par value of CHF 30.00 each, by converting freely disposable equity (capital contribution reserves) into share capital. On 18 November 2019, the Company issued 14,100 registered shares with a par value of CHF 30.00 each from the conditional capital, increasing the share capital by CHF 423,000.00 to CHF 262,199,160.00. Further information on changes in capital is set out in the Consolidated Statement of Changes in Equity, page 59.

For previous years please refer to the Annual Report 2018 (can be downloaded at h*ttps://gb.zurrose-group.com/en/gb2018/home.html),* page 23, and the Annual Report 2017 (can be downloaded at h*ttp://gb1.zurrosegroup.com/de/gb2017/home.html),* page 32.

2.4 Shares and Participation Certificates

On 31 December 2019, the share capital was divided into 8,739,972 registered shares with a par value of CHF 30.00 each. The shares are fully paid up. Zur Rose Group AG has not issued any participation certificates.

2.5 Dividend-Right Certificates

The Company has not issued any dividend-right certificates.

2.6 Limitations on Transferability and Nominee Registrations

Persons acquiring registered shares are registered in the share register as shareholders with voting rights upon their request if they expressly declare to have acquired these registered shares in their own name and for their own account. The Board of Directors may register individual persons who do not expressly declare in their registration application to hold the registered shares for their own account (the Nominees) as shareholders with voting rights with regard to up to 3 percent of the share capital recorded in the commercial register if the Nominee has entered into an agreement with the Company regarding his / her status and is subject to recognised bank or financial market supervision. Beyond such registration limit, the Board of Directors may register Nominees as shareholders with voting rights if such Nominees disclose the first and last names (in the case of legal entities, the company names), addresses and nationality (in the case of legal entities, the registered office) and shareholdings of those persons for whose account they hold 0.5 percent or more of the share capital recorded in the commercial register. In particular cases, the Board of Directors may grant exceptions from the rules concerning Nominees.

At 31 December 2019, no Nominee had entered into an agreement regarding his / her position. No exceptions were granted. The Nominees recorded in the share register are therefore registered without voting rights. There are no other transfer limitations and no statutory privileges. Any lifting or amendment of the limitations on transferability requires a shareholders' resolution by a voting majority of at least two thirds of the shares represented.

2.7 Convertibles Bonds and Options

Zur Rose Group AG had no convertible bonds or options outstanding at 31 December 2019.

3 Board of Directors

3.1 Members of the Board of Directors

The majority of the Zur Rose Group's Board of Directors are independent external directors. Dr. Heinz O. Baumgartner and Vanessa Frey stepped down from the Board of Directors at the Annual General Meeting held on 23 May 2019. The AGM elected Tobias Hartmann, Dr. Christian Mielsch and Florian Seubert for the first time to the Board of Directors. It is a principle of corporate policy to take due account of the diversity of the Board. Female candidates will continue to be considered when making appointments to the Board of Directors in future.

On 31 December 2019, it consisted of the following persons:

MEMBERS OF THE BOARD OF DIRECTORS

	Position	First elected	Term expires
Prof. Stefan Feuerstein	Chairman, Non-Executive Director	2010	2020
Walter Oberhänsli	CEO, Executive Director	1993	2020
Dr. Thomas Schneider	Vice Chairman, Non-Executive Director	1995	2020
Prof. Dr. Volker Amelung	Non-Executive Director	2010	2020
Tobias Hartmann	Non-Executive Director	2019	2020
Dr. Christian Mielsch	Non-Executive Director	2019	2020
Florian Seubert	Non-Executive Director	2019	2020

— **Stefan Feuerstein** (1955, German national, Prof.)
Chairman of the Board of Partners of the UNIMO-Gerstner Group, Zug/Xanten. Director of various companies. Served as Executive Director and CEO of Markant AG until 2010 and previously as a member of the Management Board of METRO AG, responsible for Strategic Group Purchasing and Food & Retail. He studied business administration and has been an honorary professor at Worms University of Applied Sciences since 2001.

— **Walter Oberhänsli** (1958, Swiss national)
Chairman of the Board from 1996 to 2011, serving as Executive Director and Chief Executive Officer (CEO) since 2005. He practised as an independent lawyer in Kreuzlingen (Canton of Thurgau) until the end of 2004 and studied law at the University of Zurich.

— **Thomas Schneider** (1955, Swiss national, Dr. med.)
Specialist in general medicine (FMH), working as a family and general practitioner in a group practice in Tägerwilen (Canton of Thurgau) since 1989. Served as a member of the Medical Ethics Board of the Thurgau Medical Society in 2009, having previously occupied various roles in professional policy at national and cantonal level. He studied medicine at the University of Basel.

— **Volker Amelung** (1965, dual German-Swiss national, Univ. Prof. Dr. oec. HSG)
Specialist Professor of International Health Systems Research at Hannover Medical School since 2001, following teaching appointments at the University of Economics and Politics, Hamburg, and Columbia University, New York. He studied business administration at the Universities of St. Gallen and Paris-Dauphine.

— **Tobias Hartmann** (1972, German national)
CEO of Scout24 AG, Munich, since November 2018. Served as President US and Management Board Member of HelloFresh SE, Berlin and New York, from 2017 to 2018. In various executive positions, ultimately as President, of Radial Inc., USA, from 2011 to 2017. COO of D+S Europe from 2005 to 2010, Management Board Member of Loyalty Partner GmbH from 1999 to 2005 and Consultant at Roland Berger Strategy Consultants from 1995 to 1999. He holds a Bachelor of Arts (BA) degree in economics (Clark University, Worcester, Massachusetts, USA) and a Master of Business Administration.

— **Christian Mielsch** (1962, German national, Dr. rer. nat.)
Management Board member and CFO of the REWE Group, Cologne, since 2012. Occupied various executive positions in the Metro Group from 1997 to 2012, including CFO of Metro Cash & Carry International and ultimately COO of Metro Cash & Carry Central East Europe, after holding executive finance roles at Bertelsmann AG, Munich, from 1994 to 1997 and working for McKinsey & Company, Düsseldorf, from 1990 to 1994. He studied physics and business administration in Dortmund and Hagen.

— **Florian Seubert** (1973, German national)
Partner and private investor at Maxburg Capital Partners, Munich, since 2013. Served as co-founder and CFO of zooplus AG, Munich, from 1999 to 2013 and in the Securities Division of JPMorgan in London and New York from 1998 to 1999. He earned a master's degree (MA Oxon) in philosophy, politics and economics from Oxford University.

With the exception of the Executive Director and CEO, Walter Oberhänsli, none of the Directors has ever been a member of the management of a Zur Rose Group company or the Group Management. None of the Directors has a significant business relation with the Zur Rose Group. There are no cross-directorships among the Directors.

3.2 Other Activities and Vested Interests

— **Stefan Feuerstein**
Chairman of the Board of the Al Faisaliah Group's Electronics & Systems Company, Riyadh (SA)
Chairman of the Board of Electronic Partner Handel SE as well as Director of Haubrich Holding SE, Düsseldorf (DE)
Director of EVAN Management AG, Zug
Chairman of the Supervisory Board of Kühnl + Schmidt Architekten AG, Karlsruhe (DE)
Vice Chairman of the Board of UNIMO Real Estate Management AG, Zug
Member of the Research Advisory Board at Worms University of Applied Sciences (DE)

— **Walter Oberhänsli**
President of the Association of Swiss Mail-Order Pharmacies (VSVA), Solothurn
Member of the Management Board of the Federal Association of German Mail-Order Pharmacies (BVDVA), Berlin (DE)

— **Thomas Schneider**
Board Member of the Dispensing Doctors' Association (APA), St. Gallen
Board Member of the Pharma Code Committee of the Scienceindustries Business Association, Zurich

— **Volker Amelung**
President of the German Managed Care Association, Berlin (DE)
Managing Director of the private Institute for Applied Health Services Research (Institut für angewandte Versorgungsforschung GmbH, inav), Berlin (DE)
Member of the Doctors' Health Fund (Ärzte-Krankenkasse) State Committee in Lower Saxony, Hanover (DE)
Healthcare Denmark Ambassador, Copenhagen (DK)

— **Tobias Hartmann**
No other activities or vested interests.

— **Christian Mielsch**
Board Member of REWE Zentralfinanz eG, Köln (DE); associated with this are Executive Board, management and Supervisory Board functions in various companies belonging to the Group
Chairman of the Supervisory Board of Wasgau Produktions- und Handels AG, Pirmasens (DE)
Director of Electronic Partner Handel SE as well as Haubrich Holding SE, Düsseldorf (DE)

— **Florian Seubert**
Director of SUSI Partners AG, Zug
Managing Partner of AB1204 Verwaltungs GmbH, Brannenburg (DE)

BOARD OF DIRECTORS *(from left)*

FLORIAN SEUBERT, VOLKER AMELUNG, THOMAS SCHNEIDER, WALTER OBERHÄNSLI, STEFAN FEUERSTEIN, CHRISTIAN MIELSCH, TOBIAS HARTMANN.

3.3 Additional Mandates Outside the Zur Rose Group

Under the Articles of Association of Zur Rose Group AG, no member of the Board of Directors may hold more than ten additional mandates and, in addition to those, no more than four in listed companies. Each of these mandates is subject to approval by the Chairman of the Board of Directors and, in case of a mandate of the Chairman of the Board of the Directors, by the majority of the other members of the Board of Directors. Any exceptions (e.g. mandates in companies which are held at the request of the Zur Rose Group or companies controlled by it or in charitable organizations) are defined in the Articles of Association.

3.4 Elections and Terms of Office

The General Meeting of Shareholders elects the members of the Board of Directors and the Chairman of the Board of Directors individually and for a term of office until the end of the next Annual General Meeting of Shareholders. They are eligible for re-election. If the office of the Chairman of the Board of Directors is vacant, the Board of Directors appoints a new Chairman from among its members for a term of office extending until the end of the next Annual General Meeting of Shareholders. The year in which the members of the Board of Directors were first elected to office is shown in the table in chapter 3.1. No restrictions on their terms of office have been set.

3.5 Internal Organisational Structure

3.5.1 Allocation of tasks within the Board of Directors

Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee by the General Meeting of Shareholders, the Board of Directors constitutes itself. The Board of Directors may elect one or several Vice Chairmen. The Board of Directors also appoints a secretary, who need not be a member of the Board of Directors. Prof. Stefan Feuerstein serves as the Chairman of the Board. Walter Oberhänsli is the Executive Director and CEO of the Company. Dr. Thomas Schneider holds the office of Vice Chairman. The allocation of tasks between the Board of Directors and the CEO, as well as the duties and powers of the Chairman of the Board of Directors and the Committees, are set out in the Organisational Regulations and related Committee Terms of Reference (available at h*ttps://zurrosegroup.com/websites/zurrosegroup/English/2080/corporate-governance.html)*.

3.5.2 Committees of the Board of Directors

The Audit Committee and the Compensation Committee are standing committees of the Board of Directors. The Board of Directors may resolve to establish (and dissolve) additional committees and entrust them with certain responsibilities and project-related tasks.

AUDIT COMMITTEE
Prof. Dr. Volker Amelung, Chairman
Prof. Stefan Feuerstein
Dr. Christian Mielsch

The Audit Committee is comprised of three non-executive members of the Board of Directors, who must all have business management skills. The members and the chairman are appointed by a resolution of the full Board of Directors. The Audit Committee assists the Board of Directors in overseeing the management of the business, in particular in its non-delegable duties of ultimate supervision and financial control (Art. 716a CO), as well as in the preparation of the annual report and financial statements, by forming its own judgement of the organisation and operation of the internal and external control systems, as well as the financial report. The Audit Committee is established as a standing committee. Its role is exclusively advisory and supervisory, and includes the preparation of resolutions. The decision-making authority of the full Board of Directors remains unaffected. The Audit Committee does not appoint any subcommittees.

COMPENSATION COMMITTEE
Dr. Thomas Schneider, Chairman
Prof. Stefan Feuerstein
Florian Seubert

The Compensation Committee comprises three members of the Board of Directors and constitutes itself. It supports the Board of Directors in establishing and reviewing the compensation strategy and guidelines, and in preparing the proposals to the General Meeting of Shareholders regarding the compensation of the Board of Directors and Group Management. It may submit proposals to the Board of Directors on other compensation issues and assists it in matters relating to the nomination and promotion of members of the first and second management levels. The role of the Compensation Committee is exclusively advisory and includes the preparation of resolutions. The decision-making authority of the full Board of Directors remains unaffected. The Compensation Committee does not appoint any subcommittees.

3.5.3 Working methods of the Board of Directors and its Committees

The Board of Directors meets as often as is deemed necessary or if a member requests this in writing. The meetings usually take place about every two months, taking up a full day. Meetings of the Board of Directors are convened by the Chairman or, should he be prevented from doing so, by the Vice Chairman or by the oldest member of the Board of Directors. Meetings of the Board of Directors and its Committees may also be held by telephone conference, videoconference or Internet conference. Meetings are convened in writing, with details of the agenda items. The Board of Directors constitutes a quorum if the majority of its members are present. Participation by telephone, video or Internet equates to attendance in person. No quorum is required if solely the completion of a share capital increase is to be ascertained and the subsequent amendment to the Articles of Association is to be resolved. The Board of Directors passes its resolutions by a majority of the votes cast. In the event of a tie, the Chairman has the casting vote. Resolutions may be passed by circular letter unless a member requests a verbal consultation. The Board of Directors met six times during the 2019 financial year. In addition, eight telephone conferences of the whole Board were held. All members of the Board of Directors attended all meetings of the Board, with the exception of two absences for business reasons or illness. Meetings of the Board of Directors are normally also attended by the CFO and the Group General Counsel (as minute-taker) in an advisory capacity. The other members of the Group Management are invited to meetings of the Board of Directors where the strategy and budget or market-specific agenda items are to be deliberated.

The Committees meet at least twice a year (spring and autumn) and at such other times as required and may be requested by any member of the Committees. The meetings usually last two or three hours. The role of the Committees is restricted to the preparation of decision-making criteria for the attention of the Board of Directors. The composition, organisation, powers and roles of the individual Committees are defined by the Board of Directors in appropriate Committee Terms of Reference (available at h*ttps://zurrosegroup.com/websites/zurrosegroup/English/2080/corporate-governance.html),* to the extent that they are not prescribed by the Articles of Association or a resolution of the General Meeting of Shareholders. The chairmen of the Committees keep the Board of Directors informed of their activities at the next ordinary meeting of the Board of Directors or, in urgent cases, immediately. The Audit Committee met twice and the Compensation Committee three times during the 2019 financial year. All Committee members attended all the meetings. Members of the Group Management are also usually represented at the Committee meetings in an advisory capacity, as well as individual specialist departments, when required.

3.6 Definition of Areas of Responsibility

The Board of Directors is responsible for the ultimate management of the Company and overseeing the management of business. In particular, the Board of Directors has the following responsibilities:

a) ultimate management of the Company, including the definition of medium- and long-term strategies and core planning priorities together with the guidelines for corporate policy, and the issuance of the necessary instructions;
b) establishment of the underlying organisation, in particular the issuance of Organisational Regulations;
c) decisions on transactions of key strategic significance;
d) appointment and dismissal of the persons entrusted with the management and representation of the Company, in particular the Executive Director and CEO, the members of the Group Management and the Head of Internal Auditing, as well as establishment of rules on signature powers;
e) ultimate supervision of the corporate bodies entrusted with the management of the Company, in particular in terms of compliance with laws, the Articles of Association, regulations and directives;
f) preparation of the annual report and the compensation report, as well as preparation of the General Meeting of Shareholders and implementation of its resolutions;
g) notification of the judge if liabilities exceed assets;
h) adoption of resolutions on the increase of the share capital, to the extent that such power is vested in the Board of Directors (CO 651 IV), as well as the ascertainment of capital increases and the respective amendments to the Articles of Association;
i) approval of the annual budget.

The Board of Directors delegates all other areas of management in full to the Executive Director and CEO and to the Group Management, unless otherwise provided by statutory legal provisions or the Articles of Association. The duties and powers of the Group Management are set out in the Organizational Regulations (available at h*ttps://zurrosegroup.com/websites/zurrosegroup/English/2080/corporate-governance.html).*

3.7 Information and Control Instruments Relating to the Group Management

Each member of the Board of Directors receives the monthly, half-yearly and annual financial statements. The financial statements provide information such as details of the balance sheet, income statement, cash flow statement and the key financials of the Group and its segments. Furthermore, the CEO and the CFO report on the course of business and all matters of relevance for the Group at every meeting of the Board of Directors, which receives a forecast of the annual results at least twice a year. At these meetings, the chairmen of the Committees also report on the agenda items dealt with by their Committee, as well as the key findings and assessments, and they present the corresponding proposals. Each year, the Board of Directors discusses and adopts the budget for the following year. It defines the medium-term strategic plan and reviews it annually. The Chairman of the Board of Directors consults regularly with the CEO and other representatives of the Group Management. In addition, the Board of Directors regularly receives a current status report on investor relations.

