Financial Statements

Consolidated Income Statement

		2020		2019	
	Notes	CHF 1,000	%	CHF 1,000	%
Net revenue	5	**1,476,930**	**100.0**	1,355,539	100.0
Other operating income	7	**14,796**		42,033	
Cost of goods	8	**–1,235,597**		–1,146,889	
Personnel expenses	9	**–142,910**		–117,495	
Other operating expenses	10	**–191,601**		–147,030	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**–78,382**	**–5.3**	–13,842	–1.0
Depreciation, amortisation and impairment	19–21	**–39,251**		–31,863	
Earnings before interest and taxes (EBIT)		**–117,633**	**–8.0**	–45,705	–3.4
Share of results of joint ventures		**–3,295**		31	
Finance income	11	**3,509**		1,479	
Finance expenses	11	**–15,790**		–5,916	
Earnings before taxes (EBT)		**–133,209**	**–9.0**	–50,111	–3.7
Income tax income / (expense)	12	**–2,435**		–2,265	
Net income / (loss)		**–135,644**	**–9.2**	–52,376	–3.9
Attributable to Zur Rose Group AG shareholders		**–135,695**		–52,358	
Attributable to non-controlling interests		**51**		–18	

		CHF 1		CHF 1	
Net income / (loss) per share	29	**–14.95**		–6.04	
Diluted net income / (loss) per share	29	**–14.95**		–6.04	

Consolidated Statement of Comprehensive Income

		2020	2019
	Notes	CHF 1,000	CHF 1,000
Net income / (loss)		**–135,644**	–52,376
Exchange differences on translation of foreign operations		**–1,952**	–19,082
Other comprehensive income to be reclassified in subsequent periods to the income statement		**–1,952**	–19,082
Remeasurement pensions	28	**–1,812**	–3,559
Income tax	23	**71**	566
Share of other comprehensive income of joint ventures		**–2**	0
Other comprehensive income not to be reclassified in subsequent periods to the income statement		**–1,743**	–2,993
Other comprehensive income / (loss)		**–3,695**	–22,075
Total comprehensive income / (loss)		**–139,339**	–74,451
Attributable to Zur Rose Group AG shareholders		**–139,382**	–74,311
Attributable to non-controlling interests		**43**	–140

Consolidated Balance Sheet

ASSETS		**31.12.2020**		**31.12.2019**	
	Notes	CHF 1,000	%	CHF 1,000	%
Cash and cash equivalents	13	**300,614**		204,681	
Current financial assets		**358**		225	
Trade receivables	14	**114,948**		126,721	
Prepaid expenses	15	**13,040**		8,715	
Other receivables	16	**17,372**		17,117	
Inventories	17	**92,941**		70,608	
Current assets		**539,273**	**42.2**	428,067	43.2
Investments in joint ventures	18	**3,785**		7,053	
Property, plant and equipment	19	**53,792**		32,724	
Right-of-use assets	20	**42,787**		44,403	
Intangible assets	21	**604,537**		465,253	
Non-current financial assets	22	**27,877**		6,158	
Deferred tax assets	23	**6,431**		8,067	
Non-current assets		**739,209**	**57.8**	563,658	56.8
Total assets		**1,278,482**	**100.0**	991,725	100.0

Consolidated Balance Sheet

LIABILITIES AND EQUITY	Notes	31.12.2020 CHF 1,000	%	31.12.2019 CHF 1,000	%
Current financial liabilities	24	**441**		80,441	
Current lease liabilities	24	**6,360**		6,954	
Trade payables		**93,319**		92,109	
Other payables	25	**13,916**		10,123	
Tax liabilities		**1,273**		43	
Accrued expenses	26	**34,528**		22,045	
Short-term provisions	27	**6,821**		881	
Short-term liabilities		**156,658**	**12.3**	212,596	21.4
Non-current financial liabilities	24	**43,741**		1,685	
Non-current lease liabilities	24	**36,156**		36,451	
Bonds	24	**483,917**		312,070	
Pension obligations	28	**17,961**		15,170	
Long-term provisions	27	**31**		1,995	
Deferred tax liabilities	23	**8,277**		6,216	
Long-term liabilities		**590,083**	**46.2**	373,587	37.7
Total liabilities		**746,741**	**58.4**	586,183	59.1
Share capital	29	**315,791**		262,199	
Capital reserves		**486,807**		269,694	
Treasury shares	29	**–31,927**		–5,219	
Retained earnings		**–202,325**		–86,369	
Exchange differences		**–36,605**		–34,653	
Equity attributable to Zur Rose Group AG shareholders		**531,741**	**41.6**	405,652	40.9
Non-controlling interests		**0**		–110	
Total equity		**531,741**	**41.6**	405,542	40.9
Total liabilities and equity		**1,278,482**	**100.0**	991,725	100.0

Consolidated Cash Flow Statement

	Notes	2020 CHF 1,000	2019 CHF 1,000
Net income / (loss)		**–135,644**	–52,376
Depreciation, amortisation and impairment	19–21	**39,251**	31,863
Finance expenses (net)		**11,262**	3,820
Share of results of joint ventures		**3,295**	–31
Income tax		**2,435**	2,265
Non-cash income and expenses		**17,969**	–35,270
Income taxes paid		**–518**	–2,069
Interest paid		**–12,265**	–4,018
Interest received		**431**	54
Change in trade receivables, other receivables and prepaid expenses		**13,519**	–37,269
Change in inventories		**–20,068**	–3,394
Change in trade payables, other liabilities and accrued expenses		**8,871**	13,485
(Increase) / decrease in provisions		**3,951**	369
Cash flow from operating activities		**–67,511**	–82,571
Acquisition of subsidiaries, net of cash acquired	6/24	**–116,045**	–108,785
Disposal of subsidiaries, net of cash disposed		**0**	5,709
Purchase of property, plant and equipment	19	**–26,417**	–10,394
Acquisition of intangible assets	21	**–33,410**	–31,117
Investments in non-current financial assets	22	**–24,009**	–3,211
Repayment of loan	6	**0**	4,568
Repayment of current financial assets	22	**25**	49
Cash flow from investing activities		**–199,856**	–143,181
Acquisition of non-controlling interests Bluecare		**–743**	0
Proceeds from capital increases	29	**206,097**	496
Transaction costs of capital increase [1]		**0**	–314
Increase in financial liabilities (net after transaction costs)	24	**171,350**	205,010
Repayment of financial liabilities	24	**–13,455**	–5,001
Purchase of treasury shares		**–2**	–1
Cash flow from financing activities		**363,247**	200,190
Increase / (decrease) in cash and cash equivalents		**95,880**	–25,562
Cash and cash equivalents at the beginning of the year		**204,681**	230,693
Foreign currency differences		**53**	–450
Cash and cash equivalents at the end of the year		**300,614**	204,681

1) Non-cash capital increase due to acquisition of medpex in year 2019

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 2019	**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**
Net income / (loss)				–135,695		–135,695	51	–135,644
Other comprehensive income				–1,735	–1,952	–3,687	–8	–3,695
Total comprehensive income				–137,430	–1,952	–139,382	43	–139,339
Share-based payments				17,452		17,452		17,452
Issue of new shares for contingent capital increase	27,000		–27,000			0		0
Issue of new shares for approved capital increase	22,225	190,392				212,617		212,617
Acquisition of Apotal group	3,995	33,227	117	245		37,584		37,584
Acquisition of TeleClinic GmbH				5,294		5,294		5,294
Transaction costs of capital increase		–6,717				–6,717		–6,717
Equity component for issued convertible bond				574		574		574
Acquisition of non-controlling interests Bluecare			94	–904		–810	67	–743
Purchase of treasury shares			–2			–2		–2
Allocation of treasury shares			83	–307		–224		–224
Issue of new shares for employees	372	211		–880		–297		–297
31 December 2020	**315,791**	**486,807**	**–31,927**	**–202,325**	**–36,605**	**531,741**	**0**	**531,741**

Notes to the Consolidated Financial Statements

1 Operating activities

The Zur Rose Group operates several e-commerce pharmacies 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 17 March 2021 and are subject to approval of the Annual General Meeting on 29 April 2021.

Zur Rose Group AG has been listed on the stock exchange since 6 July 2017. The shares are traded on SIX Swiss Exchange under the International Reporting Standard (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 the 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 2020.

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	
	31.12.2020	**31.12.2019**	**31.12.2020**	**31.12.2019**
	CHF 1,000	CHF 1,000	%	%
0800 DocMorris Ltd., London (GB)	**1**	1	**100.0**	100.0
AdBest Werbeagentur GmbH, Hilter am Teutoburger Wald (DE) [1]	**27**	n/a	**100.0**	n/a
ApDG Handels- und Dienstleistungs-gesellschaft mbH, Aachen (DE) [2]	**n/a**	28	**n/a**	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) [3]	**1,288**	1,288	**100.0**	78.9
Centropharm GmbH, Aachen (DE)	**30**	30	**100.0**	100.0
Clustertec AG, Baar (CH)	**100**	100	**100.0**	100.0
Comventure GmbH, Mannheim (DE)	**28**	28	**100.0**	100.0
D&W Mailorder Service B.V., Heerlen (NL)	**22**	22	**100.0**	100.0
Dia Plus Minus Handelsgesellschaft mbH, Hilter am Teutoburger Wald (DE) [1]	**28**	n/a	**100.0**	n/a
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)	**618**	618	**100.0**	100.0
eHealth-Tec GmbH, Berlin (DE)	**27**	27	**100.0**	100.0
eHealth-Tec, Innovations GmbH, Berlin (DE) [4]	**n/a**	27	**n/a**	100.0
Esando B.V., Venlo (NL) [5]	**n/a**	28	**n/a**	100.0
Eurapon B.V., Heerlen (NL) [6]	**0**	0	**100.0**	100.0
Eurapon Pharmahandel GmbH, Bremen (DE)	**28**	28	**100.0**	100.0
medpex wholesale GmbH, Ludwigshafen (DE)	**28**	28	**100.0**	100.0
Promofarma Ecom, S.L., Barcelona (ES)	**15,004**	15,004	**100.0**	100.0
Specialty Care Therapiezentren, 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
TeleClinic GmbH, München (DE) [1]	**119**	n/a	**100.0**	n/a
Ultra Pharm Medicalprodukte GmbH, Bad Rothenfelde (DE) [1]	**55**	n/a	**100.0**	n/a
VfG Cosmian s.r.o., Prague (CZ)	**12**	12	**100.0**	100.0
Visionrunner GmbH, Mannheim (DE)	**28**	28	**100.0**	100.0
Vitalsana B.V., Heerlen (NL) [7]	**0**	20	**0.0**	100.0
Zur Rose Dutch B.V., Heerlen (NL) [6] [8]	**0**	n/a	**100.0**	n/a
Zur Rose Finance B.V., Heerlen (NL) [6] [8]	**0**	n/a	**100.0**	n/a
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 2020, see Note 6
2) Merger into DocMorris Holding GmbH in 2020
3) Acquisition of non-controlling interests Bluecare in 2020
4) Merger into eHealth-Tec GmbH in 2020
5) Liquidation in 2020
6) Share capital of less then EUR 500.00
7) Merger into DocMorris N.V. in 2020
8) Founded in 2020

