Zur Rose Group

Annual Report 2020

Contents

Revenue growth accelerates to 14.4%

14.4

Brand

DocMorris to become the umbrella brand for the European healthcare ecosystem

DocMorris+ healthcare platform and app launch represent strategic milestones on the way to an integrated healthcare platform

App

500

TeleClinic online consultations up 500%.

Acquisition of TeleClinic, Germany's leading provider of telemedicine

Tele

e-

e-prescriptions to become mandatory in Germany from 2022.

Number of active custo-mers exceeds 10 million

10

Market

Significant revenue growth in all markets:
Germany 16.5%
Switzerland 7.1%
Europe 73.5%

Convertible bond and capital increase: CHF 388 million raised for further growth.

388

147

DocMorris Christmas film generates 147 million views worldwide on social media.

European market leadership extended: acquisition of the mail-order and diabetes activities of the Apotal Group.

Apotal

dgt.

Digital healthcare platform of Zur Rose Group AG and insurers,
(Allianz Care, CSS, Visana)
sets new standards in Swiss healthcare.

Profile

The Swiss Zur Rose Group is Europe's largest e-commerce pharmacy and one of the leading medical wholesalers in Switzerland. It also operates the leading marketplace in southern Europe for consumer health, beauty and personal care products commonly sold in pharmacies. The company is internationally present with strong brands, including Germany's best-known pharmacy brand DocMorris. Zur Rose employs more than 2,200 people at sites in Switzerland, Germany, the Netherlands, Spain and France. In 2020 it generated revenue of CHF 1,752 million (including Medpex and Apotal) and has around 10.5 million active customers in core European markets.

With its business model, the Zur Rose Group offers high-quality, safe and cost-effective pharmaceutical care. It is also characterised by the continuous further development of digital healthcare services and platform technologies. Zur Rose is furthermore actively driving ahead its positioning as a comprehensive healthcare service provider. The focus is on building up the European healthcare ecosystem, where qualified providers network to provide products, services and digital solutions. The contribution made by Zur Rose will be to take these offerings to customers and patients. The Zur Rose vision is to create a world where people can manage their own health in one click

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

Key Financials

	2020	2019	2018
	in CHF million	in CHF million	in CHF million
Net revenue incl. Medpex and Apotal [1)]	**1,751.9**	1,568.7	n/a
Year-on-year-change incl. Medpex and Apotal in % in local currency	**14.4**	32.9	n/a
Year-on-year-change incl. Medpex and Apotal in %	**11.7**	30.0	n/a
Net revenue	**1,476.9**	1,355.5	1,207.1
Year-on-year change in %	**9.0**	12.3	22.8
Gross margin in % of revenue	**16.3**	15.4	15.8
EBITDA adjusted	**–31.2**	–40.2	n/a
in % of revenue	**–2.1**	–3.0	n/a
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**–78.4**	–13.8	–14.0
in % of revenue	**–5.3**	–1.0	–1.2
Earnings before interest and taxes (EBIT)	**–117.6**	–45.7	–32.9
in % of revenue	**–8.0**	–3.4	–2.7
Net operating income	**–135.6**	–52.4	–39.1
in % of revenue	**–9.2**	–3.9	–3.2
Equity	**531.7**	405.5	443.6
in % of total assets	**41.6**	40.9	61.1
Investments	**59.8**	41.5	31.5
Number of employees in full-time equivalents	**1,960**	1,710	1,314

1) As the separation of the mail-order business has not yet been completed, Medpex and Apotal had only a minor impact on the consolidated revenue of the Zur Rose Group.

Dear Shareholders

In the pandemic year of 2020 the Zur Rose Group exceeded its growth targets and continued to rigorously implement the platform strategy as digitalisation moves ahead. Preparations for the introduction of electronic prescriptions in Germany are moving ahead at full speed. In Switzerland Zur Rose set up a joint venture with insurance partners Allianz Care, CSS and Visana to operate a comprehensive digital healthcare platform that will be launched in the second quarter of 2021.