Based on the Organisational Regulations (available at h*ttps://zurrosegroup.com/websites/zurrosegroup/English/2080/corporate-governance.html),* Internal Auditing conducts operational and systems reviews and assists the Group's organisational units in regulating, improving and assuring the effectiveness of their risk management and internal control processes. Internal Auditing coordinates its work as far as possible with the external Auditors. The Board of Directors may entrust Internal Auditing with special audits, internal investigations or other tasks extending beyond the regular activities of Internal Auditing.

The Zur Rose Group has implemented a system for monitoring and controlling the risks associated with its business operations. This process includes the identification, analysis, control and reporting of risks. The Board of Directors and the CEO are responsible for creating the necessary organisational framework for the operation of the risk management system. The CFO is operationally responsible for risk management control. He may delegate subtasks. The people responsible for these tasks take concrete measures to manage the risks and monitor their implementation.

GROUP MANAGEMENT *(from left)*

WALTER HESS – HEAD SWITZERLAND
OLAF HEINRICH – HEAD GERMANY
WALTER OBERHÄNSLI – CHIEF EXECUTIVE OFFICER
MARCEL ZIWICA – CHIEF FINANCIAL OFFICER

4 Group Management

4.1 Members of the Group Management

On 31 December 2019, the Group Management consisted of the following members:

— **Walter Oberhänsli** (1958, Swiss national), Executive Director and CEO
Chairman of the Board from 1996 to 2011, serving as Executive Director and Chief Executive Officer (CEO) since 2005. He practised as an independent lawyer in Kreuzlingen (Canton of Thurgau) until the end of 2004 and studied law at the University of Zurich.

— **Marcel Ziwica** (1975, Swiss national), Chief Financial Officer
Held a variety of management positions in the Zur Rose Group from 2001 to 2014, ultimately as Head of Group Finance and Controlling and a member of the Executive Committee for Switzerland. Serving as CFO since November 2014. Prior to joining the Zur Rose Group, he worked as a consultant with Spider Innoventure AG in Tägerwilen. He studied business administration at the University of St. Gallen.

— **Walter Hess** (1965, Swiss national), Head Switzerland
Zur Rose General Manager since March 2015 and also Head Switzerland within the Zur Rose Group since 2017. Before joining the Group, he worked as an external consultant, also on various projects for Zur Rose, and ultimately heading the Zur Rose Pharma GmbH facility in Halle (Saale, Germany). CEO of Praevmedic AG, Zurich, until 2013. Previously held a number of management positions in international industrial companies. After a business education, he studied business administration at FHS St. Gallen University of Applied Sciences.

— **Olaf Heinrich** (1970, German national), Head Germany
Serving on the Management Board of DocMorris since 2008 and as CEO since 2009, additionally appointed Head Germany within the Zur Rose Group in 2017. Before joining DocMorris, he managed joint ventures in the retail (KarstadtQuelle / Redcats) and pharmaceutical (Medco Celesio) sectors and held other international senior management positions with leading companies in the retail and pharmaceutical sectors. He studied industrial engineering in Berlin and London.

As of **1 May 2020,** the Group Management will be expanded by Bernd Gschaider, Chief Operations Officer, David Masó, Head Europe, and Betül Susamis Unaran, Chief Strategy and Digital Officer.

— **Bernd Gschaider** (1966, German national), Chief Operations Officer
Worked at Amazon from 2016 to early 2020, first as Director Operations, then as Country Director Logistics for Germany and Austria. He held various senior positions at Robert Bosch GmbH in Turkey, France and Germany from 1998 to 2016. Prior to joining Bosch, he served for Bundy Systemwerk Neunkirchen GmbH from 1995 to 1998. He studied mechanical engineering at RWTH Aachen University.

David Masó (1971, Spanish national), Head Europe
Serving as CEO of PromoFarma since 2012. He was co-founder of several start-up companies in Spain: 2012 PromoFarma; 2009 Qporama, serving until 2011; 2003 Futurlink, CEO until 2009. Previously he worked as management consultant for internet projects. He studied telecommunications engineering at UPC Barcelona. He holds a Master of Business Administration from ESADE Barcelona and completed a Stanford Executive Program.

Betül Susamis Unaran (1976, dual Swiss-Turkish national), Chief Strategy and Digital Officer
Serving as Chief Strategy and Digital Officer of the Zur Rose Group since November 2019. Before joining the Group, she was Global Head of Digital Medicines at Novartis Pharmaceuticals from 2018 to 2019. She served as Director of Global Operations and then as Global Head of Digital at Ferring Pharmaceuticals from 2012 to 2017. Consultant at McKinsey & Company in London and Geneva from 2004 to 2011. Previously she worked at Procter & Gamble in Istanbul and Frankfurt. She studied Industrial Engineering at Bogaziçi University in Istanbul and has an MBA from INSEAD.

4.2 Other Activities and Vested Interests

— Walter Oberhänsli
President of the Association of Swiss Mail-Order Pharmacies (VSVA), Solothurn
Member of the Management Board of the Federal Association of German Mail-Order Pharmacies (BVDVA), Berlin (DE)

— Marcel Ziwica
No other activities or vested interests.

— Walter Hess
Chairman of the Board and co-owner of Praevmedic AG, Zurich
Chairman of the Board of Sportsemotion AG, Rorschach
Director of Hohlflex AG, Abtwil

— Olaf Heinrich
No other activities or vested interests.

4.3 Number of Permitted Activities Outside the Zur Rose Group
No member of the Group Management may hold more than four mandates and, in addition to those, no more than two in a listed company. Any exceptions (e.g. for mandates held on behalf of the Zur Rose Group or in charitable organisations) are defined in the Articles of Association.

4.4 Management Contracts
There are no management contracts with third parties.

5 Compensation, Shareholdings and Loans

Information about the compensation of the Board of Directors and Group Management is provided in the Compensation Report (on pages 43 to 51).

6 Shareholders' Participation Rights

6.1 Voting Right Restrictions and Representation
Restrictions only exist for Nominees (see 2.6 Limitations on Transferability and Nominee Registrations). No exceptions were granted during the reporting year, and no measures to lift restrictions are planned. A shareholder may only be represented at a General Meeting of Shareholders by the independent proxy, his or her legal representative or by any other proxy authorised in writing, who need not be a shareholder. All shares held by a shareholder may only be represented by one person.

6.2 Quorums Required by the Articles of Association
The Company's Articles of Association do not provide for resolutions of the General Meeting of Shareholders that can only be passed by a majority greater than that required by the statutory legal provisions. The one exception is a resolution to convert registered shares into bearer shares, which requires at least two thirds of the votes represented and an absolute majority of the par value of shares represented.

6.3 Convocation of the General Meeting of Shareholders
There are no rules for the convocation of a General Meeting of Shareholders that differ from the statutory legal provisions.

6.4 Inclusion of Items on the Agenda

Shareholders who, alone or together, either hold shares with a par value of at least CHF 1,000,000 or who represent at least 10 percent of the share capital may request that an item be included on the agenda. Such request must be made in writing at least 45 calendar days prior to the General Meeting of Shareholders, specifying the agenda item and the shareholders' proposals. No resolutions may be passed at a General Meeting of Shareholders on proposals concerning agenda items for which proper notice was not given. This provision does not apply to proposals made during a General Meeting of Shareholders to convene an Extraordinary General Meeting of Shareholders or to initiate a special audit. No prior notice is required to bring motions related to items already on the agenda or for the discussion of matters on which no resolution is to be taken.

6.5 Entries in the Share Register

No entries can be made in the share register within one week prior to the General Meeting of Shareholders. The date is published in the notice of the General Meeting of Shareholders. Shareholders who sell their shares before the General Meeting of Shareholders are no longer entitled to vote or receive dividends.

7 Changes of Control and Defence Measures

7.1 Duty to Make an Offer

The Articles of Association make no provision for opting out or opting up.

7.2 Clauses on Changes of Control

The contracts of the Board of Directors and Group Management contain no change of control clause.

8 Auditors

8.1 Duration of the Mandate

The Auditors are elected annually by the General Meeting of Shareholders. Ernst & Young AG has served as Auditors since 2002. Martin Gröli has performed the function of Lead Auditor since 5 May 2017. The term of office of the Lead Auditor is limited to a maximum of seven years.

8.2 Auditing Fees

The total cost of the auditing services provided by Ernst & Young during 2019 was CHF 501,255. In addition, the audit firm charged fees of CHF 168,119 for audit-related services.

8.3 Additional Fees

Fees amounting to CHF 340,391 were incurred during 2019 for tax advice and people advisory services provided by the audit firm.

8.4 Information Instruments Pertaining to the External Audit

Before each scheduled meeting, the external Auditors report to the Audit Committee in writing on relevant auditing activities and other important issues associated with the Company. Representatives of the external Auditors attend the meetings of the Audit Committee for specific agenda items, and to comment on their activities and answer questions. During 2019, the external Auditors attended two meetings of the Audit Committee. The Audit Committee assesses the performance, remuneration and independence of the auditors annually and submits a proposal to the Board of Directors for the nomination of the Auditors, for the attention of the General Meeting of Shareholders. The Audit Committee also reviews the scope of the external audit, audit plans and relevant procedures annually. The results of the audit are discussed with the external Auditors.

9 Information Policy

The most important sources of information are the Annual Report and the Half Year Report, the website (www.zurrosegroup.com), press releases, press conferences, meetings for financial analysts and investors as well as the Annual General Meeting. Zur Rose Group provides information about its annual and half-year results in the form of press releases and by holding analyst and media conferences. Quarterly revenue is announced in press releases. Shareholders are sent the printed summary report on the financial year upon request. A full online version of the annual report can be accessed at *https://gb.zurrosegroup.com/en/gb2019/home.html*. Furthermore, the half-year report is available online as a PDF at *https://zurrosegroup.com/websites/zurrosegroup/English/2050/publications.html*. The Annual General Meeting for the shareholders of record is held in the first half of the year. The Group reports on key events by way of press releases, which are available at *https://zurrosegroup.com/websites/zurrosegroup/English/2010/press-releases.html*. This information can be subscribed to at *https://zurrosegroup.com/websites/zurrosegroup/English/2095/subscribe-to-press-releases.html*.

The regular reporting dates are shown under *https://zurrosegroup.com/websites/zurrosegroup/English/2090/financial-calendar.html*. Key dates in 2020 are:

19 March	2019 Full-Year Results
16 April	First Quarter Trading Update
23 April	Annual General Meeting of Shareholders
19 August	Half-Year Results
21 October	Third Quarter Trading Update

The address of the head office and contacts for specific questions are listed at the end of this annual report.

Compensation Report

The Compensation Report describes the compensation principles, governance framework and compensation system of Zur Rose Group AG. It also contains detailed information on the compensation of the members of the Board of Directors and Group Management for the 2019 financial year (the "reporting year"). This report complies with the requirements of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) of 1 January 2014 and with Section 5 of the Annex to the Directive on Information relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange on 20 June 2019.

1 Principles

The value and success of the Zur Rose Group largely depends on the quality and commitment of its employees. Its compensation policy supports the goal of recruiting, motivating and retaining qualified individuals for the Group. The performance-related and share-based components are also designed to align the way of thinking and acting with shareholders' interests.

The compensation system is based on the following principles:

(a) the compensation system anchors the strategic growth targets;
(b) the compensation is fair, market consistent and transparent; and
(c) it supports the recruitment, motivation and retaining of talented and motivated employees.

2 Governance

2.1 Role of Shareholders and Compensation Provisions in the Articles of Association

Under the Swiss "say on pay" provisions, shareholders of companies listed in Switzerland have a significant influence on the compensation of the Board of Directors and Group Management. For one, the shareholders annually approve the maximum total amounts of compensation for the members of the Board of Directors and Group Management. In addition, the principles governing compensation are defined in the Articles of Association, which are also subject of the approval of the shareholders. The Articles of Association can be viewed online at *https://zurrosegroup.com/websites/zurrosegroup/English/2080/corporate-governance.html*. These include the rules for voting on compensation by the General Meeting of Shareholders (Art. 25), the principles of compensation and rules concerning the principles of performance-related compensation (Art. 27), the supplementary amount (Art. 26) and the granting of loans and credits (Art. 30). The key provisions of the Articles of Association are summarised below:

Approval of compensation: The General Meeting of Shareholders approves the proposals of the Board of Directors in relation to the aggregate amounts of the maximum fixed compensation of the Board of Directors for the following financial year, the variable compensation of the Board of Directors for the preceding financial year, the maximum fixed compensation of the Group Management for the following financial year, and the variable compensation of the Group Management for the preceding financial year.

Supplementary amount for changes to Group Management: If the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient also to cover new members of the Group Management, the Company may pay a supplementary amount, which may not exceed 50 per cent of the last aggregate compensation amount approved.

Principles of compensation of the members of the Board of Directors and Group Management: The compensation of the non-executive members of the Board consists of fixed compensation, variable compensation elements as well as further compensation elements and benefits. The compensation of the executive members of the Board of Directors and the members of the Group Management consists of fixed and variable compensation elements as well as further compensation elements and benefits. Total compensation takes into account the position and level of responsibility of the recipient. Fixed compensation comprises the base salary or director's fees, as applicable, and may comprise other compensation elements and benefits. Variable compensation takes into account the achievement of specific performance targets and may be awarded in cash or in equity-based instruments. The Board of Directors determines performance targets and other conditions such as grant, vesting, exercise, restriction and forfeiture conditions and periods.

Loans and credits: Loans and credits to members of the Board of Directors and Group Management may be granted under market conditions. The total amount of such outstanding loans and credits may not exceed the total annual compensation of that member.

2.2 Compensation Committee

Under the Articles of Association, the Compensation Committee (CC) comprises three members of the Board of Directors. The CC supports the Board of Directors in establishing and reviewing the compensation strategy and guidelines, and in preparing the proposals to the General Meeting of Shareholders on the compensation of the Board of Directors and Group Management. It also makes recommendations regarding the appointment of members of the Group Management for the attention of the Board of Directors.

LEVELS OF RESPONSIBILITY

Decision on:	Compensation Committee	Board of Directors	General Meeting of Shareholders
Compensation policy, including the structuring of variable compensation and definition of performance targets	Recommendation	Approval	
Maximum total compensation of the Board of Directors and Group Management	Recommendation	Proposal	Binding vote
Individual compensation of the members of the Board of Directors and Group Management	Proposal	Approval	
Compensation Report	Recommendation	Approval	Consultative vote

The CC consists of Dr. Thomas Schneider, Prof. Stefan Feuerstein and Florian Seubert. The members are elected by shareholders at the Annual General Meeting of Shareholders for the reporting year. The members of the CC serve for a term of one year ending at the end of the next Annual General Meeting of Shareholders (term of office). They are eligible for re-election.

As a rule, the meetings of the CC are held before the meetings of the Board of Directors, so that the proposals can be formulated and approved by the full Board. In addition, the chairman of the CC reports to the Board of Directors on the Committee's activities after each meeting. The minutes of the Committee meetings are provided to the members of the Board of Directors. Members of the Group Management may attend the meetings in an advisory capacity upon invitation, but are not present during the discussion and determination of their own compensation. The CC met three times in 2019. All members attended all meetings.

The CC may engage the services of an external consultant in compensation matters from time to time. hkp Deutschland GmbH were engaged in 2019. In addition, the CC may also seek advice from internal specialists in compensation matters, such as the Head of Human Resources.

2.3 Determination Procedure and Disclosure of Compensation

The CC benchmarks the compensation of the members of the Board of Directors and Group Management every two to four years against the compensation paid by comparable listed companies and European e-commerce companies. Companies with comparable market capitalisation and revenue are taken into account. The peer group includes AO World, APG SGA, Arbonia, Ascom, Bobst Group, Bossard, Burckhardt, Burkhalter, Comet, Conzzeta, Daetwyler, Delticom, Hawesko, Huber+Suhner, Inficon, Interroll, Kardex, Komax, Kudelski, Metall Zug, Rieter, Schweiter, Siegfried, SRP, u-blox and Zooplus.

The comparison data of similar companies are only one factor to be taken into account by the CC in determining the target compensation of the individual members of the Group Management. The actual compensation of the individual members of the Group Management is based on their personal performance and the Company's success. Personal performance is assessed as part of the annual performance management process. In determining personal performance, the achievement of individual goals and the fulfilment of tasks within the framework of the corporate values and the expected management skills are taken into account. The individual performance assessment and the Company's success form the basis for determining the variable compensation.

