Half Year Report 2019

Zur Rose Group

Contents

Dear Shareholders

The Zur Rose Group continued as planned along its growth track in the first half of 2019. Including medpex sales, Group revenue was up 28.1 per cent to CHF 771.8 million year on year, which resulted in a slight acceleration in growth since the first quarter of 2019 despite intense price competition. Excluding medpex, sales rose 12.9 per cent in local currency terms[1]. The Group was able to significantly extend its leading position as Europe's largest mail-order pharmacy. The EBITDA margin improved from minus 1.5 per cent to minus 0.4 per cent.

Notable revenue growth in the German core market — In Germany the Zur Rose Group increased revenue including medpex by 46.2 per cent in local currency terms or 41.1 per cent in Swiss francs to CHF 480.6 million. In order to be able to manage effectively the increased volume, the fitting and installation of equipment is currently being started in the new hall of the logistics extension in Heerlen, which was completed on time and on budget in August 2019. A review is currently under way to assess whether the activities of other Group companies can be moved to Heerlen in 2020, earlier than planned, to achieve greater efficiencies. The Group expects the new distribution centre to be fully operational as scheduled during the course of 2021.

As part of the integration of apo-rot, the next stage is to combine the marketing, service and IT divisions in Heerlen to realise additional synergies. With this in mind, the apo-rot Service GmbH site in Hamburg, where this work is currently performed by a team of around 80,

1 As the separation of the mail-order business has not yet been completed, no medpex revenues have been consolidated in the first half of 2019.

will be closed on 31 December 2019. Out of a sense of social responsibility, apo-rot Service GmbH has voluntarily developed socially acceptable solutions in the form of severance packages which take suitable account of the interests of the staff.

Steady growth in Switzerland — Zur Rose boosted revenue in Switzerland by 4.3 per cent to CHF 273.3 million, growing considerably faster than the market compared with the same period of the previous year. This was achieved despite price cuts of 4 per cent which were mandated by the regulator (IQVIA, ex-factory figures). The physicians business was again a major factor. Here, Zur Rose managed to increase market share in the first half from 24.5 to 25.2 per cent. In B2C, the retail and brick-and-mortar business put in a pleasing performance. However, price cuts in particular on high-priced medicines and changes to treatment within the specialty care business had an impact on the otherwise strong performance. As announced in June, Migros and Zur Rose are stepping up their existing cooperation in shop-in-shop pharmacies, the webshop and in developing innovative models in integrated care.

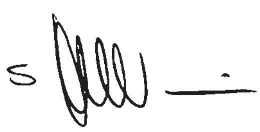
Ongoing expansion in European core markets — The Zur Rose Group strategically enhanced its business model with the addition of the capital-light marketplace model by acquiring PromoFarma of Spain in September 2018. With the acquisition of the now integrated French marketplace Doctipharma and the addition of new partner pharmacies in France and Italy the Group is continuing to consistently drive ahead the expansion of the business model in European core markets. Revenue in the Rest of Europe segment rose by 34.5 per cent to CHF 17.9 million. The number of partner pharmacies affiliated with the marketplace rose to over 750, offering a total range of over 110,000 products.

Results impacted by exceptional items — Earnings were influenced by several exceptional items in the first half of 2019. The expansion of the range and the processing of 22 per cent more packages as a result of the integration of apo-rot in Heerlen increased complexity and led to the changeover from two-shift to three-shift working, which is likely to be retained until the new distribution centre comes into operation. These factors have an impact on costs. Expenditure on further internationalisation also affected profitability. Conversely, a lower valuation than anticipated was placed on the costs of the earn-out for the medpex purchase, owing to intense price competition in the OTC business in Germany. Including all exceptional items, EBITDA improved from minus CHF 9.0 million to minus CHF 2.5 million and the EBITDA margin from minus 1.5 per cent to minus 0.4 per cent. A net income / (loss) of minus CHF 17.1 million was incurred (previous year: minus CHF 17.6 million). The net income / (loss) margin improved from minus 2.9 per cent to minus 2.6 per cent.