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

2.3 Summary of significant accounting policies

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

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

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

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

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

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

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

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

Currency translation
The Zur Rose Group operates mainly in Switzerland 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:

		2020		**2019**
Currency	Year-end rate	Average rate for the year	Year-end rate	Average rate for the year
EUR 1	**1.0822**	**1.0721**	1.0853	1.1122

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.

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

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

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation. if necessary tax liabilities were recognised.

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 judgment. Such options are individually assessed as to whether they are reasonably 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 composition of right-of-use assets is as follows:

- the amount of the initial measurement of the lease liability;
- any lease payments that have to be made on or before the commencement date, less any incentives received from the lessor;
- any initial direct costs incurred by the lessee. This means direct costs only incurred because the specific lease was entered into;
- 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 according to plan. The assessment of indefinite useful 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, plus transaction costs.

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 model. 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 also 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 through profit or loss when the payable is amortised or derecognised. Financial liabilities at amortised cost include, in particular, trade payables, other liabilities and public bonds.
— *At fair value through profit or loss.* Financial liabilities that were initially recognised at fair value through profit or loss or financial liabilities that must be recognised through profit or loss at fair value. The financial liabilities of the Zur Rose Group recognised through profit or loss include contingent consideration liabilities agreed in the context of business combinations.

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

If a financial instrument meets the definition of an equity instrument, it is initially measured at fair value and recognised directly in equity. Equity instruments are not remeasured. Any gains or losses and transaction costs associated with an equity instrument are also recognised in equity.

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, referring 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 goods-related remuneration to suppliers that does not represent distinct products or services are recognised as a reduction in the purchase cost of goods held in inventory or added to the cost of goods.

Goods that cannot be sold any more are written down in full.

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

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

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

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

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

For defined benefit plans, the obligation is determined every year by external experts using the projected unit credit method taking into account the plan benefits, employees' years of service as per balance sheet date, 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 policies applied are the same as those used in the previous financial year. The following revised standards, which the Group has applied since 1 January 2020, form exceptions. However, they have no material impact on the net assets, financial income and results of operations of the Group.

— Amendments to IFRS 3 – Definition of a Business
— Amendments to IAS 1 and IAS 8 – Definition of Material
— Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform Phase 1
— Changes to the conceptual framework

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 rarely in the rarest cases 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 435.3 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 purchase prices for recent acquisitions is comprised of an earn-out arrangement 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. The following changes potentially relevant for the Group are:

- IFRS 3 – Reference to the Conceptual Framework (comes into effect on 1 January 2022)
- IFRS 9 – Fees in the “10 per cent” Test for Derecognition of Financial Liabilities (comes into effect on 1 January 2022)
- IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use (comes into effect on 1 January 2022).
- IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (comes into effect on 1 January 2022)
- IAS 1 – Classification of Liabilities as Current or Non-Current (comes into effect on 1 January 2023)
- IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate / joint venture (date of entry into effect not yet known)
- The International Accounting Standards Board (IASB) has issued “Defining Accounting Estimates (Amendments to IAS 8)” to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for reporting periods beginning on or after 1 January 2023.

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

Segment profitability is 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.

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

Unallocated operating income comprises other operating income that has not been allocated.

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

Reporting as per 31 December 2020	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	589,250	821,270	66,410	0	1,476,930
Revenue with other segments	3,806	0	0	–3,806	0
Total net revenue	**593,056**	**821,270**	**66,410**	**–3,806**	**1,476,930**
Operating profit contribution	**41,477**	**37,018**	**–3,932**	**–3,806**	**70,757**
Unallocated operating costs					–151,178
Unallocated operating income					2,039
Earnings before interest, taxes, depreciation and amortisation (EBITDA)					**–78,382**
Depreciation and amortisation					–39,251
Earnings before interest and taxes (EBIT)					**–117,633**
Finance result, net					–15,576
Earnings before taxes (EBT)					**–133,209**

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)

Net revenue by customer location	Switzerland	Germany	Other	Group
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
2020	**589,250**	**821,270**	**66,410**	**1,476,930**
2019	553,049	762,791	39,699	1,355,539

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
2020	**116,064**	**268,815**	**310,891**	**5,346**	**701,116**
2019	97,378	229,118	160,390	55,494	542,380

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

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 medicine 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	**2020**	**2019**
Type of goods or service	CHF 1,000	CHF 1,000
Professional Services	**449,321**	422,761
Retail Business (B2C)	**139,929**	130,288
Total revenue from contracts with customers	**589,250**	553,049

Segment Germany	**2020**	**2019**
Type of goods or service	CHF 1,000	CHF 1,000
Retail Business (B2C)	**821,270**	762,791
Total revenue from contracts with customers	**821,270**	762,791

Europe	**2020**	**2019**
Type of goods or service	CHF 1,000	CHF 1,000
Marketplace	**66,410**	39,699
Total revenue from contracts with customers	**66,410**	39,699

6 Changes in consolidation scope

The scope of consolidation has changed in 2020 as a result of the following transactions:

TeleClinic
On 31 July 2020 Zur Rose Group AG acquired TeleClinic GmbH of Munich, TeleClinic provides medical consultations with specialist doctors by telephone or video chat. The purchase price was CHF 46.8 million (EUR 43.5 million), broken down into a cash payment of CHF 41.5 million (EUR 38.5 million) and a deferred consideration of 20,964 shares of Zur Rose Group AG with a market value of CHF 5.3 million (EUR 4.9 million) on the date of acquisition. The shares will be transferred to the sellers over a period until August 2023. The shares component meets the definition of an equity instrument and has therefore been initially measured at fair value and recognised directly in equity.

The goodwill of CHF 43.5 million (EUR 40.4 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. Since acquisition TeleClinic contributed CHF 0.9 million to revenues and CHF –4.2 million to the net income of the Zur Rose Group. Transaction costs of CHF 1.1 million (EUR 1.0 million) were recognised in other operating costs.

Apotal

On 17 August 2020 the Zur Rose Group AG acquired through its subsidiary DocMorris Holding GmbH the mail-order and diabetes activities of online pharmacy Apotal. As part of this transaction the Zur Rose Group acquired AdBest Werbeagentur GmbH of Hilter (DE), Ultra-Pharm Medicalprodukte GmbH of Bad Rothenfelde (DE) and Dia Plus Minus Handelsgesellschaft mbH of Hilter (DE). The Apotal Group provides distribution services for pharmaceuticals and beauty products, and mainly supplies the German market. The purchase price of CHF 80.9 million (EUR 75.2 million) consists of a fixed purchase price of CHF 64.5 million (EUR 59.9 million), in turn comprising a cash payment of CHF 26.9 million (EUR 25.0 million) plus 134,468 shares of Zur Rose Group AG worth CHF 37.6 million (EUR 34.9 million) at the market price on the takeover date, a contingent earn-out component with a fair value of CHF 20.7 million (EUR 19.3 million) at the time of the takeover and a purchase price adjustment of CHF 4.3 million (EUR 4.0 million). This is included under other receivables as at 31 December 2020 (see Note 16). The earn-out component agreed at the time of acquisition, which covers the periods 2021–2022, mainly depends on two factors: firstly an increase in revenues compared to the benchmark year 2019 and secondly the achievement of certain EBITDA targets. A part of the earn-out will be settled in cash and a part in Zur Rose shares. Due to a variable payment, the fair value of the entire earn-out has been recognised as a liability and is measured at fair value through profit or loss until settlement or expiry. The goodwill of CHF 57.6 million (EUR 53.5 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. Since acquisition the Apotal Group contributed CHF 12.5 million to revenues and CHF −0.6 million to the net income of Zur Rose Group. Transaction costs of CHF 1.0 million (EUR 0.9 million) were recognised in other operating costs.

In addition to the above-mentioned companies, the Zur Rose Group will also acquire the warehouse for the mail-order business, but only with effect from the date of transfer at 1 January 2023. To finance this purchase price, the Zur Rose Group granted the sellers a loan of CHF 10.8 million (EUR 10.0 million), representing the maximum purchase price for the warehouse; this will be offset against the purchase price, which has not yet been finally fixed.