3 Compensation of the Members of the Board of Directors

3.1 Compensation Structure

The members of the Board of Directors are expected to act independently in exercising their supervisory activities. They therefore receive a fixed base fee for their services for each term of office (retainer), 70 per cent of which is paid in cash and 30 per cent comprising registered shares of the Company with a three-year blocking period. The amount of compensation is not linked to a performance component, and no variable compensation is paid. Depending on the role, the following compensation is paid (gross p.a.):

In CHF 1,000	Total compensation	of which in cash	of which in shares
Chairman	300	210	90
Vice Chairman	130	91	39
Director	100	70	30

The following (gross p.a.) compensation is paid exclusively in cash for serving on Committees:

In CHF 1,000	Cash compensation
Committee chairman	20
Committee member	10

The Chairman of the Board of Directors does not receive a fee for serving on the Committees. The Executive Director and CEO is remunerated for his services as part of his ordinary compensation as a member of the Group Management and does not receive any additional compensation for serving on the Board of Directors. The cash payment is made after the Annual General Meeting of Shareholders and the shares are transferred shortly afterwards. The Company may reimburse members of the Board of Directors for expenses in the form of reimbursement of actual expenses incurred and / or an expense allowance within the amounts allowed for tax purposes. This reimbursement of expenses does not count as compensation. The members of the Board of Directors do not participate in the pension plan of Zur Rose Group AG.

3.2 Compensation paid to the Board of Directors in the 2019 financial year

This section was audited by the auditors in accordance with Article 17 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance).

For the 2019 financial year, the members of the Board of Directors received fixed compensation of CHF 788,000 (2018: CHF 781,000), compensation of CHF 74,000 for serving on Committees (2018: CHF 74,000), and social security contributions of CHF 53,000 (2018: CHF 60,000). Of the total com-

pensation of CHF 915,000 (2018: CHF 915,000), CHF 236,000 (2018: CHF 241,000) was awarded in the form of shares with a vesting period of three years. The table below shows the compensation paid to members of the Board of Directors in 2019.

Name, function [1]	Fixed gross compensation in cash		Fixed gross compensation in shares [2]		Committee fee in cash		Social security contributions		Total [3]	
In CHF 1,000	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Prof. Stefan Feuerstein (Chairman)	**210**	210	**90**	94	**–**	–	**21**	21	**321**	325
Dr. Thomas Schneider (Vice Chairman)	**91**	91	**39**	41	**20**	20	**11**	11	**161**	163
Prof. Dr. Volker Amelung (Director) [4]	**70**	70	**30**	31	**34**	34	**10**	10	**144**	145
Dr. Heinz Baumgartner (Director)	**29**	70	**13**	31	**4**	10	**3**	8	**49**	119
Vanessa Frey (Director)	**29**	70	**13**	31	**4**	10	**3**	8	**49**	119
Tobias Hartmann (Member)	**41**	–	**17**		**–**	–	**–**	–	**58**	–
Dr. Christian Mielsch (Member)	**41**	–	**17**		**6**	–	**–**		**64**	–
Florian Seubert (Member)	**41**	–	**17**		**6**	–	**5**	–	**69**	–
Dr. Lukas Wagner (Director) [5]	–	29	–	13	–	–	–	2	–	44
Non-Executive Directors	**552**	**540**	**236**	**241**	**74**	**74**	**53**	**60**	**915**	**915**
Walter Oberhänsli (Executive Director and CEO)	–	–	–	–	–	–	–	–	–	–
Board of Directors	**552**	**540**	**236**	**241**	**74**	**74**	**53**	**60**	**915**	**915**

1) As of 31 December 2019, seven members of the Board of Directors were in office. Vanessa Frey and Dr. Heinz Baumgartner resigned from the Board of Directors at the Annual General Meeting of Shareholders held on 23 May 2019. At the same time, the AGM elected Tobias Hartmann, Dr. Christian Mielsch and Florian Seubert for the first time to the Board of Directors. As of 31 December 2018, six members of the Board of Directors were in office.
2) The relevant fair value on the day of allocation of CHF 96.40 (2018: CHF 116.60) per share corresponds to the respective daily closing price on the Swiss stock exchange.
3) For disclosure in the Compensation Report, the accrual principle was applied to all compensation elements. Grants are reported in the Compensation Report for the year for which they are awarded.
4) The committee fee paid to Prof. Dr. Volker Amelung includes a director's fee for a subsidiary in the amount of CHF 14,000.
5) Dr. Lukas Wagner resigned from the Board of Directors at the Annual General Meeting of Shareholders held on 24 May 2018.

Detailed information on each of the members of the Board of Directors can be found in the Corporate Governance section of the Annual Report.

No compensation was paid to former members of the Board of Directors during the reporting year. No compensation was paid to parties closely associated with members of the Board of Directors. No loans were granted to members of the Board of Directors during the financial year. At the end of the reporting year, there were no loans to members of the Board of Directors, former members of the Board of Directors or related parties.

At the Annual General Meeting held on 23 May 2019, the shareholders approved a maximum total amount of the fixed compensation for the Board of Directors for the 2019 financial year worth CHF 980,000. The compensation for the 2019 financial year granted to the Board of Directors and disclosed in the table above is within the maximum authorised total amount.

4 Compensation of the Members of the Group Management

4.1 Compensation Structure

The compensation system for the Group Management is aligned with the corporate strategy and linked to the relevant key performance indicators for the variable compensation elements. This allows the compensation of the members of the Group Management to be determined transparently and based on performance. The Board of Directors decides on targets.

Criteria such as position, responsibility, experience and market data are used to determine the compensation of the Group Management. The individual compensation of the members of the Group Management consists of a fixed and a performance-related salary component limited in amount, as well as pension and fringe benefits (company car).

The Company may reimburse members of the Group Management for expenses in the form of reimbursement of actual expenses incurred and/or an expense allowance within the amounts allowed for tax purposes. This reimbursement of expenses does not count as compensation.

COMPENSATION STRUCTURE

Element	Purpose	Instrument	Performance criterion	Performance period	Determinants
Fixed annual base salary	Recruitment, retention, motivation	Cash compensation	–	–	Position, qualification, market rates
Short-term variable compensation	Rewarding performance	Cash	Revenue, EBIT, individual targets	1 year	Financial result and qualitative performance
Long-term variable compensation	Rewarding sustainable value creation, Alignment with shareholders' interests	Shares	Revenue, relative Total Shareholder Return	3 years	Success of the Group, share price performance, competitive position
Pension and fringe benefits	Protection against risks, employee recruitment and retention	Pension plan, insurance plans, fringe benefits	–	–	Market rates and legal requirements

Fixed annual base salary

Base salaries are determined based on the scope and responsibilities of a given position and the qualifications required to perform the job, the market rate of compensation and the personal qualifications, experience and performance of each member of the Group Management. Payment is made monthly in cash.

Short-term variable compensation

Short-term variable compensation is a performance bonus that recognizes both the Group's financial performance and the employees' personal performance in a given financial year. Through this variable compensation, employees participate in the Group's success and are rewarded for their personal performance. The target value of short-term variable compensation is expressed as a percentage of annual base salary and is 40 percent for the CEO and between 35 and 40 per cent for the other members of the Group Management. The performance bonus can be a total of 0 to a maximum of 150 per cent of the target value.

The targets are set by the Board of Directors at the beginning of each year at the request of the CC and are assessed at the end of the financial year based on the actual results achieved. The financial metrics during the year under review continued to be revenue and earnings targets. As in the previous year, between 40 and 60 per cent were revenue and earnings targets for the Group or the segments and

between 40 and 60 per cent qualitative targets were the basis for measuring the short-term variable component.

For each target, an expected level of performance (target) and strategy is defined based on the budget. A minimum threshold of target achievement, below which no variable compensation is paid, and a maximum threshold of target achievement, above which the variable compensation is capped, are determined as well. The payout amount between minimum threshold, target and maximum threshold is interpolated linearly. It is at the discretion of the Board of Directors to adjust variable compensation upwards and downwards, if necessary, on the basis of individual, qualitative performance of the individual members of the Group Management.

	CEO	CFO	Other Group Management members
Revenue	30%	0%	30 to 40%
EBIT	30%	40%	20 to 30%
Individual targets (incl. net working capital, costs, cash flow, strategic initiatives)	40%	60%	40%

Targets are not published, as disclosure would provide an insight into the Zur Rose Group's forward-looking strategy and thus lead to a competitive disadvantage. The short-term variable compensation for the reporting year is paid in cash after approval by shareholders at the Annual General Meeting of Shareholders held the following year.

Long-term variable compensation (performance-based share plan)
The performance-based share plan is designed to enable selected executives of Zur Rose Group AG and its subsidiaries to participate in the Company's sustainable, long-term growth. The performance-based share plan has been reviewed and revised, as the performance criteria did not sufficiently reflect the current dynamic growth phase at Zur Rose. In the revised performance-based share plan the performance criteria are now focused on the dedicated growth strategy and a clearer entrepreneurial focus has been set through greater attention to the share price and the competitive position. In addition to revenue growth, relative Total Shareholder Return (TRS), i.e. the share price performance allowing for reinvested dividends over the three-year performance period, is therefore now measured, linking internal financial growth metrics with external financial data oriented to the capital markets and the competitive position.

The performance-based share plan

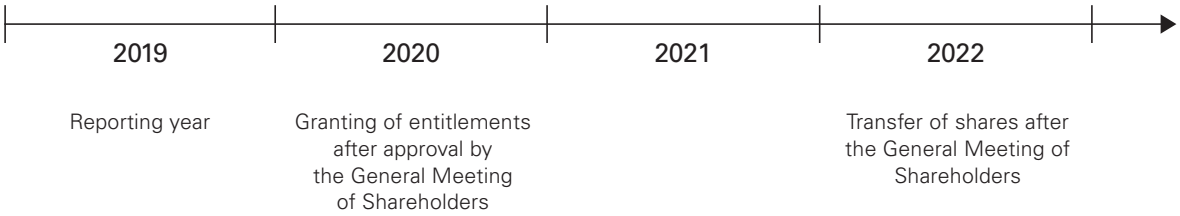
a) supplements the short-term variable compensation component, which is based on the annual achievement of targets, with a long-term compensation component;
b) helps align the interests of executives with those of shareholders;
c) anchors the strategic growth targets in compensation; and
d) is intended to be an attractive incentive instrument compared with competitors and to have a strong retention impact.

At the request of the CC, the Board of Directors determines the amount of individual grants for the financial year in Swiss francs depending on the role and the influence on long-term success and taking into account individual performance and strategic considerations. These grants are awarded to the participants in the form of contingent rights (performance share units) and vested for a performance period of three years. The total amount granted to members of the Group Management for the grant year is approved by the shareholders at the General Meeting of Shareholders held the following year retrospectively for the grant year in accordance with the Articles of Association. In principle, if a participant joins during the year no entitlements are granted. However, the Board of Directors reserves the ability to make a reduced grant of entitlements, provided this remains within the limits of what is permitted by law and under the Articles of Association.

At the end of a performance period of three years (starting on 1 January of the reporting year and ending on 31 December three years later), after the General Meeting of Shareholders at which the annual financial statements for the last year of the performance period are approved, the performance shares are converted into shares. At that point, the number of shares to be transferred is calculated by multiplying the number of performance share units granted by the target achievement factor. The target achievement factor is based one third on the achievement of relative TSR, one third on achieving the revenue target and one third remains 1.0 (Restricted Stocks). The target achievement factor is restricted to a lower limit of 0 and an upper limit of 2.

TSR refers to share price performance plus notionally reinvested gross dividends during the performance period. To calculate target achievement the TSR performance of Zur Rose is compared to the TSR performance of the companies in the STOXX® Europe 600 Retail and an individual peer group. The individual peer group comprises AO World, ASOS, boohoo, Delivery Hero, Delticom, HolidayCheck, Home24, Just Eat, Ocado, Scout24, Shop Apotheke, Spotify, trivago, Zalando, Zooplus. TSR performance is measured using one-month moving averages to smooth share price fluctuations around the reference date. The TSR performance of the companies in the STOXX® Europe 600 Retail and the individual peer group thus calculated is ranked in each group. The relative positioning of Zur Rose is determined using the ranking achieved. If the positioning of Zur Rose is on the median (50th percentile), this is equivalent to a target achievement factor of 1.0. If the positioning of Zur Rose is on the 25th percentile, the target achievement factor is 0.5; if below the 25th percentile, it is zero. If Zur Rose is on the 100th percentile or above, the target achievement factor is 2.0. Target achievement for rankings in between is calculated by linear interpolation. The total target achievement factor for relative TSR is then calculated applying a 50 per cent weighting to each target achievement factor from the comparison with the STOXX® Europe 600 Retail and with the individual peer group. The internal financial target is not disclosed. Disclosure of the target would provide an insight into the Zur Rose Group's forward-looking strategy and thus lead to a competitive disadvantage for the Group. After transfer, the shares are not subject to a vesting period and the members of the Group Management may freely dispose of them.

Overview of the time limitation for the performance period and the possible transfer of the shares:



In the event of a delisting, change of control or termination of employment due to disability or death of the participant(s), the performance share units are converted and transferred as shares within one month of notification. The performance share units are adjusted on a pro rata temporis basis and multiplied by a target achievement factor of 1. If employment is terminated by the Zur Rose Group for economic reasons or due to the participant reaching retirement age, the standard provisions regarding the conversion date and target achievement factor remain unchanged. However, the performance share units are adjusted on a pro rata temporis basis. In the event of termination of employment by the Zur Rose Group or a subsidiary without notice and for good cause, or in the event of termination of employment for reasons other than those mentioned above, the performance share units are forfeited without any compensation.

Pension benefits
The purpose of pension benefits is to provide security for employees and their dependants in the event of retirement, sickness, inability to work and death. The members of the Group Management participate in the social insurance and pension plans in the countries where their employment contracts were entered into. The plans vary according to local competition and legal conditions; they at least meet the legal requirements of the countries concerned.

Fringe benefits
Members of the Group Management also receive a company car as a fringe benefit. Its value is estimated at fair market value and included in the compensation tables. Any gifts or Board of Directors fees of subsidiaries are also included in this position.

Employment contracts
The members of the Group Management are employed under permanent employment contracts; they all have individual notice periods up to a maximum of 12 months. The members of the Group Management are not entitled to any contractual severance payments or special change of control provisions, except for the early vesting of the long-term compensation plan as explained above. The Articles of Association of Zur Rose Group AG provide for the possibility of imposing a non-compete agreement of a maximum of one year on outgoing executive members of the Board of Directors or members of the Group Management. Such a non-compete agreement was applicable at the end of the reporting year with the Executive Director and CEO.

4.2 Compensation paid to members of the Group Management in the 2019 financial year

This section was audited by the auditors in accordance with Article 17 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance).

In 2019, the members of the Group Management received total compensation of CHF 3,385,000 (2018: CHF 3,563,000. This amount includes fixed base salaries of CHF 1,799,000 (2018: CHF 1,792,000), short-term variable compensation of CHF 382,000 (2018: CHF 561,000), long-term compensation of CHF 620,000 (2018: CHF 620,000), fringe benefits of CHF 74,000 (2018: CHF 80,000) and pension benefits of CHF 510,000 (2018: CHF 510,000).

The table below shows the fixed and variable compensation and the total compensation allocated to the members of the Group Management for 2019 financial year and the previous year 2018.

			Variable compensation									
Group Management [1]	**Fixed compensation in cash**		**Short-term in cash**		**Long-term in shares [2]**		**Fringe benefits [3]**		**Pension benefits**		**Total [4]**	
In CHF 1,000	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Total compensation of the Group Management	**1,799**	1,791	**382**	561	**620**	620	**74**	80	**510**	510	**3,385**	3,563
Of which: Walter Oberhänsli, CEO (highest total compensation)	**600**	600	**96**	191	**240**	240	**36**	44	**247**	247	**1,219**	1,323

1) On 31 December 2019 and 31 December 2018, four members of the Group Management were in office.
2) Target value of the performance-based share plan allocated in 2019 for the 2019 to 2021 performance period and in 2018 for the 2018 to 2020 performance period.
3) Including all other compensation and benefits, such as company cars, gifts or Board of Directors fees of subsidiaries.
4) For disclosure in the Compensation Report, the accrual principle was applied to all compensation elements.

Notes on the compensation table
The total compensation of the Group Management for 2019 was CHF 3,385,000. This represents a decrease of 5.0 per cent compared to the previous year. The fixed gross compensation for 2019 is 0.4 per cent higher than the previous year.

With revenue growth of 30 per cent to CHF 1,568.7 million (incl. medpex) the Zur Rose Group reinforced its clear number 1 position in Europe. The Group used the pioneering legislative decree on the launch of electronic prescriptions in Germany to set up relevant pilot projects using its proven proprietary e-prescription technology. It intends to continue on its growth trajectory and is stepping up efforts to leverage the opportunities presented as a result of the low online penetration of the pharmacy market and increasing digitalisation. The results were affected by several exceptional items. Integrating the apo-rot logistics activities at the Heerlen site was more complex than expected and required a move from two-shift to three-shift operations that will probably have to remain in place until the new distribution centre is operational. Initial expenditure for entering the French market further weighed on profit. By contrast, transactions related to the two joint ventures set up with Medbase and the early termination of the earn-out for the founders of medpex had a positive impact. Adjusting for all exceptional items, EBIT amunts to minus CHF 45.7 million. Net income was minus CHF 52.4 million.