Legal initiatives accelerate development of e-health in Germany — In Germany the Greater Security in the Supply of Medicines Act (GSAV) came into force on 16 August 2019. This sees Germany putting electronic prescriptions (e-prescriptions) into practice. The official nation-wide launch is planned for mid-2020. Patients will no longer have to follow the previous cumbersome procedure of sending prescriptions in by post to mail-order pharmacies. As Europe's largest mail-order pharmacy, the Zur Rose Group is very well positioned to capture the significant opportunities that development will bring. Over the coming years the Company expects the market share of mail-order for prescription medicines to rise considerably from the current level of just 1.3 per cent. By fully acquiring the joint venture Ehealth-Tec, a digital health solutions company, the Group is playing a pioneering role in the German market as a systems provider for e-prescription solutions. Under strategic partnerships Ehealth-Tec is already putting the first e-prescription pilot projects into practice with health insurers, the Smart Home project of AOK Saxony-Anhalt and, coming soon, the German Association of Specialist Doctors (SpiFa). The technical knowledge gained is a further important element in the development of the Zur Rose healthcare ecosystem.

In July 2019 the Federal cabinet approved the draft of an act to strengthen local pharmacies. The plan to ban mail-order business in prescription medicines is therefore finally over. The Federal Health Minister will refer the intended ban on patient bonuses from mail-order pharmacies based in the EU but outside Germany contained in this draft to the European Commission for consultation. The Zur Rose Group continues to believe that this bill breaches EU law and runs contrary to the 2016 ruling by the European Court of Justice. Other aspects of the bill on strengthening pharmacies, such as repeat prescriptions, will have a positive impact on the mail-order business. In future doctors will be able to issue prescriptions that can be dispensed up to three times. This will make it much easier for people with chronic illnesses in particular to obtain medicines.

Outlook — The current developments in the market are creating strong momentum supporting the business model of the Zur Rose Group. Management confirms the revenue outlook announced for the full year 2019 and the objectives set for 2022. For 2019, including medpex sales, the Zur Rose Group expects revenue of around CHF 1.6 billion, equivalent to over 30 per cent growth on the previous year. Including all exceptional items, the aim is to achieve break-even at EBITDA level, but at least an EBITDA margin in line with 2018 (minus 1.0 per cent). In light of the introduction of electronic prescriptions in Germany, management confirms the outlook for 2022. The Zur Rose Group is looking to double the revenue achieved in 2018. As previously announced, the EBITDA margin target for 2022 is 5 – 6 per cent, equivalent to CHF 120 – 150 million.



Prof. Stefan Feuerstein
Chairman of the Board

Walter Oberhänsli
Executive Director and CEO

Consolidated Income Statement

		1.1. – 30.6.2019		1.1. – 30.6.2018 restated [1]	
	Notes	CHF 1,000	%	CHF 1,000	%
Net revenue	3	**668,360**	**100.0**	602,706	100.0
Other operating income	5	**24,184**		784	
Cost of goods		**–563,569**		–506,457	
Personnel expenses		**–59,866**		–46,880	
Other operating expenses	5	**–71,565**		–59,113	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**–2,456**	**–0.4**	–8,960	–1.5
Depreciation, amortisation and impairment		**–14,628**		–7,749	
Earnings before interest and taxes (EBIT)		**–17,084**	**–2.6**	–16,709	–2.8
Share of results of joint ventures		**113**		8	
Finance income		**1,314**		217	
Finance expenses		**–1,161**		–900	
Earnings before taxes (EBT)		**–16,818**	**–2.5**	–17,384	–2.9
Income tax income / (expense)		**–267**		–210	
Net income / (loss)		**–17,085**	**–2.6**	–17,594	–2.9
Attributable to Zur Rose Group AG shareholders		**–17,101**		–17,513	
Attributable to non-controlling interests		**16**		–81	

	CHF 1		CHF 1	
Net income / (loss) per share	**–1.97**		–2.83	
Diluted net income / (loss) per share	**–1.97**		–2.83	