	TeleClinic	Apotal
	CHF 1,000	CHF 1,000
Cash and cash equivalents	1,714	947
Other receivables	789	1,558
Prepaid expenses	22	68
Inventory	–	2,181
Property, plant and equipment	116	641
Rights-of-use assets	1,038	186
Long-term receivables	214	–
Intangible assets	7,234	25,448
Total assets	**11,126**	**31,030**
Other liabilities	2,172	6,294
Current lease liabilities	280	77
Accrued expenses	311	536
Non-current lease liabilities	757	109
Deferred tax liabilities	2,159	711
Total liabilities	**5,678**	**7,728**
Net assets acquired	**5,448**	**23,302**
Goodwill	**43,528**	**57,640**
Fair value of purchase consideration	46,822	80,942
Effective settlement of pre-existing loan receivable	2,154	–
Total consideration	**48,976**	**80,942**
less contingent consideration liabilities	–	20,737
less deferred consideration liabilities, payable in shares	5,294	–
Other receivable – from net current asset adjustments	–	–4,287
less cash acquired	1,714	947
less settlement with shares	–	37,584
less pre-existing relationships	2,154	–
Cash inflow / (outflow) from acquisition of subsidiaries	–39,814	–25,961

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 purchase price allocation for the following companies was finalised in 2020 with no adjustments made.

Doctipharma
On 14 February 2019 Zur Rose Group AG acquired 100 percent of Doctipharma SAS, which is based at Levallois-Perret near Paris (France). The purchase price was CHF 727 (EUR 640) and badwill of CHF 0.6 million (EUR 0.5 million) was recognised in other operating income.

Clinpath (now: eHealth-Tec GmbH)
On 17 July 2019 Zur Rose Group AG, through its subsidiary Zur Rose Pharma GmbH of Halle (Germany), acquired 100 percent of Clinpath GmbH of Berlin (Germany), which was renamed eHealth-Tec Innovations GmbH at the end of 2019. The purchase price was CHF 5.0 million (EUR 4.5 million) and was 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 3.6 million (EUR 3.4 million) of annual report 2019 has been allocated to the Germany segment. With effect from 2 July 2020, eHealth-Tec Innovations GmbH merged with eHealth-Tec GmbH.

Clustertec
On 25 July 2019 Zur Rose Group AG acquired 100 percent of Clustertec AG in Baar (Switzerland). The purchase price was CHF 4.4 million and broke down into a fixed purchase price of CHF 3.4 million, an adjustment to net working capital of CHF 0.2 million and a contingent earn-out component of CHF 0.8 million. Goodwill of CHF 2.5 million was allocated to the Switzerland segment.

medpex
On 4 January 2019 Zur Rose Group AG acquired mail-order activities of the medpex Group through its subsidiary DocMorris Holding GmbH. The purchase price of CHF 197.8 million (EUR 175.8 million) consisted of a fixed purchase price of CHF 97.7 million (EUR 86.9 million), shares of Zur Rose Group AG worth CHF 32.2 million (EUR 28.6 million), at the market price on the takeover date, a contingent earn-out component with a fair value of CHF 65.9 million (EUR 58.5 million) and a purchase price adjustment of CHF 2.0 million (EUR 1.8 million). The goodwill has been allocated to the Germany segment.

Change in Consolidation Scope 2019

	Diverse [1]	**medpex**
CHF 1,000	31.12.2020	31.12.2020
Identified net assets	3,736	30,009
Goodwill	5,706	167,783
Fair value of purchase consideration	**9,442**	**197,792**
Cash payment	7,134	98,995
Settlement with treasury shares	–	32,172
Contingent consideration liabilities	1,761	65,874
Acquired cash items	547	751

1) Consists of acquisitions Doctipharma, Clinpath and Clustertec

7 **Other operating income**	**2020**	**2019**
	CHF 1,000	CHF 1,000
Rental income	**456**	437
Rental income of joint ventures	**63**	0
Badwill from acquisition	**0**	581
Gain on disposal shop-in-shop pharmacies and e-commerce	**0**	17,821
Fair value adjustment on contingent consideration and other compensation claims	**11,728**	21,755
Other income	**2,549**	1,439
	14,796	42,033

8 **Cost of goods**	**2020**	**2019**
	CHF 1,000	CHF 1,000
Goods purchased and held for resale (net)	**–1,224,744**	–1,143,952
Packaging materials / disposal	**–3,206**	–2,748
Inventory allowance	**–7,647**	–189
	–1,235,597	–1,146,889

The inventory allowance includes a value adjustment on pandemic products in the amount of CHF 6.2 million.

9 **Personnel expenses**	**2020**	**2019**
	CHF 1,000	CHF 1,000
Wages and salaries [1]	**–103,933**	–82,419
Pension expenses	**–4,108**	–684
Other social security expenses	**–17,013**	–15,334
Other personnel expenses [1]	**–17,856**	–19,058
	–142,910	–117,495

1) The own work capitalised will be recognised in wages and salaries from 2020. Accordingly, a reclassification of TCHF 6,418 from other personnel expenses to wages and salaries was made for 2019.

The increase in wages and salaries in 2020, which also includes share-based payments (see note 33), is mainly due to the increase in volume and company acquisitions. The increase in the pension expense is due to plan changes / terminations in the previous year (see note 28).

10 **Other operating expenses**	**2020**	**2019**
	CHF 1,000	CHF 1,000
Distribution expenses	**–49,153**	–41,926
Office and administrative expenses	**–50,881**	–34,892
Marketing and acquisition expenses	**–60,590**	–53,212
Expenditure on premises	**–4,904**	–3,967
Fair value adjustment of contingent consideration	**–399**	–2,938
Other operating expenses	**–25,674**	–10,095
	–191,601	–147,030

The increase in other operating expenses is mainly due to the acquisitions and the increase in volume as well as the increase in the risk position from a VAT case on bonuses granted on prescriptions.

11 Financial result

	2020	2019
	CHF 1,000	CHF 1,000
Finance income		
Interest income	**929**	51
Interest income from joint ventures	**226**	3
Income from securities	**202**	86
Foreign exchange gains, net	**2,147**	1,339
Interest income on leases	**5**	0
	3,509	1,479
Finance expenses		
Interest expenses	**−13,479**	−4,399
Bank charges and fees	**−1,019**	−617
Losses from securities	**−41**	−16
Interest expenses on leases	**−1,251**	−884
	−15,790	−5,916
Financial result (net)	**−12,281**	−4,437

12 Income tax income / (expense)

	2020	2019
	CHF 1,000	CHF 1,000
Current income tax of the current period	**−1,748**	−1,278
Deferred income tax	**−687**	−987
	−2,435	−2,265

Analysis of tax expenses

	2020	2019
	CHF 1,000	CHF 1,000
Earnings before taxes (EBT)	**−133,209**	−50,111
Tax rate of the operating Swiss company	**13.4%**	16.4 %
Expected income / expenses from income tax	**17,797**	8,218
Effect of unrecognised tax losses	**−25,426**	−21,095
Effect of tax losses not recognised in prior periods	**696**	363
Effect of non-deductible expenses and income	**−6,614**	8,020
Effect of higher tax rates at foreign subsidiaries	**12,633**	−5,146
Effect of valuation adjustment on deferred tax assets	**−1,634**	−534
Effect of tax rate changes [1]	**−214**	−1,777
Other effects	**327**	−606
	−2,435	−2,265

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

The derivation of some reconciliation items of the analysis of the tax charge was changed in the reporting year. The previous year’s values were adjusted accordingly.

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

13 Cash and cash equivalents

	31.12.2020	31.12.2019
	CHF 1,000	CHF 1,000
CHF	**189,263**	173,656
EUR	**111,296**	30,960
CZK	**55**	65
	300,614	204,681

Cash at financial institutions 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

	31.12.2020	31.12.2019
	CHF 1,000	CHF 1,000
From third parties	**118,953**	128,402
From joint ventures	**1,492**	1,107
Bad debt allowance	**–5,497**	–2,788
	114,948	126,721

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:

			31.12.2020			31.12.2019
CHF 1,000	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Total receivables	120,446	5,498	**114,948**	129,509	**2,788**	**126,721**
not due	99,332	106	**99,226**	102,182	202	101,980
less than 30 days overdue	11,706	234	**11,472**	17,672	319	17,353
31–60 days overdue	2,194	115	**2,079**	4,230	407	3,823
61–90 days overdue	555	38	**517**	2,483	306	2,177
91–180 days overdue	1,412	173	**1,239**	1,138	239	899
181–360 days overdue	1,134	803	**331**	818	416	402
> 360 days overdue	4,113	4,029	**84**	986	899	87

The value adjustment on trade receivables (bad debt allowance) developed as follows:

Bad debt allowance	2020	2019
	CHF 1,000	CHF 1,000
1 January	**–2,788**	–1,518
Additions	**–2,624**	–1,758
Utilisation	**16**	157
Reversals	**50**	–1
Exchange differences	**–151**	332
31 December	**–5,497**	–2,788

15 Prepaid expenses

	31.12.2020	31.12.2019
	CHF 1,000	CHF 1,000
Unbilled receivables	**419**	415
Prepaid expenses	**12,621**	8,300
	13,040	8,715

16 Other receivables

	31.12.2020	31.12.2019
	CHF 1,000	CHF 1,000
Payments on account and creditors with debit balances	**2,273**	1,170
VAT	**9,519**	14,968
Security deposits	**908**	845
Receivable purchase price adjustment Apotal	**4,311**	0
Other	**361**	134
	17,372	17,117

The decrease in the VAT receivable relates in particular to a value adjustment due to an interim court decision in a VAT case on bonuses granted on prescriptions.

