Financial Statements

Consolidated Income Statement

	Notes	2019 CHF 1,000	2019 %	2018 CHF 1,000 restated [1]	2018 %
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	

	Notes	2019 CHF 1		2018 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	31.12.2018	Income statement 2019	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

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.

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	Notes	31.12.2019 CHF 1,000	31.12.2018 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	Notes	**31.12.2019** CHF 1,000	**31.12.2018** 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			**31.12.2019**	**31.12.2018**
Company	Name	Nature	CHF 1,000	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**	**31.12.2018**
	CHF	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

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.