1) See Note 2.2 New standards, interpretations and changes for the Zur Rose Group

Consolidated Statement of Comprehensive Income

	1.1. – 30.6.2019	1.1. – 30.6.2018
	CHF 1,000	CHF 1,000
Net income / (loss)	**–17,085**	–17,594
Exchange differences on translation of foreign operations	**–11,726**	–1,089
Other comprehensive income to be reclassified in subsequent periods to the income statement	**–11,726**	–1,089
Remeasurement pensions	**–4,344**	1,860
Income tax	**797**	–304
Other comprehensive income not to be reclassified in subsequent periods to the income statement	**–3,547**	1,556
Other comprehensive income / (loss)	**–15,273**	467
Total comprehensive income / (loss)	**–32,358**	–17,128
Attributable to Zur Rose Group AG shareholders	**–32,223**	–17,103
Attributable to non-controlling interests	**–135**	–25

Consolidated Balance Sheet

ASSETS		**30.6.2019**		**31.12.2018**	
	Notes	CHF 1,000	%	CHF 1,000	%
Cash and cash equivalents		**91,403**		230,693	
Current financial assets		**187**		153	
Trade receivables		**99,172**		92,311	
Prepaid expenses		**13,346**		9,780	
Other receivables		**13,487**		14,411	
Inventories		**68,366**		69,400	
Assets classified as held for sale	6	**6,824**		0	
Current assets		**292,785**	**35.9**	416,748	57.4
Investments in joint ventures		**1,265**		1,192	
Property, plant and equipment		**54,455**		34,294	
Intangible assets		**456,186**		264,625	
Non-current financial assets		**1,628**		1,081	
Deferred tax assets		**9,148**		8,580	
Non-current assets		**522,682**	**64.1**	309,772	42.6
Total assets		**815,467**	**100.0**	726,520	100.0

Consolidated Balance Sheet

LIABILITIES AND EQUITY		30.6.2019		31.12.2018	
	Notes	CHF 1,000	%	CHF 1,000	%
Current financial liabilities		**61,994**		3,521	
Trade payables		**95,674**		83,127	
Other payables		**8,425**		10,134	
Tax liabilities		**1,318**		834	
Accrued expenses		**24,826**		19,140	
Short-term provisions		**2,172**		2,211	
Liabilities directly associated to assets classified as held for sale	6	**4,351**		0	
Short-term liabilities		**198,760**	**24.4**	118,967	16.4
Non-current financial liabilities		**34,606**		30,613	
Bonds		**114,221**		114,127	
Pension obligations		**17,363**		13,737	
Deferred tax liabilities		**5,236**		5,470	
Long-term liabilities		**171,426**	**21.0**	163,947	22.6
Total liabilities		**370,186**	**45.4**	282,914	38.9
Share capital		**261,776**		48,127	
Capital reserves		**269,155**		450,946	
Treasury shares		**–5,271**		–5,453	
Retained earnings		**–52,977**		–34,473	
Exchange differences		**–27,297**		–15,571	
Equity attributable to Zur Rose Group AG shareholders		**445,386**	**54.6**	443,576	61.1
Non-controlling interests		**–105**		30	
Total equity		**445,281**	**54.6**	443,606	61.1
Total liabilities and equity		**815,467**	**100.0**	726,520	100.0