At the operating level the Zur Rose Group has been extremely successful in a stressful pandemic situation. Action was taken early to protect employees' health and ensure customers were supplied with the medicines they needed at all times. Since the outbreak of the pandemic the company has seen consistently high acceptance of digital solutions and strong interest in e-commerce. In this dynamic environment the Zur Rose Group seized the market opportunities available and managed to successfully raise CHF 388 million for further growth initiatives in 2020 by issuing a convertible bond and conducting a capital increase. The acquisition of the mail-order and diabetes activities of German online pharmacy Apotal extended the Group's European market leadership as an e-commerce pharmacy. The purchase of TeleClinic also further strengthened the platform strategy. TeleClinic provides telemedical services and represents an important building block in the Zur Rose healthcare ecosystem. Thanks to the leading market position and offerings and digital services focused on customer needs, the Group increased revenue by 14.4 per cent in local currency terms to CHF 1,751.9 million (including Medpex and Apotal[1]). This growth trend continued in all market segments: Switzerland, Germany and

1 As the separation of the mail-order business has not yet been completed, Medpex and Apotal had only a minor impact on the consolidated revenue of the Zur Rose Group.

Europe. The number of active customers rose by more than 50 per cent year on year to 10.5 million[1].

Result in line with targets announced — The result at the EBITDA level reached break-even before non-recurring effects and expenditure on growth initiatives, putting it in line with the targets the Group had announced. The sustainable improvement in the gross margin and cost savings from integration measures increased the operating profit contribution by around CHF 30 million compared to the previous year. Conversely, non-recurring expenditure of CHF 21.4 million related to acquisitions and restructuring as well as impairments of CHF 12.1 million, mainly as a result of price falls in products to combat the pandemic, reduced profit. In addition, following an interim ruling in a VAT lawsuit relating to bonuses granted on prescriptions the Group took into account a risk position of CHF 13.7 million. Overall, adjusted EBITDA came to minus CHF 31.2 million. This includes expenditure on growth initiatives in electronic prescriptions, European opportunities and the healthcare ecosystem of CHF 30.3 million. The operating result (EBITDA) was minus CHF 78.4 million and net income/(loss) minus CHF 135.6 million.

National introduction of electronic prescriptions in Germany moves ahead — In anticipation of the mandatory introduction of electronic prescriptions (eRx) in Germany from 1 January 2022, the Zur Rose Group has driven forward a host of initiatives. Zur Rose subsidiary eHealth-Tec is a leader in digitalising prescription processes. Its eRx infrastructure fully covers the structure desired by gematik, the software service provider of the Federal Ministry of Health, and can already be used for doctors, patients and pharmacies today. In November 2020 gematik awarded the contract for the specialist e-prescription service in Germany to eHealth-Tec as partner to IBM. eHealth-Tec contributed its accumulated experience as a systems provider for e-prescription solutions to the IBM bid submission. Implementation includes supplying the necessary infrastructure and operating and supporting the hardware and software components to be able to process the entire volume of e-prescriptions generated in Germany.

Launch of the DocMorris+ healthcare platform — The market launch of the DocMorris+ healthcare platform in December 2020 marks a strategic milestone on the path towards an integrated healthcare platform, opening up a new business model and a new era in healthcare provision in Germany. In the start phase the focus is on the capabilities of the partner network and OTC orders by mail order. In future the platform will provide easy access to all healthcare services in one place – from diagnosis with an online doctor to the drug or healthcare products needed. The consumer offering on the platform will be steadily extended in terms of product range and services such as faster delivery options and the e-prescription module, gradually making the platform a strong distribution channel for partner pharmacies and other healthcare providers.

1 Customers supplied by the Zur Rose Group, either directly or through its partners.

Healthcare management at a single click — With an eye to the intended European digital healthcare ecosystem, Zur Rose is pursuing the vision of creating a world where people can manage their health in one click. The collaboration with global healthcare company Novo Nordisk agreed in January 2021 is another major step towards the ecosystem. The aim is to enter into further cooperations with best-in-class healthcare services linked to the core business of the Zur Rose Group.