17 Inventories

	31.12.2020	31.12.2019
	CHF 1,000	CHF 1,000
Goods purchased and held for resale	**99,377**	71,251
Prepayments for good purchased and held for sale	**306**	0
Inventory allowance	**–6,742**	–643
	92,941	70,608

18 Investments in joint ventures and associates

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

		Carrying amount		Share of capital
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Joint Ventures	CHF 1,000	CHF 1,000	%	%
WELL Gesundheit AG, Zürich (CH)	**30**	n/a	**29.7**	n/a
König Gesellschaft für Image- und Dokumentenverarbeitung mbH, Gottmadingen (DE)	**760**	692	**50.0**	50.0
König IT-Systeme GmbH, Gottmadingen (DE)	**392**	391	**50.0**	50.0
PolyRose AG, Frauenfeld (CH)	**132**	132	**50.0**	50.0
DatamedIQ GmbH, Köln (DE) [1]	**0**	0	**37.5**	50.0
ZRMB Marketplace AG, Frauenfeld (CH)	**1,816**	2,794	**49.9**	49.9
MBZR Apotheken AG, Frauenfeld (CH)	**655**	3,044	**49.9**	49.9
Total investments	**3,785**	7,053		

1) Unrecognised share of losses TCHF 369 (previous year: 473)

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 transport of pharmaceutical products.

The Zur Rose Group sold 12.5 percent of DatamedIQ GmbH in 2020. This company helps pharmaceutical companies manage their mail-order activities with innovative analyses and exclusive databases.

ZRMB Marketplace AG and MBZR Apotheken AG (formerly Zur Rose Shop-in-Shop Apotheken AG) were sold in 2019 and have been run since 31 December 2019 as joint ventures with medbase.

WELL Gesundheit AG was established in 2020 with three other Swiss partners from different parts of the healthcare industry to jointly run a company operating an integrated digital healthcare platform.

19 Property, plant and equipment

	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
Cost					
1 January 2019	**25,343**	**28,907**	**25,032**	**1,061**	**80,343**
Additions	86	8,202	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**
Additions	160	[1] 23,562	[2] 3,016	231	26,969
Disposals	–88	–426	–70	–62	–646
Additions from acquisition of subsidiaries	0	736	21	0	757
Exchange differences	–23	126	–10	0	93
31 December 2020	**25,175**	**56,685**	**30,493**	**1,261**	**113,614**
Accumulated depreciation and impairment					
1 January 2019	**9,852**	**22,577**	**16,871**	**773**	**50,073**
Additions	580	2,626	1,807	91	5,104
Impairment losses	0	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**
Additions	577	3,778	2,186	105	6,646
Disposals	–3	–426	–71	0	–525
Exchange differences	–5	–29	–7	0	–16
31 December 2020	**10,926**	**27,495**	**20,436**	**965**	**59,822**
Net carrying amount as at					
31 December 2019	14,769	8,515	9,208	232	32,724
31 December 2020	**14,249**	**29,190**	**10,057**	**296**	**53,792**

1) Of which CHF 1,484 thousand of additions yet to be paid
2) Of which CHF 308 thousand of additions yet to be paid

With the exception of the properties in Frauenfeld and Steckborn with a carrying amount of CHF 15,946 thousand (previous year: CHF 16,257 thousand), no property, plant or equipment was pledged as at 31 December 2020.

20 Right-of-use assets and leases

The Zur Rose Group mainly leases various office and warehouse buildings, equipment and vehicles. Leasing 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 7.9 million (previous year: 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	**2020**	**2019**
	CHF 1,000	CHF 1,000
Lease payments for short-term lease contracts	538	273
Lease payments for equipment of low value	44	85
Variable lease payments	0	3
Expense recognised in other operating expenses	**582**	**361**
Depreciation of right-of-use assets	6,128	5,052
Interest expense on lease liabilities	1,251	884
Total expense recognised in the income statement	**7,961**	**6,297**

Right-of-use assets

	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
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 sale 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**
Net book values 2020					
1 January 2020	40,034	3,833	41	495	44,403
Additions	3,974	51	0	415	4,440
Additions from acquisition of subsidiaries	1,224	0	0	0	1,224
Revaluations	−793	0	0	0	−793
Depreciations	−5,184	−600	−17	−327	−6,128
Exchange differences	−346	−5	0	−8	−359
31 December 2020	**38,909**	**3,279**	**24**	**575**	**42,787**

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 2019	**190,827**	**123,162**	**44,293**	**358,282**
Additions	0	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**
Additions	0	1) 3) 32,625	26	32,651
Additions from acquisition of subsidiaries	101,168	4,282	28,400	133,850
Disposals	0	–866	–197	–1,063
Exchange differences	–1,066	–150	–123	–1,339
31 December 2020	**452,523**	**189,359**	**99,290**	**741,172**
Accumulated amortisation and impairment				
1 January 2019	**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**
Additions	0	19,685	6,157	25,842
Disposals	0	–866	–197	–1,063
Impairment losses	0	4) 499	4) 136	635
Exchange differences	–488	–5	–106	–599
31 December 2020	**17,247**	**101,811**	**17,577**	**136,635**
Net carrying amount as at				
31 December 2019	334,686	70,970	59,597	465,253
31 December 2020	**435,276**	**87,548**	2) **81,713**	**604,537**

1) Of which CHF 2,437 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, for the brand Apotal over CHF 4.8 million and for the customers Apotal over CHF 18.5 million from the acquisition of Apotal (see note 6) with a remaining term of 4.5 years respectively 9.5 years as well as for the brand TeleClinic over CHF 0.2 million and for the customers TeleClinic over CHF 3.8 million from the acquisition of TeleClinic (see note 6) with a remaining term of 9.5 years.
3) Of which CHF 12,351 thousand own work capitalised (previous year CHF 7,789 thousand)
4) Includes an impairment loss on software and trademark in the Germany segment

Impairment testing of intangible assets with indefinite useful lives

The Zur Rose Group performed its annual impairment test in December 2020 and 2019. 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 from the Zur Rose Group. The goodwill from the acquisitions of TeleClinic and Apotal were allocated to the CGU Germany in 2020. The impairment test of the DocMorris brand was carried out at the level of the CGU brand DocMorris, which is included in the Germany CGU.

Cash-generating units and intangibles	**Switzerland**		**Germany** [1]		**Europe**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Goodwill	**16,673**	16,673	**416,668**	316,073	**1,935**	1,940
Trademarks	**543**	543	**20,323**	20,323	**0**	0
	17,216	**17,216**	**436,991**	**336,396**	**1,935**	**1,940**

1) The CGU Germany comprises the CGU brand 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 the financial business plans.

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

Discount rates	**2020**	**2019**
	%	%
Switzerland	**5.7**	7.0
Germany	**8.7**	10.4
Europe	**11.3**	10.5
Trademark DocMorris	**8.2**	10.1

The rates of growth for the residual values amount to 1.0 percent each in 2020, as in the previous year, for Switzerland, Germany, Europe and the DocMorris brand.

EBITDA margins for residual value	**2020**	**2019**
	%	%
Switzerland	**3.7**	3.4
Germany	**8.9**	7.8
Europe	**3.7**	5.9
Trademark DocMorris	**13.4**	7.8

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 and EBITDA margins – The revenue development and planned EBITDA margins of the CGUs are 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 and EBITDA margin development is based on multi-year planning approved by the Board of Directors.

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 for the individual CGUs 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	**31.12.2020**	**31.12.2019**
	CHF 1,000	CHF 1,000
Equity securities	**47**	140
Loans granted	**24,184**	6,018
Security share delivery TeleClinic	**3,030**	0
Receivables sub leasing	**616**	0
	27,877	6,158

The loans include a loan to MBZR Apotheken AG and ZRMB Marketplace AG of CHF 9,690 thousand (previous year: CHF 4,650 thousand), a loan to DatamedIQ GmbH of CHF 668 thousand (previous year: CHF 887 thousand), loans to employees of CHF 2,984 thousand (previous year: CHF 467 thousand) and other loans to third parties of CHF 10,843 thousand (previous year: CHF 14 thousand), of which CHF 10,771 thousand relates to the loan granted to the sellers of the Apotal Group (see Note 6).

An escrow account was set up to secure the 20,964 Zur Rose shares to be delivered by 31 July 2023 (deferred purchase price payment TeleClinic).

23 Deferred tax

Net carrying amounts	Balance sheet 31.12.2020	31.12.2019	Income statement 2020	2019
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Deferred tax due to temporary differences				
Deferred tax assets				
Non-current assets	**2,686**	2,500	**–400**	–1,419
Pension obligations	**2,675**	2,658	**–52**	–252
Tax loss carryforwards	**1,070**	2,909	**–1,838**	–1,650
	6,431	8,067	**–2,290**	–3,321
Deferred tax liabilities				
Intangible assets	**–8,115**	–6,216	**1,574**	2,335
Convertible bond	**–162**	0	**29**	0
	–8,277	–6,216	**1,603**	2,335
Net deferred tax assets	**–1,846**	1,851		
Deferred tax expense (income)			**–687**	–986

Deferred tax reported on the balance sheet	31.12.2020	31.12.2019
	CHF 1,000	CHF 1,000
Deferred tax assets	**6,431**	8,067
Deferred tax liabilities	**–8,277**	–6,216
	–1,846	1,851

Movement of deferred tax	2020	2019
	CHF 1,000	CHF 1,000
1 January	**1,851**	3,110
Recognition / reversal of deferred tax in income statement	**–687**	–986
Recognition / reversal of deferred tax in other comprehensive income	**71**	566
Recognition / reversal of deferred tax in retained earnings	**–191**	0
Additions from acquisition of subsidiaries	**–2,870**	–913
Exchange differences	**–20**	74
31 December	**–1,846**	1,851

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.

Tax loss carryforwards	**31.12.2020**	**31.12.2019**
	CHF 1,000	CHF 1,000
Total tax loss carryforwards	**412,707**	311,830
Of which loss carryforwards recognised in deferred income tax	**6,795**	17,403
Unrecognised tax loss carryforwards (total)	**405,912**	294,427

Deferred tax assets from loss carryforwards changed as follows:

Movement in tax assets from loss carryforwards	**2020**	**2019**
	CHF 1,000	CHF 1,000
1 January	**2,909**	4,559
Recognition of deferred tax assets from loss carryforwards	**231**	237
Impairment of deferred taxes capitalised in previous years	**–2,070**	–900
Use of deferred tax assets from loss carryforwards	**0**	–987
31 December	**1,070**	2,909

	31.12.2020	**31.12.2019**
	CHF 1,000	CHF 1,000
Unrecognised loss carryforwards expire as follows:		
Within a year	**40,151**	23,773
In two to five years	**47,864**	20,392
In more than five years	**242,837**	147,371
Unlimited	**75,060**	102,891
	405,912	294,427
Tax effect on unrecognised tax loss carryforwards	**98,630**	74,473

In addition to unrecognised tax loss carryforwards, the Zur Rose Group also had further unrecognised deferred tax assets of CHF 6.8 million as at 31 December 2020: 10% of this amount will expire each year until 2029.