Consolidated Cash Flow Statement

	1.1. – 30.6.2019	1.1. – 30.6.2018
	CHF 1,000	CHF 1,000
Net income / (loss)	**–17,085**	–17,594
Depreciation, amortisation and impairment	**14,628**	7,749
Finance expenses (net)	**–421**	483
Income tax	**267**	210
Non-cash income and expenses	**–18,745**	880
Income taxes paid	**–751**	–210
Interest paid	**–416**	–126
Interest received	**26**	119
Change in trade receivables, other receivables and prepaid expenses	**–8,633**	–13,203
Change in inventories	**–260**	–1,867
Change in trade payables, other liabilities and accrued expenses	**16,425**	10,491
Change in provisions	**–335**	–334
Cash flows from operating activities	**–15,300**	–13,402
Acquisition of subsidiaries, net of cash acquired	**–99,207**	0
Purchase of property, plant and equipment	**–5,959**	–8,746
Disposal of property, plant and equipment	**43**	0
Acquisition of intangible assets	**–11,488**	–8,659
Investment in current financial assets	**–3,211**	0
Repayment of current financial assets	**49**	0
Investments in non-current financial assets	**–55**	0
Cash flow from investing activities	**–119,827**	–17,405
Repayment of financial liabilities	**–2,187**	–450
Purchase of treasury shares	**–1**	–1
Transaction cost of capital increases [1]	**–314**	0
Cash flow from financing activities	**–2,502**	–451
Increase / (decrease) in cash and cash equivalents	**–137,630**	–31,258
Cash and cash equivalents at the beginning of the year	**230,693**	107,764
Foreign currency differences	**–1,660**	–682
Cash and cash equivalents at the end of the period	**91,403**	75,824

1) Non-liquidity related capital increase because aquisition of medpex (see note 4)

Consolidated Statement of Changes in Equity

	Share capital	Capital reserves	Treasury shares	Retained earnings	Exchange difference	Attributable to Group shareholders	Non-controlling interests	Total equity
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
1 January 2018	**35,762**	**272,162**	**–1,216**	**47**	**–12,751**	**294,004**	**219**	**294,223**
Net income / (loss)				–17,513		–17,513	–81	–17,594
Other comprehensive income				1,500	–1,089	411	56	467
Total comprehensive income				–16,013	–1,089	–17,102	–25	–17,127
Share-based payments				670		670		670
Purchase of treasury shares			–1			–1		–1
Allocation of treasury shares (employees)			70	–70		0		0
30 June 2018	**35,762**	**272,162**	**–1,147**	**–15,366**	**–13,840**	**277,571**	**194**	**277,765**
1 January 2019	**48,127**	**450,946**	**–5,453**	**–34,473**	**–15,571**	**443,576**	**30**	**443,606**
Net income / (loss)				–17,101		–17,101	16	–17,085
Other comprehensive income				–3,396	–11,726	–15,122	–151	–15,273
Total comprehensive income				–20,497	–11,726	–32,223	–135	–32,358
Share-based payments				2,176		2,176		2,176
Issue of new shares for acquisition medpex	2,046	30,126				32,172		32,172
Transaction costs of capital increases		–314				–314		–314
Conversion of capital reserves	211,603	–211,603						
Purchase of treasury shares			–1			–1		–1
Allocation of treasury shares (employees)			183	–183		0		0
30 June 2019	**261,776**	**269,155**	**–5,271**	**–52,977**	**–27,297**	**445,386**	**–105**	**445,281**

Notes to the Interim Consolidated Financial Statements

1 Operating activities

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

Zur Rose Group AG, a stock corporation under Swiss law based at Seestrasse 119, 8266 Steckborn (Switzerland), is the parent of 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 interim consolidated financial statements cover the period from 1 January to 30 June 2019 (hereinafter the “reporting period”) and were approved by the Board of Directors on 20 August 2019.

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

The values listed in the interim 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 unaudited interim consolidated financial statements of the Zur Rose Group for the first half year 2019 have been prepared in accordance with IAS 34 “interim financial reporting”.

Since the interim consolidated financial statements do not include all disclosures as contained in the consolidated financial statements, they should be read in conjunction with the consolidated financial statements for 2018. Changes or new accounting policies from those for the consolidated financial statements for 2018 are shown in Note 2.2.

2.2 New standards, interpretations and changes for the Zur Rose Group

The accounting policies for the interim financial statements are consistent with those applied in the preparation of the consolidated financial statements for the financial year ending on 31 December 2018, except for the new standards applicable from 1 January 2019, one changed accounting policy and the changed segment reporting (see Note 3). The Group has not adopted early any other published standards, interpretations or changes that have yet to come into force.