The measurement of short-term variable bonus payments is largely based on the development of revenue and EBIT at Group and regional level compared with the budget and on qualitative factors. Consequently, the percentage of target achievement of the bonus payment for 2019 ranges from 34 to 103 per cent (2018: 70 to 103 per cent) for the Group Management and is 40 per cent (2018: 80 per cent) for the CEO.

The variable component of the fixed compensation for the reporting year corresponds to 49 to 71 per cent for the Group Management and 56 per cent for the CEO. The degree of target achievement of the short-term variable compensation for 2019 decreased year-on-year and amounted to 56 per cent in the reporting year (previous year: 81 per cent). The effective short-term variable compensation for 2019 has been adjusted downwards accordingly.

At the Annual General Meeting held on 23 May 2019, the shareholders approved a maximum total amount of the fixed compensation for the Group Management for the 2019 financial year worth CHF 2,500,000. This amount consists of the fixed basic salary, the fringe benefits and the pension benefits. The compensation for the 2019 financial year granted to the Group Management and disclosed in the table above is within the maximum authorised total amount.

The Board of Directors granted an allocation of the performance-based share plan for the 2019 financial year to the same extent as for the 2018 financial year.

No compensation was paid to former members of the Group Management in the reporting year. No compensation was paid to parties closely associated with the members of the Group Management. No loans were granted to members of the Group Management during the financial year. At the end of the reporting year, there were no loans to members of the Group Management, former members of the Group Management or related parties.

Information on the shares held by members of the Board of Directors and Group Management can be found in the Financial Report on page 117.

Building a better working world

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Zur Rose Group AG, Steckborn

Zurich, 18 March 2020

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of Zur Rose Group AG for the year ended 31. December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on page 46 and pages 50 to 51 of the remuneration report.

Board of Directors’ responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report for the year ended 31. December 2019 of Zur Rose Group AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Martin Gröli
Licensed audit expert
(Auditor in charge)

Michael Britt
Licensed audit expert

Financial Statements

Consolidated Income Statement

		2019		2018	
	Notes	CHF 1,000	%	CHF 1,000 restated [1]	%
Net revenue	5	**1,355,539**	**100.0**	1,207,108	100.0
Other operating income	7	**42,033**		3,067	
Cost of goods	8	**–1,146,889**		–1,015,896	
Personnel expenses	9	**–117,495**		–93,688	
Other operating expenses	10	**–147,030**		–114,596	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**–13,842**	**–1.0**	–14,005	–1.2
Depreciation, amortisation and impairment	19 – 21	**–31,863**		–18,862	
Earnings before interest and taxes (EBIT)		**–45,705**	**–3.4**	–32,867	–2.7
Share of results of joint ventures and associates		**31**		173	
Finance income	11	**1,479**		239	
Finance expenses	11	**–5,916**		–6,092	
Earnings before taxes (EBT)		**–50,111**	**–3.7**	–38,547	–3.2
Income tax income / (expense)	12	**–2,265**		–553	
Net income / (loss)		**–52,376**	**–3.9**	–39,100	–3.2
Attributable to Zur Rose Group AG shareholders		**–52,358**		–38,971	
Attributable to non-controlling interests		**–18**		–129	

		CHF 1		CHF 1	
Net income / (loss) per share	29	**–6.04**		–6.14	
Diluted net income / (loss) per share	29	**–6.04**		–6.14	

1) See Note 2.4 Changes in accounting policies

Consolidated Statement of Comprehensive Income

	Notes	2019 CHF 1,000	2018 CHF 1,000
Net income / (loss)		**–52,376**	–39,100
Exchange differences on translation of foreign operations		**–19,082**	–2,820
Other comprehensive income to be reclassified in subsequent periods to the income statement		**–19,082**	–2,820
Remeasurement pensions	28	**–3,559**	–506
Income tax	23	**566**	57
Other comprehensive income not to be reclassified in subsequent periods to the income statement		**–2,993**	–449
Other comprehensive income / (loss)		**–22,075**	–3,269
Total comprehensive income / (loss)		**–74,451**	–42,369
Attributable to Zur Rose Group AG shareholders		**–74,311**	–42,180
Attributable to non-controlling interests		**–140**	–189

Consolidated Balance Sheet

ASSETS		**31.12.2019**		**31.12.2018**	
	Notes	CHF 1,000	%	CHF 1,000	%
Cash and cash equivalents	13	**204,681**		230,693	
Current financial assets		**225**		153	
Trade receivables	14	**126,721**		92,311	
Prepaid expenses	15	**8,715**		9,780	
Other receivables	16	**17,117**		14,411	
Inventories	17	**70,608**		69,400	
Current assets		**428,067**	**43.2**	416,748	57.4
Investments in joint ventures and associates	18	**7,053**		1,192	
Property, plant and equipment	19	**32,724**		34,294	
Right-of-use assets	20	**44,403**		0	
Intangible assets	21	**465,253**		264,625	
Non-current financial assets	22	**6,158**		1,081	
Deferred tax assets	23	**8,067**		8,580	
Non-current assets		**563,658**	**56.8**	309,772	42.6
Total assets		**991,725**	**100.0**	726,520	100.0

Consolidated Balance Sheet

LIABILITIES AND EQUITY		31.12.2019		31.12.2018	
	Notes	CHF 1,000	%	CHF 1,000 restated[1]	%
Current financial liabilities	24	**80,441**		2,686	
Current lease liabilities	24	**6,954**		835	
Trade payables		**92,109**		83,127	
Other payables	25	**10,123**		10,134	
Tax liabilities		**43**		834	
Accrued expenses	26	**22,045**		19,140	
Short-term provisions	27	**881**		2,211	
Short-term liabilities		**212,596**	**21.4**	118,967	16.4
Non-current financial liabilities	24	**1,685**		28,700	
Non-current lease liabilities	24	**36,451**		1,913	
Bonds	24	**312,070**		114,127	
Pension obligations	28	**15,170**		13,737	
Long-term provisions	27	**1,995**		0	
Deferred tax liabilities	23	**6,216**		5,470	
Long-term liabilities		**373,587**	**37.7**	163,947	22.6
Total liabilities		**586,183**	**59.1**	282,914	38.9
Share capital	29	**262,199**		48,127	
Capital reserves		**269,694**		450,946	
Treasury shares	29	**–5,219**		–5,453	
Retained earnings		**–86,369**		–34,473	
Exchange differences		**–34,653**		–15,571	
Equity attributable to Zur Rose Group AG shareholders		**405,652**	**40.9**	443,576	61.1
Non-controlling interests		**–110**		30	
Total equity		**405,542**	**40.9**	443,606	61.1
Total liabilities and equity		**991,725**	**100.0**	726,520	100.0

1) See Note 2.4 Changes in accounting policies

Consolidated Cash Flow Statement

	Notes	2019 CHF 1,000	2018 CHF 1,000 restated[1]
Net income / (loss)		**–52,376**	–39,100
Depreciation, amortisation and impairment	19 – 21	**31,863**	18,862
Finance expenses (net)		**3,820**	5,428
Income tax		**2,265**	553
Non-cash income and expenses		**–35,301**	3,442
Income taxes paid		**–2,069**	–783
Interest paid		**–4,018**	–1,698
Interest received		**54**	239
Change in trade receivables, other receivables and prepaid expenses		**–37,269**	–12,230
Change in inventories		**–3,394**	–10,272
Change in trade payables, other liabilities and accrued expenses		**13,485**	4,123
(Increase) / decrease in provisions		**369**	–1,791
Cash flow from operating activities		**–82,571**	–33,227
Acquisition of subsidiaries, net of cash acquired	6.1	**–108,785**	–108,566
Disposal of subsidiaries, net of cash disposed	6.2	**5,709**	0
Purchase of property, plant and equipment	19	**–10,394**	–10,258
Acquisition of intangible assets	21	**–31,117**	–21,245
Investments in non-current financial assets	22	**–3,211**	–450
Repayment of loan	6	**4,568**	0
Repayment of current financial assets	22	**49**	244
Cash flow from investing activities		**–143,181**	–140,275
Proceeds from capital increases	29	**496**	191,149
Transaction costs of capital increase for acquisition medpex [2]		**–314**	0
Increase in financial liabilities (net of transaction costs)	24	**205,010**	114,065
Repayment of financial liabilities	24	**–5,001**	–1,792
Purchase of treasury shares		**–1**	–6,367
Cash flow from financing activities		**200,190**	297,055
Increase / (decrease) in cash and cash equivalents		**–25,562**	123,553
Cash and cash equivalents at the beginning of the year		**230,693**	107,764
Foreign currency differences		**–450**	–624
Cash and cash equivalents at the end of the year		**204,681**	230,693

1) See Note 2.4 Changes in accounting policies
2) Non-cash capital increase (see note 6)

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 2018	**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			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**
Net income / (loss)				–52,358		–52,358	–18	–52,376
Other comprehensive income				–2,871	–19,082	–21,953	–122	–22,075
Total comprehensive income				–55,229	–19,082	–74,311	–140	–74,451
Share-based payments				3,568		3,568		3,568
Issue of new shares for acquisition medpex	2,046	30,126				32,172		32,172
Transaction costs of capital increase		–314				–314		–314
Issue of new shares for employees	423	539				962		962
Conversion of capital reserves	211,603	–211,603				0		0
Purchase of treasury shares			–1			–1		–1
Allocation of treasury shares			235	–235		0		0
31 December 2019	**262,199**	**269,694**	**–5,219**	**–86,369**	**–34,653**	**405,652**	**–110**	**405,542**

Notes to the Consolidated Financial Statements

1 Operating activities

The Zur Rose Group operates an e-commerce pharmacy and a wholesale business for medical 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 18 March 2020 and are subject to approval of the Annual General Meeting on 23 April 2020.

Zur Rose Group AG has been listed on SIX Swiss Exchange under the International Reporting Standard since 6 July 2017 (ISIN CH0042615283).

The amounts 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 financial assets and contingent consideration liabilities 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 2019.

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	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
	CHF 1,000	CHF 1,000	%	%
0800 DocMorris Ltd., London (GB)	**1**	1	**100.0**	100.0
ApDG Handels- und Dienstleistungsgesellschaft mbH, Laupheim (DE)	**28**	28	**100.0**	100.0
apo-rot B.V., Heerlen (NL)	**22**	22	**100.0**	100.0
apo-rot Service GmbH, Hamburg (DE)	**29**	29	**100.0**	100.0
Bluecare AG, Winterthur (CH)	**1,288**	1,288	**78.9**	78.9
Centropharm GmbH, Aachen (DE)	**30**	30	**100.0**	100.0
Clustertec AG, Baar (CH) [1]	**100**	n/a	**100.0**	n/a
Comventure GmbH, Mannheim (DE) [1]	**28**	n/a	**100.0**	n/a
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
Doctipharma SAS, Paris (FR) [1]	**618**	n/a	**100.0**	n/a
DVD Beteiligungs AG, Frauenfeld (CH) [2]	**n/a**	3,550	**n/a**	100.0
ehealth-tec GmbH, Berlin (DE) [1]	**27**	n/a	**100.0**	n/a
eHealth-Tec, Innovations GmbH, Berlin (DE); formerly: Clinpath GmbH, Berlin [1]	**27**	n/a	**100.0**	n/a
Esando B.V., Venlo (NL) [1]	**28**	n/a	**100.0**	n/a
Eurapon B.V., Heerlen (NL) [4]	**0**	0	**100.0**	100.0
Eurapon Pharmahandel GmbH, Bremen (DE)	**28**	28	**100.0**	100.0
MBZR Apotheken AG, Frauenfeld (CH), formerly: Zur Rose Shop-In-Shop Apotheken AG, Frauenfeld (CH) [3]	**n/a**	100	**n/a**	100.0
medpex wholesale GmbH, Ludwigshafen (DE) [1]	**28**	n/a	**100.0**	n/a
Promofarma Ecom, S.L., Barcelona (ES)	**15,004**	15,004	**100.0**	100.0
Specialty Care Therapiezentren, Frauenfeld (CH), formerly: OPX Serivces AG, Frauenfeld (CH)	**100**	100	**100.0**	100.0
Tanimis B.V., Heerlen (NL)	**22**	22	**100.0**	100.0
Tanimis Pharma C.V., Heerlen (NL)	**11,249**	11,249	**100.0**	100.0
VfG Cosmian s.r.o., Prague (CZ)	**12**	12	**100.0**	100.0
Visionrunner GmbH, Mannheim (DE) [1]	**28**	n/a	**100.0**	n/a
Vitalsana B.V., Heerlen (NL)	**20**	20	**100.0**	100.0
Zur Rose Pharma GmbH, Halle (DE)	**8,479**	8,479	**100.0**	100.0
Zur Rose Suisse AG, Frauenfeld (CH)	**7,650**	7,650	**100.0**	100.0

1) Acquired in 2019, refer to Note 6
2) Merger DVD Beteiligungen AG into Zur Rose Suisse AG in 2019
3) Disposal majority in 2019, refer to Note 6
4) 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 the income statement.

Currency translation
The Zur Rose Group operates mainly in Switzerland and countries in the European Union. 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:

	2019		**2018**	
Currency	Year-end rate	Average rate for the year	Year-end rate	Average rate for the year
EUR 1	**1.0853**	**1.1122**	1.1262	1.1546

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

At the end of each reporting 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 duties, 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
Leasehold improvements	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
Leases are recognised at net present value as a right-of-use asset and corresponding lease liability at the time the leased asset becomes available to the Zur Rose Group to use. The lease payment is divided into a repayment component and a financing component. The financing component is recognised in profit or loss over the term of the lease, so that the interest rate on the residual balance of the liability is constant for each period. Determining the term of leases with options involves the use of judgement. Such options are individually assessed as to whether they are reasonbly certain to be exercised.

Subsequent measurement of the lease liability is at amortised cost using the effective interest rate method. The liabilities are remeasured in the event of changes to the lease term, future lease payments or a reassessment of options. The right-of-use asset is generally depreciated on a straight-line basis over the shorter period of economic life or the term of the lease and adjusted by the amount of any remeasurement of the associated lease liabilities. An impairment test is carried out if there are indications of impairment.

Lease liabilities include the net present value of the following lease payments:

— fixed lease payments including any in substance fixed lease payments less any lease incentives accruing to the lessee;
— variable lease payments based on an index or rate, measured at the index or rate at the commencement date;
— the amount expected to be paid under residual value guarantees;
— the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
— penalty payments for early termination of the lease, provided the lessee is reasonably certain of being able to terminate the lease early.

At the start of the term, the carrying amount of the right-of-use assets is as follows:

— the amount of the initial measurement of the lease liability;
— any lease payments made at or before the commencement date, less any incentives received from the lessor;
— any initial direct costs incurred by the lessee
— estimated costs for dismantling the leased item at the end of the lease.

If the rate implicit in the lease cannot be readily determined, the Zur Rose Group uses incremental borrowing rates as discount rates which take into account foreign currencies, the term of the agreements and company and asset-specific risks.

No short-term lease agreements with a term of less than 12 months or where the underlying asset is of low value are recognised in the balance sheet.

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 relationships	10 years
Trademarks	Indefinite or 5 – 10 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. Fair value changes are recognised in 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. Impairments for expected credit losses are recognised using the expected credit loss mode. 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 lifetime expected credit losses. 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 in 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 realisable value.

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

Payments for from suppliers which do not constitute payments for distinct goods or services are recognised as a reduction of the cost price of purchased goods in inventories or cost of goods.

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 an initial 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 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 leaving 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 took effect on 1 January 2019. These amendments affect the net assets, financial position and results of operations of the Zur Rose Group.

IFRS 16 Leases
The Zur Rose Group adopted IFRS 16 Leases with effect from 1 January 2019. An agreement contains a lease if it grants the right to use an identified asset over a period in exchange for consideration. The distinction previously drawn under IAS 17 between finance leases and operating leases no longer applies for lessees under IFRS 16. Lessees recognise liabilities for the present value of the future lease payment in their balance sheet in addition to a right-of-use asset. In addition, accounting under IFRS 16 has changed with the effect that the income statement is no longer charged with the lease payments as rental expense but with the depreciation charge on right-of-use assets and the interest expense on the lease liability.

Initial application used the modified retrospective method with no restatement of comparative information. The Zur Rose Group decided to use the option to recognise right-of-use assets at the carrying amount of the lease liabilities adjusted for advance and accrued lease payments. As a result, first-time adoption had no effect on the retained earnings of the Zur Rose Group.