New brand architecture emphasises changed strategic focus — Since December 2020 pharmacy DocMorris and healthcare platform DocMorris+ have been using a new brand identity. This is part of a newly designed brand architecture, with DocMorris as the best known pharmacy brand in Germany forming the umbrella brand for the ecosystem. The company will focus even more closely on customers and caring for their health. A logical consequence of this shift in outlook is to replace the previous pharmacy cross with a symbol of people and their health – the heart. The new brand architecture and associated appearance will be rolled out in stages in all core markets except Switzerland by 2026. In February 2021 the two marketplaces, PromoFarma in Spain and DoctiPharma in France, were linked to the DocMorris brand identity. The “by DocMorris” lettering is the brand tag and shows both marketplaces belong to the European healthcare ecosystem. The Zur Rose Group launched a multi-media campaign across Germany in February 2021. This shows the DocMorris brand as an approachable and reliable partner and makes the digital services on the healthcare platform come alive.

Allianz Care, CSS, Visana and Zur Rose Group launch digital healthcare platform — In November 2020 the Zur Rose Group announced the creation of a joint venture with insurers Allianz Care, CSS and Visana to operate a full-service digital healthcare platform. The platform is scheduled for launch in the second quarter of 2021 and sets new standards in Swiss healthcare and lays the foundations for digitally supported, integrated provision. This is open to all players in the healthcare sector: insurers, doctors, hospitals, pharmacies and other providers can offer their services. At a single click patients get access to personal healthcare services such as doctor’s appointments, video consultations, pharmaceutical advice, electronic prescriptions and much more besides. The core contribution by the Zur Rose Group will be to provide some of the technology for the platform. Parts of the Zur Rose platform will be licensed to the joint venture for this purpose. Implementation and the market launch are subject to approval by the relevant competition authorities.

Shop-in-shop concept and online shop with Medbase on the way to success — Under the auspices of the joint venture with Medbase, the Migros healthcare provider, November 2020 saw the opening of a shop-in-shop pharmacy in Crissier in the canton of Vaud, marking entry into the market in western Switzerland. Zur Rose is following an omni-channel approach with the pharmacies. The new presence in the French-speaking part of the country will be used to boost the activities of its e-commerce business. A pharmacy is scheduled to open in Schönbühl, near Bern, in June 2021. This will take the number of shop-in-shop pharmacies operated by the joint venture to seven in total. The online shop run by the joint venture is also doing well against the competition and confirms the general move towards more online purchases: revenue more than doubled year on year, putting it well ahead of budget. In the medium term the online shop will operate as a marketplace where other partners are able to offer their products.

Management structure broadened and Group Management now complete — The Zur Rose Group adapted its management structure in 2020 to meet the needs and opportunities of a company that has grown considerably. Alongside the regional segment organisation with revenue responsibility, a cross-segment business model organisation and two additional service units were set up. Group Management was expanded accordingly as from 1 May 2020 with the addition of Betül Susamis Unaran as Chief Strategy and Digital Officer, Bernd Gschaider as Chief Operations Officer and David Masó as Head Europe. Olaf Heinrich, Head Germany, left the company in December 2020 and was succeeded by Walter Hess, formerly Head Switzerland. The long-standing head of the Swiss physicians business Emanuel Lorini was made Head Switzerland and a Member of the Group Management.

Increased efficiency from integration in Germany — In order to capture potential synergies and cover the market more effectively, at the start of 2020 the Germany segment switched from brand-based management to country-based management. The management team of the Germany segment of the Zur Rose Group was also strengthened so as to drive ahead the integration of individual companies and achieve economies of scale. As part of the reorganisation, over the course of the year the Group brought together various service functions which had their own staff and resources in Heerlen and Mannheim. Vitalsana, which had been based in Heerlen, was legally and economically merged with DocMorris, and the site closed. Some departments of Eurapon Pharmahandel GmbH, Bremen, and Zur Rose Pharma GmbH, Halle, were brought together at the Heerlen and Mannheim sites. Construction work on the new logistics infrastructure at Heerlen is proceeding as planned and will more than double capacity at the site in 2022. The Zur Rose Group is thus laying the foundations to cope with the logistical consequences of the planned growth.