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

24 Financial liabilities	**31.12.2020**	**31.12.2019**
	CHF 1,000	CHF 1,000
Current financial liabilities and bonds	**6,801**	87,395
Non-current financial liabilities and bonds	**563,814**	350,206
	570,615	437,601
Current financial liabilities		
Other current financial liabilities	**154**	7,294
Current leasing liabilities	**6,360**	6,954
Deferred consideration liabilities	**0**	12,328
Contingent consideration liabilities	**287**	60,819
	6,801	87,395

Non-current financial liabilities and bonds	31.12.2020	31.12.2019
	CHF 1,000	CHF 1,000
Bond 2.5% 2018–2023, nominal CHF 115 million	**114,501**	114,315
Bond 2.5% 2019–2024, nominal CHF 200 million	**198,213**	197,755
Convertible Bond 2.75% 2020–2025, nominal CHF 175 million	**171,203**	0
Mortgages and loans from banks	**0**	250
Non-current lease liabilities	**36,156**	36,451
Deferred consideration liabilities	**11,556**	0
Contingent consideration liabilities	**32,185**	1,435
	563,814	350,206

On 26 March 2020 the Zur Rose Group placed a CHF 175 million senior unsecured convertible bond maturing in 2025 through subsidiary Zur Rose Finance B.V. The issue price on subscription date (31 March 2020) was 100 percent. The convertible bond has a 2.75% annual coupon and a conversion price of CHF 142.39. The shares to be delivered will be provided from existing shares or by issuing new shares from authorised capital. In this connection, at the Annual General Meeting on 23 April 2020 shareholders approved the creation of authorised share capital with a par value of CHF 26.2 million. Unless previously converted, redeemed or repurchased and cancelled, the bond will be redeemed at 100 percent on maturity, scheduled for 31 March 2025. For accounting purposes the convertible is divided into a debt component and an equity component. The debt component is equivalent to the market value of a comparable bond without conversion rights and recognised at amortised cost. The equity component is calculated as the difference from the issue proceeds less the deferred tax to be trecognised on the equity component. The equity component is not remeasured. Transactions costs are allocated proportionately to the debt and equity components.

	CHF 1,000
Liability component upon issue at fair value	174,219
Proportional issue costs	–3,633
Net liability component upon issue	**170,586**
Carrying amount of equity component	781
Proportional issue costs	–16
Deferred taxes	–191
Net equity component upon issue	**574**

No rights were converted during the reporting period. In connection with the issue of the convertible bond, Zur Rose Group AG created 900,000 new shares and entered into a securities lending agreement with a financial institution. Since the risks and rewards of the shares remain with the Zur Rose Group, the shares out on loan continue to be treated as treasury shares. The purpose of this agreement is to make hedging arrangements easier for investors. Zur Rose receives a lending fee in consideration for the loan. The lending fee is recognised in income statement.

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 2019	**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	–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 January 2020	**7,544**	**312,070**	**43,405**	**74,582**	**437,601**
Proceeds from financial liabilities	2	170,586	0	0	170,588
Repayment of financial liabilities	–7,392	0	–6,063	0	–13,455
Change in financial liabilities (non-financing cash flow, non-cash movements)	0	1,261	2,411	–978	2,694
Changes in fair values and other changes	0	0	1,657	0	1,657
Additions from acquisition of subsidiaries	0	0	1,224	20,737	21,961
Payment of purchase price	0	0	0	–50,270	–50,270
Currency translation effects	0	0	–118	–43	–161
31 December 2020	**154**	**483,917**	**42,516**	**44,028**	**570,615**

1) See Note 6 Business combinations and Note 31 financial instruments

Average interest	**2020**	**2019**
	%	%
Bank mortgages	**2.14**	2.06
Bonds	**2.72**	2.72
Convertible Bond	**3.30**	–
	2.93	2.72

25 Other payables

	31.12.2020	31.12.2019
	CHF 1,000	CHF 1,000
Social security	**2,869**	1,730
Debtors with credit balances	**1,656**	2,578
VAT	**6,085**	4,085
Other	**3,306**	1,730
	13,916	10,123

26 Accrued expenses

	31.12.2020	31.12.2019
	CHF 1,000	CHF 1,000
Goods purchased	**3,357**	2,981
Personnel expenses	**12,021**	7,102
Marketing expenses	**5,627**	4,484
Other operating expenses	**13,523**	7,478
	34,528	22,045

The increase in accrued expenses for personnel expenses is mainly due to bonus and holiday accruals of CHF 2.9 million and further internal personnel expenses of CHF 1.3 million. Accruals for other operating expenses increased due to consulting and transaction costs.

27 Provisions

	Other	Restructuring	Total
	CHF 1,000	CHF 1,000	CHF 1,000
1 January 2020	**312**	**2,564**	**2,876**
Recognition	6,234	0	6,234
Utilisation	0	–106	–106
Reversal	–312	–1,865	–2,177
Foreign currency differences	2	23	25
31 December 2020	**6,236**	**616**	**6,852**
of which short-term	6,236	585	6,821
of which long-term	0	31	31

The reversal of provisions for restructuring relates to organisational measures that have not been implemented. Other provisions include impending losses from onerous contracts of CHF 2.2 million as well as a risk position of CHF 4.0 million from a value-added tax proceeding on bonuses granted on prescriptions.

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

The pension fund's significant risks include investment risk, interest rate risk, disability risk, death risk and longevity risk. These risks are borne by the pension fund in the case of the comprehensive insurance plan solution and are re-insured for the term of the comprehensive insurance plan. The semi-autonomous pension fund fully bears the risk of longevity and the interest and investment risk itself, with the risks of disability and death covered by Swiss insurance companies. An adverse development of the risks borne by the semi-autonomous pension fund may, according to the BVG, lead to deficient cover by the relevant fund. In such cases, the law 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	**2020**	**2019**
	CHF 1,000	CHF 1,000
Present value of obligations (DBO)	**69,037**	61,640
Plan assets at fair value	**51,077**	46,470
Net pension liabilities	**17,961**	15,170
of which Switzerland	**17,313**	14,571
of which Germany	**648**	599

Net pension obligations developed as follows:	**2020**	**2019**
	CHF 1,000	CHF 1,000
Net pension obligations as at 1 January	**15,170**	13,737
Pension expense recognised in profit or loss	**3,503**	677
Pension expense recognised in other comprehensive income	**1,812**	3,559
Employer contributions	**−2,523**	−2,482
Additions from acquisitions of subsidiaries	**0**	427
Disposal from sale of shop-in-shop pharmacies and e-commerce	**0**	−731
Foreign exchange differences	**−1**	−17
Net pension obligations as at 31 December	**17,961**	15,170

Present value of obligations (DBO)	**2020**	**2019**
	CHF 1,000	CHF 1,000
Present value of obligations as at 1 January	**61,640**	57,801
Additions from acquisitions of subsidiaries	**0**	1,650
Interest cost	**139**	466
Current service cost	**3,933**	3,636
Employee contributions	**1,648**	1,624
Benefits paid / transferred	**5,994**	−321
Past service cost [1]	**−497**	−964
Settlement [2]	**−3,914**	−7,224
Administrative costs	**34**	29
Actuarial losses	**63**	6,946
Disposal from sale of shop-in-shop pharmacies and e-commerce	**0**	−1,983
Foreign exchange differences	**−4**	−20
Present value of obligations as at 31 December	**69,037**	61,640
of which Switzerland	**68,389**	61,041
of which Germany	**648**	599
of which active	**65,650**	54,642
of which pensioners	**3,387**	6,998
Average duration	**18.7 years**	19.3 years

Development of fair value of plan assets	**2020**	**2019**
	CHF 1,000	CHF 1,000
Fair value of plan assets as at 1 January	**46,470**	44,064
Additions from acquisitions of subsidiaries	**0**	1,223
Interest income from plan assets	**105**	348
Employer contributions	**2,523**	2,482
Employee contributions	**1,648**	1,624
Benefits paid / transferred	**5,994**	–321
Settlement [2]	**–3,914**	–5,084
Disposal from sale of shop-in-shop pharmacies and e-commerce	**0**	–1,252
Actuarial gain (loss)	**–1,749**	3,386
Fair value of plan assets as at 31 December	**51,077**	46,470

In the period under review, Zur Rose recognised the following costs for defined benefit plans in profit or loss:	**2020**	**2019**
	CHF 1,000	CHF 1,000
Current service cost (employer)	**3,933**	3,636
Past service cost [1]	**–497**	–963
(Gains) and losses on settlement [2]	**0**	–2,142
Administrative costs	**34**	29
Net interest expense	**34**	117
Total pension expense	**3,503**	677
of which personnel expense	**3,470**	560
of which finance expense	**34**	117

1) The past service cost in 2020 includes a plan change resulting from a reduction in conversion rates. The past service cost in 2019 includes a plan change resulting from the transfer of some Swiss companies to a new pension fund.

2) The settlement of the defined benefit plan in 2020 results from the retention of plan assets and liabilities in the same amount by the retirees remaining with the previous pension plan. The result from the settlement of the defined benefit plan in 2019 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 the balance sheet.