When applying IFRS 16 for the first time, the Zur Rose Group recognised lease liabilities and right-of-use assets for leases previously classified as operating leases under IAS 17 in the amount of CHF 23.4 million. These liabilities were measured at the net present value of the remaining lease payments, discounted at the weighted average incremental borrowing rate, which was 3.16 percent at the time of first-time adoption. In addition, initial direct costs were not taken into consideration when measuring the right-of-use asset on first-time adoption. The Zur Rose Group also applied hindsight to determine the term of leases for agreements with extension or termination options.

Assets under finance leases of CHF 4.0 million, were reclassified from property, plant and equipment to right-of-use assets, so that the carrying amount of the right-of-use assets at 1 January 2019 amounted to CHF 27.4 million.

The non-cancellable operating leases reported in Note 29 of the Consolidated Financial Statements 2018 as at 31 December 2018 can be reconciled to the lease liabilities recognised under initial application as at 1 January 2019 as follows:

	CHF 1,000
Off-balance lease and rental commitments as per 31 December 2018	**26,259**
Lease payments for short-term lease contracts	–251
Lease payments for low-value assets	–107
Non-lease components	–1,006
Leases starting after 31 December 2018	–1,051
Reasonably certain extension and termination options	2,958
Others	66
Operating lease and rental liabilities as per 1 January 2019 (gross amount undiscounted)	**26,868**
Operating lease and rental obligations as per 1 January 2019 (discounted)	**23,358**
Financial lease liabilities as per 31 December 2018	2,748
Total lease liabilities as of 1 January 2019	**26,106**

During the reporting period the Zur Rose Group recognised CHF 5.1 million of depreciation on newly recognised leases and CHF 0.9 million of interest expense.

Change in presentation of fair value adjustment on contingent consideration liabilities (earn-out)
Since 1 January 2019 the Zur Rose Group has recognised fair value adjustments to contingent consideration in operating income (other operating income / expenses). The change aims to give users of the financial statements a better view of the economic position. Prior-year figures have been restated accordingly. As a result of the change, CHF 1.5 million was moved from finance expenses to other operating expenses in 2018. The reported earnings before interest, taxes, depreciation and amortisation, impairment (EBITDA) and earnings before interest and taxes (EBIT) were adjusted accordingly. CHF 2.9 million was charged to other operating expenses for fair value adjustments on contingent consideration in 2019, and CHF 21.8 million recognised in other operating income.

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 334.7 million) and its other indefinite-life intangibles (carrying amount CHF 20.9 million) for impairment. See Note 21 for a description of the significant assumptions and uncertainties.

Contingent consideration arrangements (earn-out)
A significant portion of the consideration for recent acquisitions is comprised of an earn-out arrangements that will result in payments to be made. The Zur Rose Group has to determine the fair value of the contingent consideration liabilities using estimates of future revenues, costs, results and discount rates. Additional information can be found in Note 31.

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 pension adjustments. 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 28.

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 23.

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 3 – Definition of a business (effective date: 1 January 2020),

— IAS 1 and IAS 8 – Definition of material (effective date: 1 January 2020),

— IFRS 17 – Insurance Contracts (effective date: 1 January 2021),

— IAS 1 – Classification of liabilities as short-term and long-term. (effective date: 1 January 2022),

— IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and a associate or joint venture (effective date: to be defined).

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

5 Operating segments

The Zur Rose Group has adjusted its organisational and management structure in 2019 to reflect the recent acquisitions. The segment Europe was created in addition to the existing segments of Switzerland and Germany. Segment profitability is now reported based on the contribution to operating earnings, as in the internal financial reporting. The operating profit contribution is defined as earnings before indirect costs, interest, taxes, depreciation of property, plant and equipment, of right-of-use assets and of intangible assets and before unallocated operating income. The contribution to operating earnings achieved by each segment is considered an adequate measure of operating performance of segments reported to the Group Management for the purposes of resource allocation and performance assessment. Assets and liabilities are not allocated to operating segments in the management reports. Financing is managed centrally by the Group and not allocated to the operating segments. The prior year segment information has been restated accordingly.

Unallocated costs mainly include indirect expenses for IT, marketing, office and administrative expenses, management and other corporate costs. Unallocated income includes unallocated other operating income.

The following tables show the operating segments of the Zur Rose Group:

Reporting as per 31 December 2019	Switzerland	Germany	Europe	Eliminations	Group
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Income statement					
Net revenue with external customers	553,049	762,791	39,699	0	1,355,539
Revenue with other segments	602	0	0	–602	0
Total net revenue	**553,651**	**762,791**	**39,699**	**–602**	**1,355,539**
Operating profit contribution	**32,742**	[1] **34,921**	**–4,716**	**–602**	**62,345**
Unallocated operating costs					–96,054
Unallocated operating income					19,867
Earnings before interest, taxes, depreciation and amortisation (EBITDA)					**–13,842**
Depreciation and amortisation					–31,863
Earnings before interest and taxes (EBIT)					**–45,705**
Finance result, net					–4,406
Earnings before taxes (EBT)					**–50,111**

1) Includes a fair value adjustment for the earn-out of medpex of CHF 21.8 million (see Note 31)

Reporting as per 31 December 2018 (restated)	Switzerland	Germany	Europe	Eliminations	Group
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	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**
Operating profit contribution	**36,066**	[1] **25,509**	**–450**	**–402**	**60,723**
Unallocated operating costs					–77,207
Unallocated operating income					2,479
Earnings before interest, taxes, depreciation and amortisation (EBITDA)					**–14,005**
Depreciation and amortisation					–18,862
Earnings before interest and taxes (EBIT)					**–32,867**
Finance result, net					–5,680
Earnings before taxes (EBT)					**–38,547**

1) Includes a fair value adjustment for the earn-out of Eurapon of CHF –1.5 million (see Note 31)

Net revenue by customer location	Switzerland	Germany	Other	Group
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
2019	**553,049**	**762,791**	**39,699**	**1,355,539**
2018	526,954	671,245	8,909	1,207,108

Fixed assets by registered office of the company[1]	Switzerland	Netherlands	Germany	Other	Group
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
2019	**97,378**	**229,118**	**160,390**	**55,494**	**542,380**
2018	74,848	87,483	72,798	63,790	298,919

1) Fixed assets excluding investments in joint ventures and associates, long-term financial assets and deferred taxes

The Zur Rose Group based its organisation on customer segments in 2019. The breakdown is no longer by prescription and OTC drugs but by the business units Retail Business (B2C), Professional Services and Marketplace, in each case with the full pharmacy segment. Prior-year figures have been restated accordingly.

The Switzerland segment consists of the two business units B2C and Professional Services. Around three quarters of segment revenue is generated in the Professional Services business unit, which supplies affiliated physicians and provides medicines management services. The B2C business is structured around deliveries to end customers.

The Germany segment consists of the B2C business unit. There is no direct supply to physicians.

The Europe segment contains the Marketplace business unit, which trades in pharmacy-type products in health, cosmetics and personal care.

The breakdown of revenue from contracts with customers by segment is shown in the following tables:

Segment Switzerland	**2019**	**2018**
Type of goods or service	CHF 1,000	CHF 1,000 restated
Professional Services	**422,761**	394,281
Retail Business (B2C)	**130,288**	132,673
Total revenue from contracts with customers	**553,049**	526,954

Segment Germany	**2019**	**2018**
Type of goods or service	CHF 1,000	CHF 1,000 restated
Retail Business (B2C)	**762,791**	671,245
Total revenue from contracts with customers	**762,791**	671,245

Europe	**2019**	**2018**
Type of goods or service	CHF 1,000	CHF 1,000 restated
Marketplace	**39,699**	8,909
Total revenue from contracts with customers	**39,699**	8,909

6 Changes in consolidation scope

The scope of consolidation has changed in 2019 as a result of the following transactions:

6.1. Acquistions

medpex

On 4 January 2019 the Zur Rose Group acquired the mail-order activities of the medpex Group through its subsidiary DocMorris Holding GmbH. Under the terms of this transaction the Zur Rose 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). The medpex Group provides distribution services for pharmaceuticals and beauty products, and mainly supplies the German market. The provisional purchase price of CHF 197.8 million (EUR 175.8 million) consists of a fixed purchase price of CHF 129.9 million (EUR 115.5 million), in turn comprising a cash payment of CHF 97.7 million (EUR 86.9 million) plus 355,887 shares of Zur Rose Group AG worth CHF 32.2 million (EUR 28.6 million) at the fair value on the acquisition date, a contingent earn-out component with a fair value of CHF 65.9 million (EUR 58.5 million) at the time of acquisition and a provisional purchase price adjustment of CHF 2.0 million (EUR 1.8 million). The earn-out component agreed at the time of acquisition mainly depends on two factors: an increase in revenues compared to the benchmark year 2018 and the achievement of certain EBITDA targets. The earn-out is capped at CHF 111.4 million (EUR 99 million) and covers the periods 2019 and 2020. In a subsequent agreement dated 23 December 2019 the Zur Rose Group and the founders of medpex agreed to terminate the earn-out component early with a one-off payment of CHF 42.3 million (EUR 39.0 million) (see also Note 31). The goodwill of CHF 167.8 million (EUR 149.2 million) has been allocated to the Germany segment and

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 through this acquisition. The medpex Group has contributed CHF 13.9 million to net revenue and CHF –0.6 million to net income since the acquisition. Transaction costs of CHF 1.0 million (2018: CHF 0.9 million) were recognised in other operating costs.

The following acquisitions are included under Miscellaneous:

Doctipharma
On 14 February 2019 the Zur Rose Group AG acquired 100 percent of Doctipharma SAS (Doctipharma, based in Levallois-Perret near Paris (FR)). Doctipharma operates a platform for beauty and personal care products (BPC). The purchase price was CHF 727 (EUR 640). Badwill of CHF 0.6 million (EUR 0.5 million) was recognised in other operating income. This arose in connection with the decision by the previous main shareholders to sell the business unit for strategic reasons. The transaction costs were CHF 0.2 million. The purchase price allocation is provisional.

Clinpath
On 17 July 2019 the Zur Rose Group AG, through its subsidiary Zur Rose Pharma GmbH of Halle (DE), acquired 100 percent of Clinpath GmbH of Berlin (DE), which was renamed eHealth-Tec Innovations GmbH at the end of 2019. The software company develops solutions to generate, transfer and store electronic services for the healthcare sector in a secure way. The purchase price was CHF 5.0 million (EUR 4.5 million) and is divided into a fixed purchase price of CHF 4.0 million (EUR 3.7 million) and a contingent earn-out component of CHF 0.9 million (EUR 0.8 million). The goodwill of CHF 3.7 million reflects the knowhow of the employees, the further expansion of the brand positioning and the potential for synergies with other units within the Zur Rose Group. The goodwill is provisional and has been allocated to the Germany segment. The transaction costs were CHF 0.2 million (EUR 0.1 million). The purchase price allocation is provisional.

Clustertec
On 25 July 2019 the Zur Rose Group AG acquired 100 percent of Clustertec AG in Baar (CH). The software company provides an IT platform for pharmaceutical wholesalers that allows prescriptions and orders for medicines to be processed in an automated manner and efficiently in a way that is secure. The purchase consideration was CHF 4.4 million and is divided into a fixed purchase price of CHF 3.4 million, a net working capital adjustment of CHF 0.2 million and a contingent earn-out component of CHF 0.8 million. The goodwill of CHF 2.5 million reflects the knowhow of the employees, the further expansion of the brand positioning and the potential for synergies with other units within the Zur Rose Group. The goodwill is provisional and has been allocated to the Switzerland segment. The transaction costs were CHF 0.1 million. The purchase price allocation is provisional.

Since acquisition, Doctipharma, Clinpath and Clustertec have contributed CHF 0.9 million to revenue and CHF –0.9 million to net income.

	Various [1]	medpex
	CHF 1,000	CHF 1,000
Cash and cash equivalents	547	751
Other receivables	1,448	1,508
Inventory	100	159
Property, plant and equipment	82	229
Rights-of-use assets	353	651
Intangible assets	4,475	28,274
Non-current financial assets	26	459
Deferred tax assets	62	–
Total assets	**7,092**	**32,031**
Other liabilites	934	606
Current lease liabilities	101	197
Accrued expenses	84	480
Short-term provisions	14	296
Non-current financial liabilities	556	–
Non-current lease liabilities	266	444
Pension obligations	427	–
Deferred tax liabilities	975	–
Long-term provisions	–	–
Total liabilities	**3,356**	**2,022**
Net assets acquired	**3,736**	**30,009**
Goodwill (+) / **badwill** (–) [2]	**5,706**	**167,783**
Fair value of purchase consideration	9,442	197,792
Total consideration	**9,442**	**197,792**
less contingent consideration liabilities	1,761	65,874
less cash acquired	547	751
less settlement with treasury shares	–	32,172
Cash inflow / (outflow) from acquisition of subsidiaries	–7,134	–98,995

1) Including acquisitions of Doctipharma, Clinpath and Clustertec
2) Of which badwill TCHF 581 (Doctipharma)

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 following companies were acquired in 2018 and their purchase price allocations finalised in 2019.

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 and the goodwill of CHF 45.5 million was allocated to the Germany segment.

Promofarma
On 14 September 2018, the Zur Rose Group acquired 100 percent of the issued capital of Promofarma Ecom S.L. (Promofarma). The purchase consideration of CHF 50.6 million included a cash component of CHF 45.7 million and shares in Zur Rose Group AG worth CHF 4.9 million. The goodwill of CHF 47.2 million was allocated to Germany, Switzerland and Europe segments.

Change in Consolidation Scope 2018

	Promofarma	apo-rot
CHF 1,000	31.12.2019	31.12.2019
Identified net assets	3,402	11,553
Goodwill	47,245	45,455
Fair value of purchase consideration	**50,647**	**57,008**
Cash payment	45,766	57,008
Settlement with treasury shares	4,881	–

6.2. Disposals

Shop-in-Shop pharmacies and e-commerce
On 31 December 2019 the Zur Rose Group AG disposed its shop-in-shop activities by selling each of 50.1% of the issued capital of Zur Rose Shop-In-Shop Apotheken AG, Frauenfeld (stationary pharmacy business) and ZRMB Marketplace AG, Frauenfeld (e-commerce) to medbase. Zur Rose Group lost control of both companies and the activities will be run through two joint ventures with medbase. Zur Rose Shop-In-Shop Apotheken AG, Frauenfeld, also changed its name to MBZR Apotheken AG, Frauenfeld.

Under the transaction, the following assets and liabilities were sold:

	CHF 1,000
Cash and cash equivalents	143
Trade receivabels	820
Inventories	783
Goodwill	337
Property, plant and equipment and rights-of-use assets	4,874
Other current assets	408
Total assets	**7,365**
Trade payables	995
Financial liabilities	11,494
Pension obligations	731
Other current liabilites	276
Total liabilities	**13,496**
Net debt disposed	**–6,131**
Fair value of shares retained (49.9%)	5,838
Purchase price 50.1% of shares	5,852
Gain on disposal of shop-in-shop pharmacies and e-commerce	**17,821**
Cash payment	5,852
less cash acquired	143
Cash flow from sale of subsidiaries, net	**5,709**
Cash flow from repayment of loans receivable	**4,568**

The payment of CHF 5.8 million includes the consideration for 50.1% of the shares in Zur Rose Shop-in-Shop Apotheken AG and ZRMB Marketplace AG at a price of CHF 3.0 million and CHF 2.8 million respectively. In addition, medbase has acquired and repaid loans of CHF 4.6 million.

The gain on disposal of CHF 17.8 million was recognised in other operating income (see Note 7).

7 Other operating income

	2019	2018
	CHF 1,000	CHF 1,000
Rental income	**437**	452
Badwill from acquisition	**581**	0
Gain on disposal shop-in-shop pharmacies and e-commerce	**17,821**	0
Fair value adjustment on contingent consideration	**21,755**	0
Other income	**1,439**	2,615
	42,033	3,067

8 Cost of goods

	2019	2018
	CHF 1,000	CHF 1,000
Goods purchased and held for resale (net)	**–1,143,952**	–1,013,293
Packaging materials / disposal	**–2,748**	–2,351
Inventory allowance	**–189**	–252
	–1,146,889	–1,015,896

9 Personnel expenses

	2019	2018
	CHF 1,000	CHF 1,000
Wages and salaries	**–88,837**	–69,539
Pension expenses	**–684**	–2,508
Other social security expenses	**–15,334**	–11,359
Other personnel expenses	**–12,640**	–10,282
	–117,495	–93,688

The increase in wages and salaries in 2019 is mainly due to the increase in volume and the takeovers. The decline in pension expenses is due to plan amendments / settlements (see Note 28). Other personnel expenses mainly comprise temporary employment in the logistic centre in Heerlen (NL).