Changes in the Board of Directors — Tobias Hartmann will not be standing for re-election to the Board of Directors at the 2021 Annual General Meeting of Shareholders. The Board would like to thank him for his commitment and dedication. The Board has decided to propose Prof. Dr. Andréa Belliger as a new member to the Annual General Meeting being held on 29 April 2021. Andréa Belliger is Prorector of the Teacher Training University of Central Switzerland and director of the Institute for Communication and Leadership IKF in Lucerne. She also sits on the boards of directors and advisory boards of various Swiss and German companies in the healthcare, financial, insurance and energy sectors and chairs the advisory board of healthcare services provider Medbase (part of Migros). She is an author and international keynote speaker on digital transformation issues, particularly in healthcare. In 2019 she was voted one of the 25 most influential people in the Swiss healthcare industry. Chairman of the Board Prof. Stefan Feuerstein commented: “We are delighted to have been able to persuade Prof. Dr. Andréa Belliger to stand for our board; she is a strong leadership personality and a proven expert in digitalisation in healthcare.”

Sustainability at the Zur Rose Group — The Zur Rose Group attaches great importance to managing and developing the business in a way that is sustainable and compatible with economic, social and ecological goals. Recent years have seen numerous sustainability initiatives. In 2020 the Group started using these initiatives as a basis for developing a sustainable approach that can be applied systematically to the company as a whole. For the first time the 2020 annual report provides an overview of how the Zur Rose business model is linked to sustainability and the strategy the Group is adopting towards business ethics, social responsibility and environmental protection. The objective is to expand transparency in these issues and sustainability reporting over the coming years.

Changes to the visual appearance of the Zur Rose Group — Changes to the visual appearance of the Zur Rose Group are appropriate following the strategic focus with the revised brand architecture and DocMorris as the umbrella brand for the healthcare ecosystem. The role as the overall corporate brand and the stronger distinction from DocMorris will be reflected in the new logo. This will become a pure word brand, and from now on the letters R and D will no longer be intertwined. At the same time the key central brand elements, the typeface and colours, are being harmonised, adding visual strength to the Group identity. As part of the updating of the brand structure and visual appearance, the corporate values have also been adjusted. The aim and purpose of all these measures is to clearly distinguish roles and provide greater entrepreneurial scope for DocMorris and the Zur Rose Group. This takes account of the fact that the two brands perform different functions within the company and serve different stakeholders. The new visual appearance can be seen for the first time in the annual report and will be gradually rolled out across all other elements.

Main focus in 2021: seizing the opportunities from the introduction of electronic prescriptions — In 2021 the Zur Rose Group will be putting its main focus on seizing the opportunities from the introduction of electronic prescriptions in Germany, which will be mandatory from 1 January 2022. This will see the barrier of sending paper prescriptions removed. With over nine million customers in the German market and DocMorris as Germany’s best-known pharmacy brand, the Group is excellently positioned to win customers with its service and mail-order offering and boost revenue in this area substantially once the necessary infrastructure has been put in place.

Outlook — Management assumes that in the medium term – over a time horizon of three to five years – online penetration of prescription medicines in Germany can reach a level of around 10 per cent as a result of the mandatory introduction of electronic prescriptions (eRx), with further potential beyond this period. The Zur Rose Group expects to exceed the sales threshold of CHF 4 billion towards the beginning of this medium-term time horizon as a result of organic growth. The Group also confirms the medium-term EBITDA margin target of around 8 per cent. Implementing the healthcare ecosystem will create further relevant potential for revenue and profit.

For 2021 management expects revenue to rise by around 20 per cent (including Medpex and Apotal). The first eRx revenue is expected once the gematik eRx infrastructure is in place (probably in July 2021), with a significant increase anticipated from 2022 onwards following the introduction of mandatory eRx. An extensive marketing campaign was launched in February 2021 to raise awareness of the European umbrella brand DocMorris. The aim is for break-even at the EBITDA level 12 to 18 months after 2021.

A special thank you to our staff — This year our staff deserve a special vote of thanks. They all showed great dedication, creativity and solidarity in overcoming the huge challenges of the Covid-19 pandemic. We thank our customers for their loyalty. In these exceptional times we will continue to do our utmost to protect the health of employees and ensure customers are supplied with the medicines they need. And we thank you, our shareholders, for your attachment to our company.