IFRS 16 – Leases

The Zur Rose Group has adopded IFRS 16 since 1 January 2019. We disclose below the impact of first-time adoption on the consolidated financial statements of the Zur Rose Group and the new accounting policy used since 1 January 2019.

First-time adoption on 1 January 2019 followed the modified retrospective method; the prior-year figures were not restated and any cumulative effect from first-time adoption is recognised in retained earnings. The Zur Rose Group decided to use the option to recognise right-of-use assets at the carrying amount of the lease liabilities, allowing for advance payments and accrued lease payments. As a result, first-time adoption had no effect on the retained earnings of the Zur Rose Group.

Impact of the first-time application of IFRS 16

Under IFRS 16 an agreement is or contains a lease if the agreement grants the right to use an identified asset over a period in exchange for consideration. The distinction previously drawn under IAS 17 between finance leases and operating leases no longer applies with IFRS 16. Lessees recognise liabilities for future lease payments in their balance sheet in addition to a right-of-use asset. In addition, the accounting practice under IFRS 16 has changed with the effect that lease payments will no longer be charged to the income statement through rental expenses, but through depreciation and amortisation on the newly recognised right-of-use assets and through the interest expense on the newly recognised lease liabilities.

When applying IFRS 16 for the first time the Zur Rose Group recognised lease liabilities and right-of-use assets for leases previously classified as operating leases under IAS 17 in the amount of CHF 23.4 million. These liabilities were measured at the net present value of the remaining lease payments, discounted at the weighted average incremental borrowing rate, which was 3.16 per cent at the time of first-time adoption. No short-term leasing agreements with a term of less than 12 months or where the underlying asset is of minor value were recognised. In addition, initial direct costs were not taken into consideration when measuring the right-of-use asset on first-time adoption. The Zur Rose Group also used retrospective determination of the term of leases for agreements with extension or termination options.

For leases previously classified as finance leases the carrying amount immediately before first-time adoption of IFRS 16 under IAS 17 was recognised as the opening carrying amount of the right-of-use asset and the lease liability under IFRS 16.

The lease liabilities are included in the financial liabilities and in the liabilities directly related to assets classified as held for sale and amounted to CHF 24.9 million as at 30 June 2019. Right-of-use assets are recognised in property, plant and equipment and assets classified as held for sale and include leases for real estate, fixtures and fittings, office furniture, IT equipment and vehicles. Right-of-use assets at 30 June 2019 amounted to CHF 26.5 million.

During the reporting period the Zur Rose Group recognised CHF 1.9 million of depreciation on newly recognised leases and CHF 0.4 million of interest expense.

Leasing activities of the Zur Rose Group and their accounting treatment
The Zur Rose Group leases in particular 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. Determining the term of these leases involves the use of discretion. The assessment whether an option is likely to be exercised affects the term of the lease, which has a major impact on the size of the lease liability and the right-of-use asset. In making its assessment the Zur Rose Group takes into account the facts and circumstances that offer an economic incentive to exercise these options. The assessment is reviewed if a material event occurs or there is a material change of circumstances.

Since 1 January 2019 leases have been recognised 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 devided 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. 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. 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 investment-specific risks.

Leasing assets and liabilities are recognised at net present value on initial measurement. Lease liabilities include the net present value of the following lease payments:

- fixed lease payments including any de facto 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 for call on any guarantee of residual value;
- 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.

Right-of-use assets are measured at the commencement date at cost, which consists of the following:

- the amount of the initial measurement of the lease liability;
- any lease payments that have to be made at or before the commencement date, less any incentives received from the lessor;
- any direct costs incurred by the lessee at the commencement date. 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.

Payments for short-term leases with a term of up to 12 months and leases covering assets of minor value (e. g. IT equipment) are recognised in income on a straight line basis.