10 Other operating expenses

	2019	2018
	CHF 1,000	CHF 1,000 restated[1]
Distribution expenses	**–41,926**	–33,140
Office and administrative expenses	**–34,892**	–24,908
Marketing and acquisition expenses	**–53,212**	–41,261
Expenditure on premises	**–3,967**	–5,967
Fair value adjustment of contingent consideration	**–2,938**	–1,467
Other operating expenses	**–10,095**	–7,853
	–147,030	–114,596

1) See Note 2.4 Changes in accounting policies

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

11 Financial result

	2019	2018
	CHF 1,000	CHF 1,000 restated[1]
Finance income		
Interest income	**51**	237
Interest income from joint ventures	**3**	2
Income from securities	**86**	0
Foreign exchange gains, net	**1,339**	0
	1,479	239
Finance expenses		
Interest expenses	**–4,399**	–1,698
Bank charges and fees	**–617**	–425
Losses from securities	**–16**	–83
Foreign exchange losses, net	**0**	–3,886
Interest expenses on lease	**–884**	0
	–5,916	–6,092
Financial result (net)	**–4,437**	–5,853

1) See Note 2.4 Changes in accounting policies

12 Income tax income / (expense)

	2019	2018
	CHF 1,000	CHF 1,000
Current income tax of the current period	**–1,278**	–365
Deferred income tax	**–987**	–188
	–2,265	–553

Analysis of tax expenses	2019	2018
	CHF 1,000	CHF 1,000
Earnings before taxes (EBT)	**–50,111**	–38,547
Tax rate of the operating Swiss company	**16.4 %**	16.4 %
Expected income / expenses from income tax	**8,218**	6,322
Effect of unrecognised tax losses	**–12,034**	–6,548
Effect of tax losses not recognised in prior periods	**363**	501
Effect of non-deductible expenses and income	**4,349**	–748
Effect of higher tax rates at foreign subsidiaries	**–415**	–86
Effect of valuation adjustment on deferred tax assets	**–534**	0
Effect of tax rate changes[1]	**–1,777**	0
Other effects	**–435**	6
	–2,265	–553

1) Tax rate changes due to a tax reform in Switzerland

Additional information on deferred taxes can be found in Note 23.

13 Cash and cash equivalents

	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
CHF	**173,656**	100,603
EUR	**30,960**	130,060
CZK	**65**	30
	204,681	230,693

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 the respective cash requirements. Short-term deposits earn interest at the respective short-term deposit rates.

14 Trade receivables

	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
From third parties	**128,402**	93,829
From joint ventures	**1,107**	0
Bad debt allowance	**–2,788**	–1,518
	126,721	92,311

Due to the 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 is as follows:

			31.12.2019			31.12.2018
CHF 1,000	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Total receivables	129,509	2,788	**126,721**	93,829	**1,518**	**92,311**
not due	102,182	202	**101,980**	76,236	85	76,151
less than 30 days overdue	17,672	319	**17,353**	13,022	188	12,834
31 – 60 days overdue	4,230	407	**3,823**	1,565	40	1,525
61 – 90 days overdue	2,483	306	**2,177**	464	64	400
91 – 180 days overdue	1,138	239	**899**	473	129	344
181 – 360 days overdue	818	416	**402**	867	139	728
> 360 days overdue	986	899	**87**	1,202	873	329

The bad debt allowance developed as follows:

Bad debt allowance	2019	2018
	CHF 1,000	CHF 1,000
1 January	**–1,518**	–1,492
Additions	**–1,758**	–1,080
Utilisation	**157**	989
Reversals	**–1**	75
Exchange differences	**332**	–10
31 December	**–2,788**	–1,518

15 Prepaid expenses

	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
Unbilled receivables	**415**	3,925
Prepaid expenses	**8,300**	5,855
	8,715	9,780

16 Other receivables

	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
Payments on account and creditors with debit balances	**1,170**	2,940
VAT	**14,968**	10,571
Security deposits	**845**	397
Other receivables of associated companies	**0**	300
Other	**134**	203
	17,117	14,411

The increase in VAT receivables is mainly due to the higher volume of sales in the Germany segment.

17 Inventories

	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
Goods purchased and held for resale	**71,251**	70,142
Inventory allowance	**–643**	–742
	70,608	69,400

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
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
Joint Ventures	CHF 1,000	CHF 1,000	%	%
ehealth-tec GmbH, Berlin (DE)	**n/a**	0	**n/a**	50.0
König Gesellschaft für Image- und Dokumentenverarbeitung mbH, Gottmadingen (DE)	**692**	560	**50.0**	50.0
König IT-Systeme GmbH, Gottmadingen (DE)	**391**	494	**50.0**	50.0
PolyRose AG, Frauenfeld (CH)	**132**	131	**50.0**	50.0
DatamedIQ GmbH, Köln (DE)[1]	**0**	7	**50.0**	25.0
ZRMB Marketplace AG, Frauenfeld (CH)	**2,794**	n/a	**49.9**	n/a
MBZR Apotheken AG, Frauenfeld (CH)	**3,044**	n/a	**49.9**	n/a
Total investments	**7,053**	1,192		

1) 2018 accounted for as an associate. Unrecognized share of losses TCHF 473 (previous year: 0)

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 remaining shares were acquired as part of the Clinpath acquisition (see Note 6.1).

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.

The Zur Rose Group acquired a further 25 percent of DatamedIQ GmbH in 2019. This company helps pharmaceutical companies manage their mail-order activities with innovative analyses and exclusive databases.

50.1% of shares in ZRMB Marketplace AG and MBZR Apotheken AG (formerly Zur Rose Shop-in-Shop Apotheken AG) were sold in 2019 and 31 December 2019 are accounted for as two joint ventures with medbase (see Note 6).

19 Property, plant and equipment

	Real estate	Lease-hold and equipment	Office furnishings and IT systems	Vehicles	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost					
1 January 2018	**22,448**	**30,400**	**23,758**	**795**	**77,401**
Additions	3,175	4,897	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**
Effect of applying IFRS 16 [5]	0	–5,748	0	0	–5,748
1 January 2019 (restated)	25,343	28,907	25,032	1,061	80,343
Additions	[1] 86	[2] 8,202	[3] 3,060	74	11,422
Disposals	0	–3,993	–339	–43	–4,375
Additions from acquisition of subsidiaries	0	242	64	5	311
Exchange differences	–303	–671	–281	–5	–1,260
31 December 2019	**25,126**	**32,687**	**27,536**	**1,092**	**86,441**
Accumulated depreciation and impairment					
1 January 2018	**9,342**	**22,000**	**15,691**	**683**	**47,716**
Additions	584	2,856	1,386	92	4,918
Reversal of impairment losses	0	–147	0	0	–147
Exchange differences	–74	–408	–206	–2	–690
31 December 2018	**9,852**	**24,301**	**16,871**	**773**	**51,797**
Effect of applying IFRS 16 [5]		–1,724			–1,724
1 January 2019 (restated)	9,852	22,577	16,871	773	50,073
Additions	580	2,626	1,807	91	5,104
Impairment losses	0	[4] 575	0	0	575
Disposals	0	–1,305	–129	0	–1,434
Exchange differences	–75	–301	–221	–4	–601
31 December 2019	**10,357**	**24,172**	**18,328**	**860**	**53,717**
Net carrying amount as at					
31 December 2018	15,491	10,354	8,161	288	34,294
1 January 2019	15,491	6,330	8,161	288	30,270
31 December 2019	**14,769**	**8,515**	**9,208**	**232**	**32,724**

1) Of which CHF 85 thousand of additions yet to be paid
2) Of which CHF 1,270 thousand of additions yet to be paid
3) Of which CHF 144 thousand of additions yet to be paid
4) Includes an impairment loss on plant and equipment in the Germany segment
5) See Note 2.4 Changes in accounting policies

With the exception of the properties in Frauenfeld and Steckborn with a carrying amount of CHF 16,257 thousand (previous year: CHF 16,727 thousand), no property, plant or equipment was pledged as at 31 December 2019.

20 Right-of-use assets and leases

The Zur Rose Group leases in particular various office and warehouse buildings, equipment and vehicles. Leasing terms conditions are negotiated individually and include a range of varying conditions. Leases are generally entered into for a fixed period, but may include options to extend.

In the Consolidated Cash Flow Statement, principal payments on lease liabilities are shown under cash flow from financing activities. In cash flow from operating activities, interest paid includes interest payments on lease liabilities. During the year under review, the total cash outflow relating to lease activities was CHF 5.3 million.

The following expenses relating to the lease activities of the Zur Rose Group were charged through the income statement:

Leasing activities	**2019**
	CHF 1,000
Lease payments for short-term lease contracts	**273**
Lease payments for equipment of low value	**85**
Variable lease payments	**3**
Expense recognised in other operating expenses	**361**
Depreciation of right-of-use assets	**5,052**
Interest expense on lease liabilities	**884**
Total expense recognised in the income statement	**6,297**

Right-of-use assets

	Real estate	Leasehold and equipment	Office furnishings and IT systems	Vehicles	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Net book values 2019					
1 January 2019	22,786	4,135	16	444	27,381
Additions	24,970	458	51	390	25,869
Additions from acquisition of subsidiaries	986	18	0	0	1,004
Revaluations	–960	0	–16	0	–976
Disposals from sales of subsidiaries	–2,490	0	0	–40	–2,530
Depreciations	–4,108	–640	–10	–294	–5,052
Exchange differences	–1,150	–138	0	–5	–1,293
31 December 2019	**40,034**	**3,833**	**41**	**495**	**44,403**

21 Intangible assets

	Goodwill	Software and development costs	Trademarks, customers	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost				
1 January 2018	**102,246**	**94,273**	**33,316**	**229,835**
Additions	0	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**
Additions	0	[1] 29,280	0	29,280
Additions from acquisition of subsidiaries	174,071	4,062	28,687	206,820
Disposals	–337	–272	0	–609
Exchange differences	–12,140	–2,764	–1,796	–16,700
31 December 2019	**352,421**	**153,468**	**71,184**	**577,073**
Accumulated amortisation and impairment				
1 January 2018	**19,109**	**57,432**	**5,721**	**82,262**
Additions	0	12,867	1,345	14,212
Reversal of impairment losses	0	–121	0	–121
Exchange differences	–705	–1,730	–261	–2,696
31 December 2018	**18,404**	**68,448**	**6,805**	**93,657**
Additions	0	15,893	5,098	20,991
Disposals	0	–94	0	–94
Impairment losses	0	139	0	139
Exchange differences	–669	–1,888	–316	–2,873
31 December 2019	**17,735**	**82,498**	**11,587**	**111,820**
Net carrying amount as at				
31 December 2018	172,423	54,714	37,488	264,625
31 December 2019	**334,686**	**70,970**	[2] **59,597**	**465,253**

1) Of which CHF 3,169 thousand of additions yet to be paid

2) Of which CHF 20,323 thousand (previous year CHF 20,323 thousand) for the DocMorris trademark with an indefinite useful life and CHF 543 thousand (previous year CHF 543 thousand) for the BlueCare trademark with an indefinite useful life as well as the brand medpex over CHF 9.0 million and customers medpex over CHF 15.6 million from the acquisition of medpex (see note 6) with a remaining term of 9 years each.

Impairment testing of intangible assets with indefinite useful lives
The Zur Rose Group performed its annual impairment test in December 2019 and 2018. 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, Germany and Europe, which are the operating and reportable segments of the Zur Rose Group. In 2019 the goodwill from the acquisition of Promofarma was allocated to the Switzerland, Germany and Europe CGUs. The impairment test of the DocMorris brand was carried out at the level of the DocMorris CGU, which is included in the Germany CGU.

Cash-generating units and intangibles	Switzerland		Germany[1]		Europe	
	2019	2018	2019	2018	2019	2018
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Goodwill	**16,673**	8,111	**316,073**	117,103	**1,940**	0
Trademarks	**543**	543	**20,323**	20,323	**0**	0
	17,216	**8,654**	**336,396**	**137,426**	**1,940**	**0**

1) The CGU Germany comprises the CGU DocMorris, at the level of which 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 rates used for cash flows after the four-year period and the EBITDA margins for residual value.

Discount rates	2019	2018
	%	%
Switzerland	**7.0**	8.4
Germany	**10.4**	10.8
Europe	**10.5**	–
Trademark DocMorris	**10.1**	10.9

The growth rates for the residual values amount to 1.0 percent each in 2019, as in the previous year for Switzerland, Germany, Europe and the DocMorris brand.

EBITDA margins for residual value	2019	2018
	%	%
Switzerland	**3.4**	4.0
Germany	**7.8**	7.2
Europe	**5.9**	–
Trademark DocMorris	**7.8**	7.4

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 the 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, the CGU Germany (including the CGU DocMorris) and the CGU Europe would result in the carrying amount significantly exceeding the recoverable amount.

22 Non-current financial assets

	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
Equity securities	**140**	141
Loans granted	**6,018**	940
	6,158	1,081

The loans include a loan to MBZR Apotheken AG of CHF 4,650 thousand (previous year: CHF 0 thousand), a loan to DatamedIQ GmbH of CHF 887 thousand (previous year: CHF 450 thousand), a loan to employees of CHF 467 thousand (previous year: CHF 49 thousand) and other loans to third parties of CHF 14 thousand (previous year: CHF 341 thousand).

23 Deferred tax

Net carrying amounts	Balance sheet 31.12.2019	Balance sheet 31.12.2018	Income statement 2019	Income statement 2018
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Deferred tax due to temporary differences				
Deferred tax assets				
Non-current assets	**2,500**	1,801	**–1,419**	–10
Pension obligations	**2,658**	2,220	**–252**	47
Tax loss carryforwards	**2,909**	4,559	**–1,650**	–550
	8,067	8,580	**–3,321**	–513
Deferred tax liabilities				
Intangible assets	**–6,216**	–5,470	**2,335**	325
Net deferred tax assets	**1,851**	3,110		
Deferred tax expense (income)			**–986**	–188

Deferred tax reported on the balance sheet	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
Deferred tax assets	**8,067**	8,580
Deferred tax liabilities	**–6,216**	–5,470
	1,851	3,110

Movement of deferred tax	2019	2018
	CHF 1,000	CHF 1,000
1 January	**3,110**	5,557
Recognition / reversal of deferred tax in income statement	**–986**	–188
Recognition / reversal of deferred tax in other comprehensive income	**566**	57
Additions from acquisition of subsidiaries	**–913**	–2,354
Exchange differences	**74**	38
31 December	**1,851**	3,110

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 generated profits in recent years, which is why it is considered probable that capitalised loss carryforwards, which are based on nonrecurring impairments, can be utilised against future profits.

Tax loss carryforwards	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
Total tax loss carryforwards	**311,830**	237,632
Of which loss carryforwards recognised in deferred income tax	**17,403**	27,633
Unrecognised tax loss carryforwards (total)	**294,427**	209,999

Deferred tax assets from loss carryforwards changed as follows:

Movement in tax assets from loss carryforwards	**2019**	**2018**
	CHF 1,000	CHF 1,000
1 January	**4,559**	5,109
Recognition of deferred tax assets from loss carryforwards	**237**	0
Impairment of deferred taxes capitalised in previous years	**–900**	0
Use of deferred tax assets from loss carryforwards	**–987**	–550
31 December	**2,909**	4,559

	31.12.2019	**31.12.2018**
	CHF 1,000	CHF 1,000
Unrecognised loss carryforwards expire as follows:		
Within a year	**23,773**	6,723
In two to five years	**20,392**	34,177
In more than five years	**147,371**	99,018
Unlimited	**102,891**	70,081
	294,427	209,999
Tax effect on unrecognised tax loss carryforwards	**74,473**	55,289

In addition to the unrecognized tax loss carryforwards the Zur Rose Group has further unrecognized deferred tax assets of CHF 5.7 million as of 31 December 2019; 10% of this amount will each year expire until 2029.

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

24 Financial liabilities	**31.12.2019**	**31.12.2018**
	CHF 1,000	CHF 1,000
Current financial liabilities and bonds	**87,395**	3,521
Non-current financial liabilities and bonds	**350,206**	144,740
	437,601	148,261
Current financial liabilities		
Other current financial liabilities	**7,294**	0
Current lease liabilities	**6,954**	835
Deferred consideration liabilities	**12,328**	0
Contingent consideration liabilities	**60,819**	2,686
	87,395	3,521

On 21 November 2019 Zur Rose Group AG issued a CHF 200 million five-year bond at an interest rate of 2.5%.