The remeasurement of pensions recognised in other comprehensive income is made up of the following:	**2020**	**2019**
	CHF 1,000	CHF 1,000
Changes in financial assumptions	**–289**	–5,871
Changes in demographic assumptions [1]	**1,389**	0
Experience adjustments	**–1,164**	–1,074
Subtotal remeasurement pension obligations (loss)	**–63**	–6,945
Actuarial gain (loss) on the asset	**–1,749**	3,386
Total remeasurement pensions	**–1,812**	–3,559

1) The change in demographic assumptions for 2020 was based in particular on an adjustment of the probability of mortality (change from the Menthonnex model to the CMI model, 1.5%).

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

Assumptions	**2020**	**2019**
	%	%
Discount rate in Switzerland	**0.18**	0.20
Salary increases	**1.5**	1.5
Mortality tables	**BVG 2015 GT, CMI (1.5%)**	BVG 2015 GT

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 2,731 thousand (Switzerland) for the year 2021.

The weighted average duration of defined benefit obligation in 2020 amounts to 18.7 years (previous year: 19.3 years).

29 Share capital

		31.12.2020	31.12.2019
Issued and paid share capital	Value in CHF 1,000	**315,791**	262,199
	Number of shares	**10,526,366**	8,739,972
Contingent capital	Value in CHF 1,000	**17,471**	44,843
	Number of shares	**582,383**	1,494,780

The increase in the number of shares of the issued and paid share capital by 1,786,394 shares includes 900,000 shares in connection with the issue of the convertible bond (see Note 24), 740,823 shares in connection with the authorised capital increase in July, 133,174 shares as part of the purchase price component in shares for Apotal (see Note 6) and 12,397 shares issued for participation programmes (2,292 for the Discount Share Plan, 6,621 for the Share Participation Plan and 3,484 for Promofarma (see Note 33).

Treasury shares / amount	2020	2019
	CHF 1,000	CHF 1,000
1 January	**5,219**	5,453
Purchases	**2**	1
Issue of new shares for contingent capital increase	**27,000**	0
Acquisition of Apotal Group	**–117**	0
Acquisition of non-controlling interests Bluecare	**–94**	0
Allocations	**–83**	–235
31 December	**31,927**	5,219

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

Treasury shares / number	2020	2019
	Number	Number
1 January	**57,875**	60,469
Purchases	**12**	14
Issue of new shares for contingent capital increase	**900,000**	0
Acquisition of Apotal Group	**–1,294**	0
Acquisition of non-controlling interests Bluecare	**–1,050**	0
Allocations	**–918**	–2,608
31 December	**954,625**	57,875

Net income / (loss) per share		**31.12.2020**	**31.12.2019**
Net income / (loss) per share attributable to Zur Rose Group AG shareholders	CHF 1,000	**–135,695**	–52,358
Net income / (loss) per share	CHF 1	**–14.95**	–6.04
Diluted net income / (loss) per share	CHF 1	**–14.95**	–6.04
Average number of outstanding shares – basic	Number	**9,076,414**	8,664,493
Average number of theoretically outstanding shares – diluted	Number	**9,076,414**	8,664,493
Proposed dividend per share	CHF 1	**0.00**	0.00

30 Commitments and contingent liabilities

Contingent liabilities in connection with legal disputes total around CHF 7.6 million (previous year: CHF 7.6 million.). Based on current estimates, no provisions had to be recorded.

31 Financial instruments

Carrying amount of financial instruments	**31.12.2020**	**31.12.2019**
	CHF 1,000	CHF 1,000
Financial assets		
Cash and cash equivalents	**300,614**	204,681
Trade receivables	**114,948**	126,721
Prepaid expenses (financial instruments) [1]	**419**	415
Other receivables (financial instruments) [2]	**5,580**	979
Current financial assets	**358**	225
Non-current financial assets	**27,877**	6,158
	449,796	339,179

1) Total amount of prepaid expenses as per balance sheet: CHF 13,040 thousand (previous year: CHF 8,715 thousand)
2) Total amount of other receivables as per balance sheet: CHF 17,372 thousand (previous year: CHF 17,117 thousand)

The non-current financial assets include equity securities of CHF 47 thousand (previous year: CHF 140 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	31.12.2020	31.12.2019
	CHF 1,000	CHF 1,000
Financial liabilities		
Current financial liabilities	**6,801**	87,395
Trade payables	**93,319**	92,109
Other payables (financial instruments) [1]	**4,962**	4,308
Accrued expenses [2]	**22,507**	14,943
Non-current financial liabilities	**79,897**	38,136
Bond 2.5% 2018–2023, nominal CHF 115 million	**114,501**	114,315
Bond 2.5% 2019–2024, nominal CHF 200 million	**198,213**	197,755
Convertible Bond 2.75% 2020–2025, nominal CHF 175 million	**171,203**	0
	691,403	548,961

1) Total amount of other payables as per balance sheet: CHF 13,916 thousand (previous year: CHF 10,123 thousand)
2) Total amount of accrued expenses as per balance sheet: CHF 34,528 (previous year: CHF 22,045 thousand)

Financial liabilities include contingent consideration liabilities of CHF 287 thousand (previous year: CHF 60,819 thousand) and CHF 32,185 thousand (previous year: CHF 1,435 thousand) under current financial liabilities and non-current financial liabilities respectively and non-current deferred consideration liabilities of CHF 11,556 thousand (previous year: CHF 12,328 thousand). 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.

Financial assets and liabilities		31.12.2020 Fair value	31.12.2020 Carrying amount	31.12.2019 Fair value	31.12.2019 Carrying amount
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Current financial assets	Level 1	**358**	**358**	225	225
Equity securities	Level 3	**47**	**47**	140	140
Loans granted	Level 2	**24,184**	**24,184**	6,018	6,018
Bonds	Level 1	**321,185**	**312,714**	324,490	312,070
Convertible Bond	Level 1	**365,575**	**171,203**	0	0
Loans from banks	Level 2	**0**	**0**	250	250
Deferred consideration liabilities	Level 2	**11,556**	**11,556**	12,328	12,328
Contingent consideration liabilities	Level 2/3	**32,472**	**32,472**	62,254	62,254

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

Contingent consideration liability	**31.12.2020**	**31.12.2019**
	CHF 1,000	CHF 1,000
As per 1 January	**62,254**	18,556
Investing cash flow	**–50,270**	–2,656
Additions from business combinations	**20,737**	67,635
Change in fair value (through profit or loss)	**–206**	–18,817
Exchange differences	**–43**	–2,464
Total contingent consideration liability	**32,472**	62,254

Apotal
The assessment of the fair value of the contingent consideration of originally CHF 20.7 million (EUR 19.3 million) is unchanged except for the accrued interest component. The payments are planned for 2022 and 2023. The amount of the earn-out depends on revenue growth and EBITDA targets as described in note 6 and covers the periods 2021 and 2022. The fair value measurement of the earn-out is based on the weighting of different scenarios. The weighting of the scenarios represents a significant unobservable input factor. The weighting of the scenarios depends on the current and future business development of the Apotal Group and thus on the expected degree of target achievement for the variables revenue and EBITDA margin. The change of this input factor may lead to material adjustments of the recognised liability and thus the payments to the vendors in 2021 and 2022. An isolated change in the weighting of the "best case scenario" (from the buyer's perspective) as at 31 December 2020 of –10 per cent or +5 per cent in favour or at the expense of the "worst case scenario" results, ceteris paribus, in a reduction or increase in the liability of CHF –2.4 million or CHF 1.2 million, respectively, which would change the corporate result accordingly. If only the EBITDA targets are achieved, only CHF 1.5 million (EUR 1.4 million) of the original CHF 20.7 million (EUR 19.3 million) will be due. The Zur Rose Group assumes that the agreed sales targets will be achieved.

medpex
The contingent purchase price payment of originally CHF 65.9 million (EUR 58.6 million) was terminated early with a contractually agreed one-time payment of CHF 42.3 million (EUR 39.0). The payment took place in January 2020.

Eurapon
Of the CHF 18.1 million (EUR 16.7 million) of contingent liabilities, CHF 6.6 million (EUR 6.1 million) was paid in 2020. Payment of the remaining obligation of CHF 10.8 million (EUR 9.9 million) is due in 2023 and is only subject to fair value adjustments due to exchange rate and interest rate fluctuations (Level 2).

Of the other contingent consideration liabilities, CHF 1.4 million was paid in 2020 and CHF 0.6 million is due in the years 2021 to 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
2020		
EUR	**+/–10**	**+/–29,145**
2019		
EUR	+/–10	+/–17,471

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 are reviewed on an annual basis. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The 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 convertible bond that was issued on 26 March 2020 carries a fixed interest rate of 2.75 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
2020		
Increase / decrease in market interest rate	**+/–1**	**+/–2,162**
2019		
Increase / decrease in market interest rate	+/–1	+/–821

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 and the convertible 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 2020	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 liabilities	**7,163**	**5,463**	**4,438**	**7,578**	**23,887**
Trade payables	**93,319**	**0**	**0**	**0**	**0**
Other current payables	**4,962**	**0**	**0**	**0**	**0**
Accrued expenses	**22,507**	**0**	**0**	**0**	**0**
Bank loans	**154**	**0**	**0**	**0**	**0**
Bonds	**7,875**	**7,875**	**122,875**	**205,000**	**0**
Convertible Bond	**4,813**	**4,813**	**4,813**	**181,016**	**0**
Deferred consideration liabilities	**0**	**0**	**12,445**	**0**	**0**
Contingent considerations liabilities [1)]	**300**	**1,035**	**12,588**	**0**	**0**
	141,093	**19,186**	**157,159**	**393,594**	**23,887**

1) Part of the contingent consideration for Apotal will be redeemed in shares (see note 6) and does not result in a cash outflow (fair value as of 31.12.2020: CHF 21,052 thousand).

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 liabilities	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

Capital risk 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) 41.6 percent (previous year: 40.9 percent).