Change to an accounting policy
Since 1 January 2019 the Zur Rose Group has recognised fair value adjustments to contingent consideration in operating income (other operating income / expenses). The switch aims to give users of the financial statements a more true and fair view of the economic position. Prior-year figures have been restated accordingly. As a result of the switch, CHF 0.2 million was moved from finance expenses to other operating expenses in the first half-year of 2018, and CHF 1.5 million in financial year 2018. The earnings figures reported (EBITDA and EBIT) have changed accordingly. CHF 2.3 million was charged to other operating expenses for fair value adjustments to contingent consideration in the interim financial statements, and CHF 22.8 million recognised in other operating income (see Note 5).

2.3 Estimates and assumptions
The preparation of these interim consolidated financial statements has required management, in applying the accounting policies, to make judgements as well as estimates and assumptions regarding the future. These may have an effect on the carrying amounts of the reported assets and liabilities and result in adjustments in future reporting periods. Such estimates and assumptions are based on experience and other factors, considered to be reasonable in the circumstances. By their very nature, estimates will differ from actual outcomes.

Influences on operations
The sales of Zur Rose Group are not influenced by seasonal or cyclical fluctuations.

Income tax
Current income tax is based on an estimate of the expected income tax rate for the full year 2019.

2.4 Principal exchange rates
The following exchange rates were used:

	1.1.2019 – 30.6.2019		**1.1.2018 – 30.6.2018**		**31.12.2018**
Currency	End of period	Average rate of period	End of period	Average rate of period	End of period
EUR 1	**1.1097**	**1.1290**	1.1565	1.1696	1.1262

3 Operating segments

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

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

The following tables show the operating segments of the Zur Rose Group for the first six months as at 30 June 2019 and the previous year as at 30 June 2018.

1.1. – 30.6.2019	Switzerland	Germany	Rest of 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	273,330	377,174	17,857	0	668,360
Revenue with other segments	253	0	0	–253	0
Total net revenue	**273,583**	**377,174**	**17,857**	**–253**	**668,360**
Operating profit contribution	**15,236**	**33,069**	**–1,467**	**–608**	**46,229**
Not allocated operating costs					–48,685
Earnings before interest, taxes, depreciation and amortisation (EBITDA)					**–2,456**
Depreciation and amortisation					–14,628
Earnings before interest and taxes (EBIT)					**–17,084**
Finance profit, net					266
Earnings before taxes (EBT)					**–16,818**

1.1. – 30.6.2018 (restated)	Switzerland	Germany	Rest of 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	262,121	340,585	0	0	602,706
Revenue with other segments	276	0	0	–276	0
Total net revenue	**262,397**	**340,585**	**0**	**–276**	**602,706**
Operating profit contribution	**16,114**	**13,546**	**0**	**–434**	**29,226**
Not allocated operating costs					–38,187
Earnings before interest, taxes, depreciation and amortisation (EBITDA)					**–8,960**
Depreciation and amortisation					–7,749
Earnings before interest and taxes (EBIT)					**–16,709**
Finance profit, net					–675
Earnings before taxes (EBT)					**–17,384**

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

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

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

The Rest of 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	**1.1. – 30.6.2019**	**1.1. – 30.6.2018 restated**
	CHF 1,000	CHF 1,000
Professional services	**210,670**	196,512
Retail Business (B2C)	**62,659**	65,609
Total revenue from contracts with customers	**273,329**	262,121

Segment Germany	1.1. – 30.6.2019	1.1. – 30.6.2018 restated
	CHF 1,000	CHF 1,000
Retail Business (B2C)	**377,174**	340,585
Total revenue from contracts with customers	**377,174**	340,585

Segment Rest of Europe	1.1. – 30.6.2019	1.1. – 30.6.2018
	CHF 1,000	CHF 1,000
Marketplace	**17,857**	0
Total revenue from contracts with customers	**17,857**	0