Non-current financial liabilities and bonds	**31.12.2019**	**31.12.2018**
	CHF 1,000	CHF 1,000
Bond 2.5% 2018 – 2023, nominal CHF 115 million	**114,315**	114,127
Bond 2.5% 2019 – 2024, nominal CHF 200 million	**197,755**	0
Mortgages and loans from banks	**250**	350
Non-current lease liabilities	**36,451**	1,913
Deferred consideration liabilities	**0**	12,480
Contingent consideration liabilities	**1,435**	15,870
	350,206	144,740

Changes in liabilities arising from financing activities	Mortgages and loans from banks	Bond	Lease liabilities	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 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, non-cash movements)	0	62	0	1,026	1,088
Additions from acquisition of subsidiaries	856	0	0	0	856
Payment of purchase price	0	0	0	–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 January 2019	**350**	**114,127**	**2,748**	**31,036**	**148,261**
Effect of application of IFRS 16 [2]	0	0	23,358	0	23,358
1. Januar 2019 (restated)	**350**	**114,127**	**26,106**	**31,036**	**171,619**
Proceeds from financial liabilities	7,294	197,716	0	0	205,010
Repayment of financial liabilities	–100	0	–4,901	0	–5,001
Change in financial liabilities (non-financing cash flow, non-cash movements)	0	227	23,339	–18,817	4,749
Changes in fair values and other changes	0	0	–976	0	–976
Additions from acquisition of subsidiaries	0	0	1,008	67,635	68,643
Payment of purchase price	0	0	0	–2,656	–2,656
Currency translation effects	0	0	–1,171	–2,617	–3,788
31 December 2019	**7,544**	**312,070**	**43,405**	**74,582**	**437,601**

1) See Note 6 Business combinations and Note 31 financial instruments
2) See Note 2.4 Changes in accounting policies

Average interest	**2019**	**2018**
	%	%
Bank mortgages	**2.1**	2.0
Bonds	**2.5**	2.5
	2.5	2.5

25 Other payables

	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
Social security	**1,730**	3,012
Debtors with credit balances	**2,578**	1,603
VAT	**4,085**	2,811
Other	**1,730**	2,708
	10,123	10,134

26 Accrued expenses

	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
Goods purchased	**2,981**	3,976
Personnel expenses	**7,102**	5,672
Marketing expenses	**4,484**	1,230
Other operating expenses	**7,478**	8,262
	22,045	19,140

The increase in accrued expenses for marketing expenses as at 31 December 2019 is mainly due to a publicity campaign in the Germany segment in the fourth quarter 2019.

27 Provisions

	Other	Restructuring	Total
	CHF 1,000	CHF 1,000	CHF 1,000
1 January 2019	**7**	**2,204**	**2,211**
Recognition	291	577	868
Addition from acquisition of subsidiaries	14	296	310
Utilisation	0	–296	–296
Reversal	0	–141	–141
Foreign currency differences	0	–76	–76
31 December 2019	**312**	**2,564**	**2,876**
of which short-term	312	569	881
of which long-term	0	1,995	1,995

28 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 Disability 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 underfunding by the relevant fund. In such cases, the law requires restructuring measures (e.g. levying of 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	**2019**	**2018**
	CHF 1,000	CHF 1,000
Present value of obligations (DBO)	**61,640**	57,802
Plan assets at fair value	**46,470**	44,065
Net pension liabilities	**15,170**	13,737
of which Switzerland	**14,571**	13,308
of which Germany	**599**	429

Net pension obligations developed as follows:	**2019**	**2018**
	CHF 1,000	CHF 1,000
Net pension obligations as at 1 January	**13,737**	12,987
Pension expense recognised in profit or loss	**677**	2,646
Pension expense recognised in other comprehensive income	**3,559**	505
Employer contributions	**–2,482**	–2,385
Additions from acquisitions of subsidiaries	**427**	0
Disposal from sale of shop-in-shop pharmacies and e-commerce	**–731**	0
Foreign exchange differences	**–17**	–16
Net pension obligations as at 31 December	**15,170**	13,737

Present value of obligations (DBO)	**2019**	**2018**
	CHF 1,000	CHF 1,000
Present value of obligations as at 1 January	**57,801**	46,909
Additions from acquisitions of subsidiaries	**1,650**	0
Interest cost	**466**	370
Current service cost	**3,636**	2,801
Employee contributions	**1,624**	1,447
Benefits paid / transferred	**–321**	5,837
Past service cost[1]	**–964**	–277
Settlement[2]	**–7,224**	0
Administrative costs	**29**	23
Actuarial losses	**6,946**	707
Disposal from sale of shop-in-shop pharmacies and e-commerce	**–1,983**	0
Foreign exchange differences	**–20**	–16
Present value of obligations as at 31 December	**61,640**	57,801
of which Switzerland	**61,041**	57,372
of which Germany	**599**	429
of which active	**54,642**	54,281
of which pensioners	**6,998**	3,520
Average duration	**19.3 years**	17.3 years

Development of fair value of plan assets	**2019**	**2018**
	CHF 1,000	CHF 1,000
Fair value of plan assets as at 1 January	**44,064**	33,923
Additions from acquisitions of subsidiaries	**1,223**	0
Interest income from plan assets	**348**	271
Employer contributions	**2,482**	2,385
Employee contributions	**1,624**	1,447
Benefits paid / transferred	**–321**	5,837
Settlement [2]	**–5,084**	0
Disposal from sale of shop-in-shop pharmacies and e-commerce	**–1,252**	0
Actuarial gain (loss)	**3,386**	201
Fair value of plan assets as at 31 December	**46,470**	44,064

In the period under review, Zur Rose recognised the following costs for defined benefit plans in profit or loss:	**2019**	**2018**
	CHF 1,000	CHF 1,000
Current service cost (employer)	**3,636**	2,801
Past service cost [1]	**–963**	–277
(Gains) and losses on settlement [2]	**–2,142**	0
Administrative costs	**29**	23
Net interest expense	**117**	99
Total pension expense	**677**	2,646
of which personnel expense	**560**	2,547
of which finance expense	**117**	99

1) The past service cost includes a plan change resulting from the transfer of some Swiss companies to a new pension fund.
2) The result from the settlement of the defined benefit plan results from a partial transfer of retirement assets to a pension plan which does not qualify as a defined benefit plan under IAS 19 and therefore does not have to be recognised in balance sheet.

The remeasurement of pensions recognised in other comprehensive income is made up of the following:	**2019**	**2018**
	CHF 1,000	CHF 1,000
Changes in financial assumptions	**–5,871**	1,649
Changes in demographic assumptions [1]	**0**	622
Experience adjustments	**–1,074**	–2,978
Subtotal remeasurement pension obligations (loss)	**–6,945**	–707
Actuarial gain (loss) on the asset	**3,386**	201
Total remeasurement pensions	**–3,559**	–506

1) The change in demographic assumptions 2018 was based in particular on an adjustment of the probability of disability.

The remeasurement of pensions recognised in other comprehensive income is based on the following key assumptions:

Assumptions	**2019**	**2018**
	%	%
Discount rate in Switzerland	**0.2**	0.9
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 5.0 percent. An increase / decrease in the salary growth rate by 0.25 percent would lead to an increase / decrease in DBO of 0.8 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 2,403 thousand (Switzerland) for the year 2020.

The weighted average duration of defined benefit obligation in 2019 amounts to 19.3 years (previous year: 17.3 years).

29 Equity

		31.12.2019	31.12.2018
Issued and paid share capital	Value in CHF 1,000	**262,199**	48,127
	Number of shares	**8,739,972**	8,369,985
Authorised capital	Value in CHF 1,000	**0**	2,901
	Number of shares	**0**	504,511
Contingent capital	Value in CHF 1,000	**44,843**	134
	Number of shares	**1,494,780**	23,357

The increase in the number of shares of the issued and paid share capital of 369,987 shares includes the purchase price component medpex in shares of 355,887 shares (see note 6) and 14,100 shares issued for participation programs (Discount Share Plan 6,600 shares and Share Participation Plan 7,500 shares) (see note 33).

In 2019 the Zur Rose Group increased the par value per share from CHF 5.75 to CHF 30.00.

Treasury shares / amount	**2019**	**2018**
	CHF 1,000	CHF 1,000
1 January	**5,453**	1,216
Purchases	**1**	6,367
Acquisition of Promofarma Ecom. S.L.	**0**	–2,060
Allocations	**–235**	–70
31 December	**5,219**	5,453

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

Treasury shares / number	**2019**	**2018**
	Number	Number
1 January	**60,469**	36,124
Purchases	**14**	62,531
Acquisition of Promofarma Ecom. S.L.	**0**	–36,119
Allocations	**–2,608**	–2,067
31 December	**57,875**	60,469

Net income / (loss) per share		**31.12.2019**	**31.12.2018**
Net income / (loss) per share attributable to Zur Rose Group AG shareholders	CHF 1,000	**–52,358**	–38,971
Net income / (loss) per share	CHF 1	**–6.04**	–6.14
Diluted net income / (loss) per share	CHF 1	**–6.04**	–6.14
Average number of outstanding shares – basic	Number	**8,664,493**	6,348,641
Average number of theoretically outstanding shares – diluted	Number	**8,664,493**	6,348,641
Proposed dividend per share	CHF 1	**0.00**	0.00

30 Commitments and contingent liabilities

In connection with legal disputes, contingent liabilities total around CHF 7.6 million (previous year: CHF 13 million). Based on current estimates, no provisions needed to be recorded.

31 Financial instruments

Carrying amount of financial instruments	**31.12.2019**	**31.12.2018**
	CHF 1,000	CHF 1,000
Financial assets		
Cash and cash equivalents	**204,681**	230,693
Trade receivables	**126,721**	92,311
Prepaid expenses (financial instruments) [1]	**415**	3,925
Other receivables (financial instruments) [2]	**979**	600
Current financial assets	**225**	153
Non-current financial assets	**6,158**	1,081
	339,179	328,763

1) Total amount of prepaid expenses as per balance sheet: CHF 8,715 thousand (previous year: CHF 9,780 thousand)
2) Total amount of other receivables as per balance sheet: CHF 17,117 thousand (previous year: CHF 14,411 thousand)

The non-current financial assets include equity securities of CHF 140 thousand (2018: CHF 141 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	**31.12.2019**	**31.12.2018**
	CHF 1,000	CHF 1,000
Financial liabilities		
Current financial liabilities	**87,395**	3,521
Trade payables	**92,109**	83,127
Other payables (financial instruments) [1]	**4,308**	2,377
Accrued expenses [2]	**14,943**	13,468
Non-current financial liabilities	**38,136**	30,613
Bond 2.5% 2018–2023, nominal CHF 115 million	**114,315**	114,127
Bond 2.5% 2019–2024, nominal CHF 200 million	**197,755**	0
	548,961	247,233

1) Total amount of other payables as per balance sheet: CHF 10,123 thousand (previous year: CHF 10,134 thousand)
2) Total amount of accrued expenses: CHF 22,045 (previous year: CHF 19,140 thousand)

The financial liabilities include contingent consideration liabilities of CHF 60,819 thousand (previous year: CHF 2,686 thousand) and CHF 1,435 thousand (previous year: CHF 15,870 thousand) in current financial liabilities and non-current financial liabilities respectively, 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		**31.12.2019** Fair value	**31.12.2019** Carrying amount	**31.12.2018** Fair value	**31.12.2018** Carrying amount
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Current financial assets	Level 1	**225**	**225**	153	153
Equity securities	Level 3	**140**	**140**	141	141
Loans granted	Level 2	**6,018**	**6,018**	940	940
Bonds	Level 1	**324,490**	**312,070**	118,220	114,127
Loans from banks	Level 2	**250**	**250**	350	350
Deferred consideration liabilities	Level 2	**12,328**	**12,328**	12,480	12,480
Contingent consideration liabilities	Level 3	**62,254**	**62,254**	18,556	18,556
		405,705	**393,285**	150,840	146,747

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

Contingent consideration liability	**31.12.2019**	**31.12.2018**
	CHF 1,000	CHF 1,000
As per 1 January	**18,556**	19,435
Investing cash flow	**–2,656**	–1,681
Additions from business combinations	**67,635**	0
Change in fair value (through profit or loss)	**–18,817**	1,467
Exchange differences	**–2,464**	–665
Total contingent consideration liability	**62,254**	18,556

medpex
The contingent consideration liability originally amounting to CHF 65.9 million (EUR 58.6 million) was terminated early by agreeing a one-off payment of CHF 42.3 million (EUR 39.0 million). The payment was made in January 2020. The corresponding fair value adjustment of CHF 21.8 million was recognised in other operating income.

Eurapon
In an agreement dated 19 November 2019 the Zur Rose Group and the sellers of Eurapon agreed to fix the majority of the remaining earn-out as at 31 December 2019. Out of a total of CHF 18.2 million of outstanding liabilities, CHF 14.8 million were fixed as at 31 December 2019. The remaining variable component of CHF 3.4 million is mainly affected by the size of the losses at Eurapon GmbH and/or

Eurapon e.K. that have to be covered at the time of transfer. The re-assessment of the earn-out as at 31 December 2019 resulted in an increase of CHF 2.9 million (EUR 2.6 million) for 2019.

Other contingent consideration liabilities amount to CHF 1.8 million and are due between 2020 and 2022.

32 Financial risk management

Foreign currency effects
The Zur Rose Group operates mainly in Switzerland and countries in the European Union. 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 the European Union.

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
2019		
EUR	+/– 10	+/– 17,471
2018		
EUR	+/– 10	+/– 24,986

The methods and assumptions underlying the calculation of the sensitivities listed above do 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 is 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 cash and cash equivalents of the Zur Rose Group are held with several banks.

Credit default 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 of the Switzerland segment include, in particular, receivables from Swiss health insurance companies for which no substantial bad debt is expected.

Receivables from activities in the Germany and Europe segments 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 bonds that were issued on 19 July 2018 and 21 November 2019 both carry 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
2019		
Increase / decrease in market interest rate	**+/– 1**	**+/– 821**
2018		
Increase / decrease in market interest rate	+/– 1	+/– 805

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 2019	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
Lease liabilites	**7,044**	**5,363**	**4,435**	**7,437**	**26,053**
Trade payables	**92,109**	**0**	**0**	**0**	**0**
Other current payables	**4,308**	**0**	**0**	**0**	**0**
Accrued expenses	**14,943**	**0**	**0**	**0**	**0**
Bank loans	**7,395**	**150**	**0**	**0**	**0**
Bonds	**7,875**	**7,875**	**7,875**	**327,875**	**0**
Deferred consideration liabilities	**12,328**	**0**	**0**	**0**	**0**
Contingent considerations liabilities	**60,818**	**1,118**	**318**	**0**	**0**
	206,820	**14,506**	**12,628**	**335,312**	**26,053**

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
Lease liabilites	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

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) 40.9 percent (previous year: 61.1 percent).

33 Share-based payments

	2019	**2018**
	CHF 1,000	CHF 1,000
Stock ownership plans	298	547
Bluecare	304	–103
Discount Share Plan	149	0
Restricted Stock Unit Plan	38	0
Restricted Stock Unit Plan medpex	516	0
Long term performance-based remunerations	620	552
Promofarma	1,711	749
Board compensation	236	241
Total share-based payments expense	**3,872**	**1,986**

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 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 shares sold: 7,500 (previous year: zero). Fair value of the discount is CHF 35.37 per share.

Bluecare
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 liability amounts to TCHF 312 at 31 December 2019 (previous year: TCHF 8).

Discount Share Plan
During the year under review Zur Rose introduced a Discount Share Plan designed to enable employees to participate in the Company's sustainable, long-term growth and promote loyalty. Employees can buy Zur Rose shares at a 23% discount to the current market price. Zur Rose shares acquired under the plan are subject to a three-year vesting period. The upper limit on the annual amount invested is 10% of the employee's annual base salary. Total shares sold: 6,600 (previous year: zero). The fair value of the discount is CHF 22.57 per share.

Restricted Stock Unit Plan
Selected employees are also offered an additional incentive instrument in the form of a Restricted Stock Units, which was introduced during the year under review. Individually selected employees are allocated virtual shares, paid out after a two-year vesting period either in genuine Zur Rose shares or in cash. No cash was paid in the year under review. The decision wheter to settle in shares or cash rests with Zur Rose. The corresponding expense is recognized on a straight-line basis over the next two years. Total restricted stock units allocated: 5,106 (previous year: 0). The fair value per unit is CHF 97.60.

Restricted Stock Unit Plan medpex
In connection with the unwinding of the earn-out from the purchase of medpex, the founders were granted 132,999 Restricted Stock Units under management agreements. These virtual shares will be paid out after a two-year vesting period either in Zur Rose shares or in cash, whereby Zur Rose intends to fulfill the plan by providing shares. This portion of the compensation is vested pro rata on a monthly base, so that the expense will be recognised over 24 tranches. The fair value per right is CHF 105.60.

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, revenue targets and the share price performance 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. 6,313 shares (previous year: 4,953) were allocated in the year under review. The fair value per right amouts to CHF 78.85 (previous year: CHF 98.20).