33 Share-based payments

	2020	2019
	CHF 1,000	CHF 1,000
Stock ownership plans	218	298
Bluecare	–312	304
Discount Share Plan	84	149
Restricted Stock Unit Plan	578	38
Restricted Stock Unit Plan medpex	11,323	516
Long term performance-based remunerations	1,002	620
Promofarma	3,319	1,711
TeleClinic	664	0
Board compensation	264	236
Total share-based payments expense	**17,140**	**3,872**

Stock ownership plans
The members of the Board of Directors, Group Management and other selected employees of the Zur Rose Group have the right to participate in a stock ownership plan.

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: zero (previous year: 7,500).

Bluecare
A former 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. A liability was recognised in the past for this share-based payment and released in 2020 (liability previous year: CHF 312,000).

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 percent 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 percent of the employee's annual base salary. Total shares sold: 2,291 (previous year: 6,600). The fair value of the discount is CHF 36.55 per share (previous year: CHF 22.57).

Restricted Stock Unit Plan
Selected employees are offered an additional incentive instrument with the Restricted Stock Units Plan introduced in 2019. Individually selected employees are allocated virtual shares, paid out after a two-year vesting period either in genuine Zur Rose shares or in cash; Zur Rose has the right of choice and intends to implement the plan by issuing shares. The corresponding expense is being distributed on a straight-line basis over the next two years. Total Restricted Stock Units allocated: 9,658 (previous year: 5,106). The fair value per entitlement is CHF 187.60 (previous year: 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 genuine Zur Rose shares or in cash; Zur Rose has the right of choice and intends to implement the plan by issuing shares. The units vest monthly on a pro rata basis, so the expense is recognised in 24 tranches. The fair value per entitlement 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. All participants are annually granted a monetary amount that can be converted into a certain 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 allocated is based on revenue growth and 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. 15,132 entitlements (previous year: 6,313) were allocated in the year under review. The fair value per entitlement is CHF 115.50 (previous year: CHF 78.85).

Promofarma
Some employees of the subsidiary Promofarma Ecom. S.L. acquired in 2018 participated in a plan for performance-related share-based payments. All participants were granted a monetary amount that can be converted into a certain number of Zur Rose Group AG shares; Zur Rose has the right of choice and intends to implement the plan by issuing shares. Vesting is subject to meeting service conditions and performance targets. The final number of shares to be delivered depends on 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 condition 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 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 not reflected 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. 3,484 Zur Rose shares were delivered for vested rights in 2020. In this context CHF 0.7 million of withholding taxes were charged to equity.

TeleClinic
Some employees of the subsidiary TeleClinic GmbH acquired in 2020 participate in a plan for performance-related share-based payments. All participants were granted a monetary amount that can be converted into a certain number of Zur Rose Group AG shares; Zur Rose has the right of choice and intends to implement the plan by issuing shares. Vesting is subject to meeting service conditions and performance targets. The final number of shares to be delivered depends on revenue growth, qualitative targets and the share price performance and can range between 0 and 100 percent. The fair value of the awards is based on the monetary amount communicated to plan participants of CHF 5,313 thousand. The expense is recognised on a straight-line basis over the four-year performance period.

Board compensation
In 2020, board members received 30 percent of their compensation in shares with a vesting period of three years.

34 Related party transactions

The outstanding shares in Zur Rose Group AG are owned by 7,519 shareholders (previous year: 6,350 shareholders). None of them has a controlling interest in the Company.

Receivables and liabilities from joint ventures are shown separately in the Notes. Other income and interest income with joint ventures are disclosed separately in note 7 and note 11. Loans granted to employees are disclosed in note 22.

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
2020	**6,608**	**7,048**	**1,883**	**652**	**10,371**
2019	3,671	5,285	1,107	208	5,537

Compensation paid to the Board of Directors and the 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 the management and the Board of Directors to the interests of shareholders.

Board of Directors	**2020**	**2019**
	CHF 1,000	CHF 1,000
Short-term benefits to the Board of Directors	**706**	679
Share-based payments	**277**	277
	983	956

Group Management	**2020**	**2019**
	CHF 1,000	CHF 1,000
Short-term benefits to the Group Management	**3,509**	2,398
Retirement benefits	**523**	324
Share-based payments	**701**	758
	4,733	3,480

35 Events after the end of the reporting period

No unrecognised events occurred after the balance sheet date.

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, 17 March 2021

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 2020 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 70 to 122) give a true and fair view of the consolidated financial position of the Group as at 31. December 2020, 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 *International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code)* 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

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to our assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements.

Valuation of intangible assets with indefinite useful lives

Area of focus	As at 31 December 2020, the Zur Rose Group records goodwill of CHF 435.3 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. Our audit procedures did not lead to any reservations regarding the valuation of intangible assets with indefinite useful lives.

Valuation of purchase price allocation (PPA)

Area of focus	At the acquisition date of TeleClinic and Apotal, a goodwill of CHF 101.2 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 2020, 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.

Our audit procedures did not lead to any reservations regarding the valuations carried out as part of the purchase price allocation.

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

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

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

Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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

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

Ernst & Young Ltd

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

Income Statement

	Notes	2020	2019
		CHF 1,000	CHF 1,000
Net revenue		**6,175**	4,035
Other operating income		**1,328**	1,346
Total net income		**7,503**	5,381
Personnel expenses		**–6,531**	–4,740
Other operating expenses		**–16,158**	–9,522
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**–15,186**	–8,881
Depreciation and amortisation		**–3,370**	–2,351
Impairment of financial assets		**0**	–543
Earnings before interest and taxes (EBIT)		**–18,556**	–11,775
Finance income	2.1	**32,909**	15,968
Finance expenses		**–16,528**	–17,296
Earnings before taxes (EBT)		**–2,175**	–13,103
Tax expenses		**–131**	–222
Net income / (loss)		**–2,306**	–13,325

Balance Sheet

ASSETS	Notes	31.12.2020 CHF 1,000	31.12.2019 CHF 1,000
Cash and cash equivalents and short-term assets at market prices	2.2	**145,646**	167,573
Receivables from investments		**14,265**	11,996
Other short-term receivables from third parties		**4,155**	547
Prepaid expenses from third parties		**2,301**	2,949
Prepaid expenses from investments		**3,019**	835
Current assets		**169,386**	183,900
Loans to investments		**493,369**	509,994
Impairment of loans		**0**	–543
Long-term loans granted to related parties	2.3	**2,984**	467
Loans to third parties	2.3	**10,771**	0
Other non-current financial assets	2.3	**3,080**	50
Investments	2.4	**536,797**	206,442
Impairment of investments		**–67,756**	–67,756
Property, plant and equipment		**2,385**	1,225
Real estate	2.5	**15,946**	16,257
Intangible assets		**20,868**	11,186
Right-of-use	2.9	**932**	507
Non-current assets		**1,019,376**	677,829
Assets		**1,188,762**	861,729

Balance Sheet

LIABILITIES	Notes	31.12.2020 CHF 1,000	31.12.2019 CHF 1,000
Current liabilities to third parties		**2,380**	1,150
Current liabilities to investments		**1,912**	10,406
Current liabilities to boards or bodies		**0**	7
Other current liabilities to third parties	2.3	**1,894**	20
Current lease liabilities	2.9	**536**	119
Accrued expenses to third parties		**5,474**	3,568
Accrued expenses to investments		**11,061**	2,543
Loan from investments		**60,000**	0
Short-term provisions		**140**	40
Short-term liabilities		**83,397**	17,853
Non-current interest-bearing liabilities	2.6	**315,000**	315,000
Non-current lease liabilities	2.9	**403**	389
Other non-current liabilities	2.3	**3,074**	0
Long-term liabilities		**318,477**	315,389
Liabilities		**401,874**	333,242
Share capital		**315,791**	262,199
Legal capital reserve			
General reserve from equity contribution	2.7	**455,524**	239,774
Legal retained earnings		**28,340**	1,340
General legal retained earnings		**1,340**	1,340
Reserve for treasury shares		**27,000**	0
Voluntary retained earnings		**1,599**	30,905
Retained earnings brought forward		**3,905**	31,611
Net income / (loss)		**–2,306**	–13,325
Retained earnings		**1,599**	18,286
Other voluntary reserves		**0**	12,619
Treasury shares	2.8	**–14,366**	–5,731
Equity		**786,888**	528,487
Liabilities and equity		**1,188,762**	861,729

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 change to an accounting policy mentioned under 1.4, no further changes were made in 2020.

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. Measurement of treasury shares switched from the first-in-first-out (FIFO) method to the weighted average method in 2020. Where shares are held indirectly through subsidiaries, a corresponding reserve is recognised in equity at the parent company.

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

1.7 Finance leases
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 Financial income

The increase in finance income is partly due to the gain of CHF 9.3 million realised on disposal of treasury shares in connection with the acquisition of the Apotal Group.

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

2.2 Cash and cash equivalents and short-term assets at market prices	**31.12.2020**	**31.12.2019**
	CHF 1,000	CHF 1,000
Cash and cash equivalents	**145,457**	167,348
Securities (at market prices)	**189**	225
Total cash and cash equivalents and short-term assets at market prices	**145,646**	167,573

2.3 Loans and non-current financial assets

As part of the acquisition of TeleClinic GmbH on 31 July 2020 an employee loan of CHF 2.7 million (EUR 2.5 million) was granted, which is reported under long-term loans granted to related parties. In addition, the deferred purchase price of CHF 4.7 million (EUR 4.3 million, included in other current and non-current liabilities to third parties), which is to be paid in shares, was secured in the amount of CHF 3.0 million (EUR 2.8 million). The collateral provided is included in other non-current financial assets.

As part of the acquisition of the Apotal Group with effect from 17 August 2020, the sellers were granted a loan of CHF 10.8 million (EUR 10.0 million).