4 Business combinations

Change in Consolidation Scope

	medpex	Doctipharma
Provisional fair values	CHF 1,000	CHF 1,000
Cash and cash equivalents	751	475
Other current assets	1,433	1,025
Accrued income	74	–
Inventory	159	–
Non-current financial assets	459	–
Property, plant and equipment	881	4
Intangible assets	28,274	424
Total assets	**32,031**	**1,928**
Short-term liabilities	802	676
Accrued expenses	480	–
Non-current financial liabilities	444	556
Deferred tax liabilities	–	114
Total liabilities	**2,022**	**1,346**
Net assets acquired	**30,009**	**582**
Goodwill / Badwill	**167,783**	**–581**
Fair value of purchase consideration	197,792	1
Total	**197,792**	**1**
less contingent consideration liabilities	65,874	–
less expected consideration liabilities from net current asset adjustments	1,970	–
less cash acquired	751	475
less settlement with treasury shares	32,172	–
Cash inflow / (outflow) from acquisition of subsidiaries	–97,025	474

Adjustments may be made up to twelve months after the acquisition date to the fair values allocated to the identifiable acquired assets and assumed liabilities as well as the purchase price payment in order to take account of new information concerning facts and circumstances pertaining at the time of acquisition.

medpex
On 4 January 2019 the Zur Rose Group acquired the mail-order activities of the medpex Group through its subsidiary DocMorris Holding GmbH. Under the terms of this transaction the Zur Rose Group acquired Comventure GmbH in Forst (Germany), Visionrunner GmbH in Mannheim (Germany), medpex wholesale GmbH in Ludwigshafen (Germany) and Apotheke esando B.V. in Venlo (Netherlands). The medpex Group provides distribution services for pharmaceuticals and beauty products, and mainly supplies the German market. The provisional purchase price of CHF 197.8 million (EUR 175.8 million) consists of a fixed purchase price of CHF 129.9 million (EUR 115.5 million), in turn comprising a cash payment of CHF 97.7 million (EUR 86.9 million) plus 355,887 shares of Zur Rose Group AG worth CHF 32.2 million (EUR 28.6 million) at the market price on the takeover date, a contingent earn-out component with a fair value of CHF 65.9 million (EUR 58.5 million) at the time of the takeover and a provisional purchase price adjustment of CHF 2.0 million (EUR 1.8 million). The agreed consideration is subject to working capital adjustments and may change during the measurement period.

The earn-out component mainly depends on two factors: an increase in revenues compared to the benchmark year 2018 and the achievement of certain EBITDA targets. The earn-out is capped at CHF 111.4 million (EUR 99 million) and covers the periods 2019 and 2020.

The fair values are still provisional. The goodwill of CHF 168.7 million (EUR 149.2 million) has been allocated to the Germany segment and corresponds to the added-value based on the acquirer-specific synergies expected to arise from the acquisition, the growth in market share and the employees gained through this acquisition. The medpex Group has contributed CHF 5.4 million to net revenue and CHF −0.5 million to net income since the acquisition. Transaction costs of CHF 1.9 million were recognised in other operating costs.

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

Change in goodwill
The goodwill of the Zur Rose Group increased from CHF 172.4 million as disclosed in the annual report 2018 to CHF 335.0 million as at 30 June 2019. The change is largely due to the acquisition of medpex.

	CHF 1,000
Value as per 31.12.2018	172,423
Additions	167,783
Foreign exchange differences	−4,274
Value as per 30.6.2019	**335,932**

5 Financial instruments

The consolidated balance sheet as at 30 June 2019 shows liabilities from contingent consideration arrangements of CHF 60.5 million arising from the acquisitions of Eurapon (2017) and medpex (2019).

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

Contingent consideration liabilities	**30.6.2019**	**31.12.2018**
	CHF 1,000	CHF 1,000
As per 1. January	**18,556**	19,435
Investment cash flow	**–2,656**	–1,681
Through business combinations [1]	**65,874**	0
Change in fair value (through profit or loss)	**–20,517**	1,467
Exchange differences	**–782**	–665
Total contingent consideration liabilities	**60,476**	18,556

[1] Acquisition medpex as per 4 January 2019

The CHF 41.9 million increase in liabilities from contingent consideration arrangements in the first half of 2019 is primarily due to the acquisition of medpex. Fair value was reviewed as at the reporting date and the adjustment recognised in the income statement under other operating expenses / other operating income.