Promofarma
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 a monetary amount to be converted into a specific number of Zur Rose Group AG shares, whereby Zur Rose has the right to choose and intends to settle the plan by delivering. Vesting is subject to meeting service conditions and performance targets. The final number of shares to be delivered depends on EBITDA, 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. 66,510 rights to shares of Zur Rose Group AG with a fair value of CHF 65.91 per right were granted. The prior-year figures have been restated, but the total amount of remuneration has not changed. The corresponding expense is being 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.

Board compensation
In 2019 the members of the Board of Directors received 30 percent of their compensation in shares with a three-year vesting period.

34 Related party transactions

The outstanding shares in Zur Rose Group AG are owned by 6,350 shareholders (previous year: 5,995 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 joint ventures	Sales	Purchase	Accounts receivable	Liabilities	Loans
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
2019	**3,671**	**5,285**	**1,107**	**208**	**5,537**
2018	0	4,975	332	100	891

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	2019	2018
	CHF 1,000	CHF 1,000
Short-term benefits to the Board of Directors	**679**	674
Share-based payments	**277**	323
	956	997

Group Management	2019	2018
	CHF 1,000	CHF 1,000
Short-term benefits to the Group Management	**2,398**	2,583
Retirement benefits	**324**	290
Share-based payments	**758**	829
	3,480	3,702

35 Events after the end of the reporting period

The Swiss public voted on 19 May 2019 to adopt the Federal Act on Tax Reform. The Federal Act enters into force on 1 January 2020. The cantons are implementing the reform autonomously in line with their requirements. In the Canton of Thurgau the tax proposal was accepted in a referendum held on 9 February 2020. The amended cantonal Fiscal Code will be implemented with retrospective effect from 1 January 2020 and includes a reduction in the rates of income tax by around 3 – 4%. Based on this change, the deferred tax items recognised by Zur Rose companies based in Thurgau will be re-measured in 2020. The reduction in the relevant net liabilities from deferred taxes will result in deferred tax income of CHF 0.5 million in 2020.

Building a better working world

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Zur Rose Group AG, Steckborn

Zurich, 18 March 2020

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 2019 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 54 to 105) give a true and fair view of the consolidated financial position of the Group as at 31. December 2019, 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

EY
Building a better working world

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 2019, the Zur Rose Group has goodwill of CHF 334.7 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 an indicator for impairment. 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 21 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 medpex, Doctipharma, Clinpath and Clustertec, a goodwill of CHF 174.1 million and other intangible assets of CHF 32.7 million were recognized. The 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 acquisitions in the financial year 2019, we, among other procedures, read the purchase agreements, tested the identification and fair valuation of the assets and liabilities acquired by the

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.

EY
Building a better working world

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	2019	2018
		CHF 1,000	CHF 1,000
Net revenue		**4,035**	3,317
Other operating income		**1,346**	1,558
Total net income		**5,381**	4,875
Personnel expenses		**–4,740**	–4,339
Other operating expenses		**–9,522**	–9,113
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**–8,881**	–8,577
Depreciation and amortisation		**–2,351**	–1,078
Impairment of financial assets		**–543**	0
Earnings before interest and taxes (EBIT)		**–11,775**	–9,655
Finance income		**15,968**	8,363
Finance expenses		**–17,296**	–7,377
Earnings before taxes (EBT)		**–13,103**	–8,669
Tax expenses		**–222**	–57
Net income / (loss)		**–13,325**	–8,726

Balance Sheet

ASSETS		**31.12.2019**	**31.12.2018**
	Notes	CHF 1,000	CHF 1,000
Cash and cash equivalents and short-term assets at market prices	2.1	**167,573**	169,880
Receivables from investments		**11,996**	7,451
Other short-term receivables from third parties		**547**	387
Prepaid expenses from third parties		**2,949**	949
Prepaid expenses from investments		**835**	79
Current assets		**183,900**	178,746
Loans to investments		**509,994**	335,019
Impairment of loans		**–543**	–55,563
Long-term loans granted to related parties		**467**	49
Other non-current financial assets		**50**	50
Investments	2.2	**206,442**	196,457
Impairment of investments		**–67,756**	–12,621
Property, plant and equipment		**1,225**	392
Real estate	2.3	**16,257**	16,727
Intangible assets		**11,186**	1,701
Right-of-use of real estate		**507**	0
Non-current assets		**677,829**	482,211
Assets		**861,729**	660,957

Balance Sheet

LIABILITIES		**31.12.2019**	**31.12.2018**
	Notes	CHF 1,000	CHF 1,000
Current liabilities to third parties		**1,150**	573
Current liabilities to investments		**10,406**	207
Current liabilities to boards or bodies		**7**	19
Other current liabilities to third parties		**20**	1,979
Current lease liabilities		**119**	0
Accrued expenses to third parties		**3,568**	3,004
Accrued expenses to investments		**2,543**	114
Short-term provisions		**40**	1,250
Short-term liabilities		**17,853**	7,146
Non-current interest-bearing liabilities	2.4	**315,000**	115,000
Non-current lease liabilities		**389**	0
Long-term liabilities		**315,389**	115,000
Liabilities		**333,242**	122,146
Share capital		**262,199**	48,127
Legal capital reserve			
General reserve from equity contribution	2.5	**239,774**	451,200
Legal retained earnings		**1,340**	1,340
Voluntary retained earnings		**30,905**	44,230
Retained earnings brought forward		**31,611**	40,337
Net income / (loss)		**–13,325**	–8,726
Retained earnings		**18,286**	31,611
Other voluntary reserves		**12,619**	12,619
Treasury shares	2.6	**–5,731**	–6,086
Equity		**528,487**	538,811
Liabilities and equity		**861,729**	660,957

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). With the exception of the changes to an accounting policy mentioned under 1.7, no further changes were made in 2019.

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 amortised for on a straight-line basis over the bond's term.

1.7 Finance leases

With effect from 1 January 2019 leases are recognised in the balance sheet from an economic perspective that covers all leases apart from current leases (term of less than 12 months) and those relating to assets of low value. The right-of-use asset is capitalised as an asset and depreciated over the term of the lease. On initial recognition the right of use is equal to the net present value of the lease obligation at the time of entering into the lease. The term of the lease is determined by the contractually agreed fixed term and any options to extend. The lease obligation is equal to the net present value of the future lease payments, reduced by the amortisation payments.

2 Information on income statement and balance sheet items

2.1 Cash and cash equivalents and short-term assets at market prices

	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
Cash and cash equivalents	**167,348**	169,727
Securities (at market prices)	**225**	153
Total cash and cash equivalents and short-term assets at market prices	**167,573**	169,880

2.2 Investments	2019	2018	2019	2018
	Capital	Capital	Equity interest and ordinary shares	Equity interest and ordinary shares
	CHF 1,000	CHF 1,000	%	%
Direct Investments				
Zur Rose Pharma GmbH, Halle (DE)	**8,479**	8,479	**100.0**	100.0
DVD Beteiligungs AG, Frauenfeld (CH) intermediate holding company	**0**	3,550	**0.0**	100.0
Specialty Care Therapiezentren AG, Frauenfeld (CH) (formerly: OPX Services AG)	**100**	100	**100.0**	100.0
Zur Rose Suisse AG, Frauenfeld (CH)	**7,650**	7,650	**100.0**	100.0
Promofarma Ecom. S.L., Barcelona (ES)	**15,004**	15,004	**100.0**	100.0
Doctipharma SAS, Paris (FR)	**618**	0	**100.0**	0.0
Clustertec AG, Baar (CH)	**100**	0	**100.0**	0.0
Bluecare AG, Winterthur (CH)	**1,288**	1,288	**78.9**	78.9
König Gesellschaft für Image- und Dokumentenverarbeitung GmbH, Gottmadingen (DE)	**29**	29	**50.0**	50.0
König IT Systeme GmbH, Gottmadingen (DE)	**28**	28	**50.0**	50.0
DatamedIQ GmbH, Köln (DE)	**29**	29	**25.0**	25.0
Material Indirect Investments				
DocMorris Holding GmbH, Berlin (DE)	**6,085**	6,085	**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
apo-rot B.V., Heerlen (NL)	**22**	22	**100.0**	100.0
apo-rot Service GmbH, Hamburg (DE)	**29**	29	**100.0**	100.0
VfG Cosmian s.r.o., Prague (CZ)	**12**	12	**100.0**	100.0
eHealth-Tec Innovations GmbH (DE) (formerly: Clinpath GmbH)	**27**	0	**100.0**	0.0
Visionrunner GmbH, Mannheim (DE)	**28**	0	**100.0**	0.0
Comventure GmbH, Forst (DE)	**28**	0	**100.0**	0.0
medpex wholesale GmbH, Ludwigshafen (DE)	**28**	0	**100.0**	0.0
DocMorris Kommanditist B.V., Heerlen (NL)	**22**	22	**100.0**	100.0
Polyrose AG, Frauenfeld (CH)	**200**	200	**50.0**	50.0
MBZR Apotheken AG, Frauenfeld (CH) (formerly: Shop-In-Shop Apotheken AG)	**100**	100	**49.9**	100.0
ZRMB Marketplace AG, Frauenfeld (CH)	**100**	0	**49.9**	0.0

2.3 Assets pledged

	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
Real estate pledged as collateral	**16,257**	16,727
Total assets pledged	**16,257**	16,727

2.4 Bonds

	Amount CHF	Interest rate %	Maturity
Bond	**115,000,000**	**2.500**	**19.07.2023**
Bond	**200,000,000**	**2.500**	**21.11.2024**

2.5 Legal capital reserve

The balance of CHF 239,774,496 still has to be confirmed by the Swiss Federal Tax Administration. The transaction and the balance of CHF 451,199,980 as at 31 December 2018 have been confirmed.

2.6 Treasury shares

	Number of transactions	Average price CHF	Number
Number of registered shares			
As at 1 January 2018			**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**
Acquisitions	13	95	14
Allocation	4	96	–2,608
As at 31 December 2019			**57,875**

2.7 Financial Leasing

	useful life	31.12.2019	31.12.2018
	5 – 10 years	CHF 1,000	CHF 1,000
Right-of-use real estate		**507**	0
Lease liabilities		**508**	0
Depreciation right-of use assets		**54**	0
Interest expenses lease liabilities		**7**	0
Remaining amount lease obligations (not capitalized)		**0**	524

3 Other disclosures

3.1 Share-based payments

	31.12.2019	31.12.2018
	CHF 1,000	CHF 1,000
Board of Directors (2019: 2,608 shares, 2018: 2,067 shares)	**251**	241
Group Management (2019: 0 shares, 2018: 0 shares)	**0**	0
Employees (2019: 7,651 shares, 2018: 0 shares)	**269**	0
Total share-based payments	**520**	241

The share-based payments of the Board of Directors in 2019 are equal to the market price; those of the employees are equivalent to a discount of 20 – 30 percent on the market price of the shares. Shares are subject to a vesting period of three to five years.

3.2 Significant shareholders

	2019
	%
KWE Beteiligungen AG	> **10**
T. Rowe Price Associates, Inc.	> **5**

3.3 Shareholdings Board of Directors and Group Management

	31.12.2019
	Number of shares
Board of Directors	
Prof. Stefan Feuerstein, Chairman	**70,000**
Walter Oberhänsli, Executive Director and CEO	**118,402**
Dr. Thomas Schneider, Vice Chairman	**29,634**
Prof. Dr. Volker Amelung, Director	**5,392**
Tobias Hartmann, Director	**193**
Dr. Christian Mielsch, Director	**2,193**
Florian Seubert, Director	**193**
Group Management	
Olaf Heinrich, Head Germany	**40,541**
Walter Hess, Head Switzerland	**40,804**
Marcel Ziwica, CFO	**46,682**

As of 31 December 2019, 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 company incentive plans. These shares are subject to a remaining vesting period of between one and four years. All of the shares held by the members of 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 shares allocated. The right to buy back the shares allocated declines each year and expires after four years. No cash was paid for shares allocated during the year under review. Total number of shares sold: 0 (previous year: 0).

3.4 Employees

	31.12.2019	31.12.2018
Full-time equivalents between 10 and 50	**x**	x

3.5 Unrecognised commitments

Company	Name	Nature	31.12.2019 CHF 1,000	31.12.2018 CHF 1,000
Montea Comm VA	DocMorris N.V. – Lease – property	Guarantee	**42,720**	19,176
CommerzReal Mobilienleasing GmbH	DocMorris N.V. – Logistics – investment	Co-obligation	**1,918**	2,749

3.6 Contingent and authorised capital

	31.12.2019 CHF	31.12.2018 CHF
Contingent capital	**44,843,400**	134,303
Authorised capital	**0**	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)

	31.12.2019	**31.12.2018**
	CHF	CHF
Retained earnings brought forward	**31,610,891**	40,337,250
Net income / (loss)	**–13,324,819**	–8,726,359
Retained earnings at the disposal of the Annual General Meeting	**18,286,073**	31,610,891
Distribution to shareholders	–	–
Carried forward to new account	**18,286,073**	31,610,891

Building a better working world

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Zur Rose Group AG, Steckborn

Zurich, 18 March 2020

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 110 to 119), for the year ended 31 December 2019.

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 2019 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 2019, the Zur Rose Group holds investments of CHF 138.7 million, which corresponds to 16% of total assets. We consider the valuation of investments to be a key audit matter due to the fact that the investments' value represents 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

Alternative Performance Measures of Zur Rose Group

The financial statements of Zur Rose Group are prepared in accordance with International Financial Reporting Standards (IFRS). In addition to the disclosures required by the IFRS, Zur Rose publishes alternative performance measures (APM), which are not subject to the IFRS provisions and for which there is no generally accepted reporting standard. Zur Rose calculates APM in order to enable comparability of the performance measures over time. The APM result in particular from different methods of calculation and evaluation and provide useful information about the financial and operational performance of the Group. Zur Rose calculates the following APM:

— Revenue growth nominal and in local currency
— Revenue growth (incl. medpex) nominal and in local currency
— Gross margin in percent of revenue
— EBIT
— EBITDA
— EBITDA margin
— Net financial debt

The **nominal revenue growth** indicates the percentage change in revenue compared to the previous year. The **revenue growth in local currency** terms shows the percentage change in revenue without the impact of exchange rate effects (conversion is at the previous year's rate).

The nominal revenue growth (**incl. medpex**) indicates the percentage change in the consolidated revenue of the Zur Rose Group including the non-consolidated revenue of medpex compared to the previous year. **The revenue growth** (**incl. medpex**) **in local currency** indicates the percentage change in the consolidated revenue of the Zur Rose Group including the non-consolidated revenue of medpex without the impact of exchange rates (conversion at the previous year's rate). As the separation of the mail-order business has not yet been completed, no medpex revenues have been consolidated in 2019.

The **gross margin in percent of revenue** corresponds to the division of revenue less cost of goods by revenue.

EBIT (**Earnings Before Interest and Taxes**) stands for earnings before interest and taxes and is used to report the operative earnings without the impact of internationally non-uniform taxation systems and different financing activities.

EBIT statement of derivation

Earnings before income taxes
+ / – Financial result (share of results of joint ventures and associates, financial income, financial expense)
= **EBIT**

EBITDA (**Earnings Before Interest, Taxes, Depreciation and Amortisation**) stands for earnings before interest, taxes, depreciation and amortisation, impairment and reversal of impairment. EBITDA is calculated on the basis of EBIT plus the depreciation and amortisation as well as impairment recognised in the income statement less reversal of impairment of intangible assets and property, plant and equipment.

EBITDA statement of derivation

EBIT
+ / – Depreciation and amortisation / impairment / reversal of impairment of property, plant and equipment and intangible assets
= **EBITDA**

The **EBITDA margin** is calculated by dividing EBITDA by revenue.

The **net financial debt** is a management indicator designed to measure the liquidity, capital structure and financial flexibility of Zur Rose Group. This indicator is calculated as follows:

Net financial debt statement of derivation

Public bond
+ Liabilities to financial institutions
+ Lease liabilities
+ Other financial liabilities
= Financial debt
– Cash and cash equivalents
– Current financial assets [1)]
= **Net financial debt**

1) These include current assets and receivables due from banks and other companies with a term of > 3 months and < 12 months and financial assets held for sale, which are initially recognised as current.

— Contacts

Zur Rose Group AG
Walzmühlestrasse 60
8500 Frauenfeld
Switzerland
T +41 52 724 00 20
zurrosegroup.com
info@zurrose.com

— Investor and analyst contact

Marcel Ziwica
CFO
T +41 58 810 11 49
ir@zurrose.com

— Media contact

Lisa Lüthi
Head of Group Communications
T +41 52 724 08 14
media@zurrose.com

— Imprint

Texts: Zur Rose Group AG, Frauenfeld
CEO Interview: Thomas Ballmer, Dynamics Group AG, Zurich
Design: schneiterpartner AG, Zurich
Photos: Christian Grund, Zurich
Publishing system: ns.publish by Multimedia Solutions AG, Zurich