2.4 Investments

	2020	2019	2020	2019
	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
Zur Rose Dutch B.V., Heerlen (NL)	**0**	0	**100.0**	0.0
Zur Rose Finance B.V., Heerlen (NL)	**0**	0	**100.0**	0.0
TeleClinic GmbH, München (DE)	**119**	0	**100.0**	0.0
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**	618	**100.0**	100.0
Clustertec AG, Baar (CH)	**100**	100	**100.0**	100.0
Bluecare AG, Winterthur (CH)	**1,288**	1,288	**100.0**	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	**37.5**	25.0
WELL Gesundheit AG, Zürich (CH)	**30**	0	**29.7**	0.0
Material Indirect Investments				
DocMorris Holding GmbH, Berlin (DE)	**6,085**	6,085	**100.0**	100.0
ApDG Handels und Dienstleistungsgesellschaft mbH, Aachen (DE)	**0**	28	**0.0**	100.0
Centropharm GmbH, Aachen (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)	**0**	20	**0.0**	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 GmbH, Berlin (DE) (formerly eHealth-Tec Innovations GmbH)	**27**	27	**100.0**	100.0
Visionrunner GmbH, Mannheim (DE)	**28**	28	**100.0**	100.0
Comventure GmbH, Forst (DE)	**28**	28	**100.0**	100.0
medpex wholesale GmbH, Ludwigshafen (DE)	**28**	28	**100.0**	100.0
DocMorris Kommanditist B.V., Heerlen (NL)	**22**	22	**100.0**	100.0
Tanimis B.V., Heerlen (NL)	**22**	22	**100.0**	100.0
AdBest Werbeagentur GmbH, Hilter am Teutoburger Wald (DE)	**27**	0	**100.0**	0.0
Dia Plus Minus Handelsgesellschaft mbH, Hilter am Teutoburger Wald (DE)	**28**	0	**100.0**	0.0
Ultra Pharm Medicalprodukte GmbH, Bad Rothenfelde (DE)	**55**	0	**100.0**	0.0
Polyrose AG, Frauenfeld (CH)	**200**	200	**50.0**	50.0
MBZR Apotheken AG, Frauenfeld (CH)	**100**	100	**49.9**	49.9
ZRMB Marketplace AG, Frauenfeld (CH)	**100**	100	**49.9**	49.9

2.5 Assets pledged

	31.12.2020	31.12.2019
	CHF 1,000	CHF 1,000
Real estate pledged as collateral	**15,946**	16,257
Total assets pledged	**15,946**	16,257

2.6 Bonds

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

2.7 Legal capital reserve

The balance of CHF 455,523,539 is still to be confirmed by the Federal Tax Administration. The transaction and the balance of CHF 239,758,789 as at 31 December 2019 were confirmed.

2.8 Treasury shares

	Number of transactions	Average price CHF	Number
Number of registered shares			
As at 1 January 2019			**60,469**
Acquisitions	13	95	14
Allocation	4	96	−2,608
As at 31 December 2019			**57,875**
Acquisitions	12	186	12
Issue of new shares for approved capital increase	1	263	55,538
Acquisition of Apotal Group	1	263	−56,832
Acquisition of non-controlling interests Bluecare	2	107	−1,050
Allocation	1	253	−918
As at 31 December 2020			**54,625**

On 26 March 2020, Zur Rose Finance B.V. issued a senior unsecured convertible bond in the amount of CHF 175 million, which is guaranteed by Zur Rose Group AG. In this context, 900,000 new shares were created and a securities lending agreement was concluded. As the risks and rewards of the shares remain with Zur Rose Group respectively Zur Rose Finance B.V., the loaned shares continue to be treated as treasury shares. Zur Rose Group AG reports the CHF 27 million as reserves for treasury shares. The creation of the reserve was carried out through the retained earnings brought forward and the other voluntary reserves.

2.9 Financial Leasing

	useful life	31.12.2020	31.12.2019
		CHF 1,000	CHF 1,000
Right-of-use real estate	5–10 years	**926**	507
Right-of-use vehicles	3–4 years	**6**	0
Lease liabilities		**939**	508
Depreciation right-of use assets		**114**	54
Interest expenses lease liabilities		**12**	7

3 Other disclosures

3.1 Share-based payments	31.12.2020	31.12.2019
	CHF 1,000	CHF 1,000
Board of Directors (2020: 1,668 shares, 2019: 2,608 shares)	**264**	251
Group Management (2020: 4,953 shares, 2019: 0 shares)	**785**	0
Employees (2020: 156 shares, 2019: 7,651 shares)	**6**	269
Total share-based payments	**1,054**	520

The share-based payments of the Board of Directors and Group Management in 2020 are equal to the market price. Those of the employees are equivalent to a discount of 23% to the market price of the shares and are subject to a vesting period of three years.

3.2 Significant shareholders	2,020
	%
UBS Group AG	**> 5**
Credit Suisse Group AG	**> 5**

3.3 Shareholdings Board of Directors and Group Management	31.12.2020
	Number of shares
Board of Directors	
Prof. Stefan Feuerstein, Chairman	**60,000**
Walter Oberhänsli, Executive Director and CEO	**105,319**
Dr. Thomas Schneider, Vice Chairman	**24,895**
Prof. Dr. Volker Amelung, Director	**5,593**
Tobias Hartmann, Director	**394**
Dr. Christian Mielsch, Director	**3,744**
Florian Seubert, Director	**394**
Group Management	
Walter Hess, Head Germany	**30,804**
Marcel Ziwica, Chief Financial Officer	**46,682**
Betül Susamis Unaran, Chief Strategy and Digital Officer	**7,500**
David Maso, Head Europe	**5,720**
Bernd Gscheider, Chief Operations Officer	**0**

As at 31 December 2020, the members of the Board of Directors and the Corporate Executive Board held the above listed shares. Approximately 60% of the shares of the members of the Board of Directors have a remaining vesting period of up to three years. Three quarters of the shares held by members of the Group Management have a remaining vesting period of up to four years. In the reporting year, no money was paid for the allocated shares.

3.4 Employees

The number of full-time equivalents was between 10 and 50, as in the previous year.

3.5 Unrecognised commitments	31.12.2020	31.12.2019
Nature	CHF 1,000	CHF 1,000
Other Guarantees	**46,170**	42,720
Co-obligation	**1,030**	1,918

3.6 Contingent and authorised capital

	31.12.2020	31.12.2019
	CHF	CHF
Contingent capital	**17,471,490**	44,843,400

3.7 Significant events after the end of the reporting period

None.

Appropriation of Available Earnings

(Proposal of the Board of Directors)

	31.12.2020	31.12.2019
	CHF	CHF
Retained earnings	**3,905,073**	31,610,891
Net income / (loss)	**–2,306,073**	–13,324,819
Retained earnings at the disposal of the Annual General Meeting	**1,599,000**	18,286,073
Distribution to shareholders	–	–
Carried forward to new account	**1,599,000**	18,286,073

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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, 17 March 2021

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 127 to 136), for the year ended 31 December 2020.

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 2020 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

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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 financial statements.

Valuation of investments

Area of focus	As at 31 December 2020, the Zur Rose Group holds investments of CHF 469.0 million corresponding to 39% 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 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. Our audit procedures did not lead to any reservation 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 / Apotal) nominal and in local currency
— Gross margin in percent of revenue
— EBIT
— EBITDA
— EBITDA adjusted
— EBITDA adjusted before expenditures on additional growth initiatives
— 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 / Apotal)** indicates the percentage change in the consolidated revenue of the Zur Rose Group including the non-consolidated revenue of medpex / Apotal compared to the previous year. The **revenue growth (incl. medpex / Apotal) in local currency** indicates the percentage change in the consolidated revenue of the Zur Rose Group including the non-consolidated revenue of medpex / Apotal without the impact of exchange rates (conversion at the previous year's rate).

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, 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 adjusted** shows the development of the operating result irrespective of the influence of special items, i.e. special effects in terms of their nature and magnitude for the management of the Zur Rose Group. These may include charges and income related to acquisition, restructuring, integration and litigation. In the calculation, the EBITDA is increased by special charges and reduced by special income.

The **EBITDA adjusted before expenditures on additional growth initiatives** shows the development of the operating result irrespective of the influence of special items (see EBITDA adjusted) and before expenditures on additional growth initiatives. Such additional growth initiatives may include expenditures on electronic prescriptions and on segment Europe. In the calculation, the EBITDA adjusted is increased by charges and reduced by income related to such growth initiatives.

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.

EBITDA adjusted, EBITDA adjusted before expenditures on additional growth initiatives

(condensed)

2020	IFRS	Acquisition	Restructuring, Integration	Other 1)	adjusted	Growth initiatives	before expenditures on additional growth initiatives
Net revenue	**1,476,930**	–	–	–	**1,476 ,930**	–	**1,476,930**
Operating income	14,796	–	−1,865	–	12,931	–	12,931
Operating expense	−1,570,108	17,928	5,315	25,779	−1,521,086	30,270	−1,490,816
EBITDA	**−78,382**	–	–	–	**−31,225**	–	**−955**

1) Including influence of special items, i.e. special effects in terms of their nature and magnitude for the management of the Zur Rose Group. In 2020, this includes an expense of CHF 13.7 million following an interim ruling in a VAT lawsuit relating to bonuses granted on prescriptions as well as impairments of CHF 10.5 million, mainly as a result of price falls in products to combat the pandemic and other one-off costs of CHF 1.6 million.

2019	IFRS	Acquisition	Restructuring, Integration	Other 1)	adjusted	Growth initiatives	before expenditures on additional growth initiatives
Net revenue	**1,355,539**	–	–	–	**1,355,539**	–	**1,355,539**
Operating income	42,033	−28,881	–	–	13,152	–	13,152
Operating expense	−1,411,414	–	2,500	–	−1,408,914	9,377	−1,399,537
EBITDA	**−13,842**	–	–	–	**−40,223**	–	**−30,846**

1) Including influence of special items, i.e. special effects in terms of their nature and magnitude for the management of the Zur Rose Group. There were no such items in 2019.