Eurapon

The earn-out component from the acquisition of Eurapon is not capped. To determine the fair value of this financial liability, various non-observable input parameters are used. The “35 per cent of additional sales” compared to the previous year is the most significant input factor. Other factors are the development of the number of new and existing customers, the future cost and margin development as well as the discount rate. Changes to these input parameters may result in significant adjustments to the recognised liability and the payments to the seller of Eurapon in 2019 and 2020. The input factors impact each other and the fair value measurement is based on the weighting of various scenarios. An isolated change in the factor “35 per cent of additional sales” of –10 or +20 per cent results ceteris paribus in a reduction or increase in the liability of CHF –1.1 million or CHF 3.2 million, which would duly change the net income / (loss). The fair value adjustment of CHF 2.3 million (EUR 2.0 million) as at 30 June 2019, increasing the liability, is based on the current assessment of management and primarily due to a reappraisal of the achievement of revenue targets.

medpex

As described in Note 4, the size of the medpex earn-out depends on targets for increasing revenue and EBITDA, is capped at CHF 111.4 million (EUR 99 million) and covers the periods 2019 and 2020. The cash flows are expected in the second half of 2019 (advance payment on the 2019 earn-out), the first half of 2020 (2019 earn-out) and the first half of 2021 (2020 earn-out). The two main parameters determining the size of the earn-out are the increase in revenue compared to the 2018 benchmark in 2019 and 2020, each weighted at 70 per cent, and the achievement of EBITDA targets in 2019 and 2020, each weighted at 30 per cent. A target value of CHF 37.7 million (EUR 34 million) has been contractually agreed in the event of a 20 per cent increase in revenue compared to the 2018 benchmark and an EBITDA margin of 3 per cent, and CHF 18.9 million (EUR 17 million) for the same level of target achievement in 2020. A catch-up amount for 2019 may be earned if achievement of targets in 2020 improves compared to 2019. Fair value measurement of the earn-out is based on the weighting of the different scenarios. The weighting of the scenarios is a material unobservable input factor. The weighting of the scenarios depends on the current and future business performance of the medpex Group and hence on the degree to which the revenue and EBITDA margin targets are expected to be achieved. Changing this input factor in 2019 and 2020 may result in material adjustments to the liability recognised and hence to the payment to the sellers. All other things being equal, an isolated change of –5 per cent in the weighting of the best case scenario (from the buyer’s perspective) or +20 per cent in the weighting of the worst case scenario as at 30 June 2019 would lead to a reduction of CHF –3.9 million and an increase of CHF 15.8 million respectively, affecting net income accordingly. The CHF 22.8 million fair value adjustment as at 30 June 2019 reducing the liability was based on management’s current assessment and is chiefly due to a significantly more competitive environment in Germany in the OTC business, which is particularly being felt in lower margins.

6 Assets and liabilities held for sale

On 5 June 2019 the Zur Rose Group decided to operate the shop-in-shop pharmacies business in a joint venture. The intention is to sell the shares in the business by the end of 2019. As a result, the assets and liabilities concerned have been classified as held for sale (primarily receivables, inventories, property, plant and equipment, and financial and pension fund liabilities). The Zur Rose Group assumes that the fair value less the costs of sale of the shares will exceed the total carrying amount of the associated assets and liabilities. Consequently, no impairments were recognised either at the time the assets and liabilities were reclassified as held for sale or on 30 June 2019.

7 Events after the end of the reporting period

The Zur Rose Group has acquired two companies specialising in mobile data solutions and online ordering systems; one in Germany on 19 July 2019 and one in Switzerland on 25 July 2019. The provisional purchase price for both companies is CHF 9.6 million.

On 20 August 2019, the Board of Directors announced the closure of the apo-rot site in Hamburg. The associated restructuring costs are estimated at CHF 1.5 to 2.0 million.

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