Prof. Stefan Feuerstein
Chairman of the Board

Walter Oberhänsli
Executive Director and CEO

WALTER OBERHÄNSLI *(left)*
AND STEFAN FEUERSTEIN.

2020 was marked by the global pandemic caused by the spread of COVID-19. As part of the federal scheme for continuity of supply of therapeutic products, Zur Rose worked closely with the authorities to ensure the best possible security of supply of medicines to the population. The coronavirus crisis clearly revealed that the digitalisation of Swiss healthcare is lagging and there is an urgent need for modernisation.

Market environment

Trends in the market for medicines — The total volume in the drugs market in 2020 amounted to CHF 6.3 billion, a year-on-year rise of over 3 per cent.

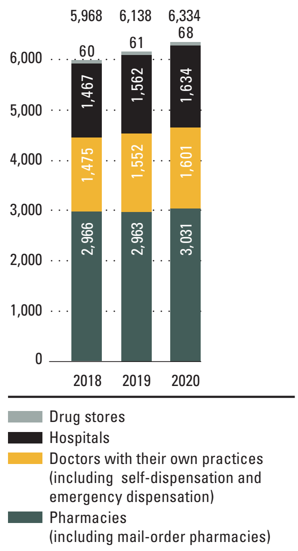
Application for exemption permit to operate a mail-order service for non-prescription emergency, cold and flu medicines during the pandemic — As part of the federal scheme for continuity of supply of therapeutic products, Zur Rose has a responsibility to ensure the best possible security of delivery and supply of medicines to the population. Since the beginning of the pandemic customers have been increasingly asking for the ability to also order non-prescription drugs online; this is still not permitted under Swiss law at present. At the same time, the population has been encouraged to stay at home owing to the risk of infection.

On 23 March 2020, Zur Rose therefore submitted an application to the Federal Council and the Federal Office of Public Health (FOPH) for a temporary exemption permit to sell non-prescription drugs for self-medication of the symptoms of flu and colds by mail-order. For reasons we find hard to understand, in a letter dated 16 April Health Minister Alain Berset and the FOPH declined this request, arguing that the authorities saw no reason for emergency provisions to suspend the ban on selling non-prescription medicines by mail-order. They claimed arrangements for supplying the population with medicines were functioning well, not least because bricks-and-mortar pharmacies and drugstores were carrying out home deliveries.

In June National Councillor Marcel Dobler raised the issue in an interpellation, asking how the government explained the fact that mail-order pharmacies were unable to deliver OTC medications to customers without a prescription, whereas bricks-and-mortar pharmacies were allowed to provide the same services in the form of home delivery. The

DRUGS MARKET VOLUME IN SWITZERLAND

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



Source: IQVIA, 2020

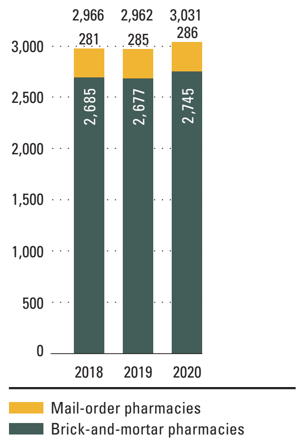
response from the Federal Council on 19 August was as follows: “The Federal Council acknowledges that in practice the current regulations governing home delivery of medicines results in disparities compared to the rules governing the mail-order business.” It continued: “The Federal Council is willing to examine better ways of distinguishing between mail-order and home delivery at the federal level with a view to avoiding unwanted distortions in competition.”

Accelerating the digitalisation of healthcare — The coronavirus pandemic clearly revealed how digitalisation in healthcare is lagging: media breaks and the absence of digitalised processes made crisis management more difficult and prevented data from being transmitted efficiently. The call for more digitalisation in healthcare grew louder. Electronic prescriptions are a key part of this. Two motions in the federal parliament during the year under review requested that these also be brought in across Switzerland. The benefits for patients are obvious: electronic prescriptions guarantee legibility, thus increasing patient safety and cutting the follow-up costs due to incorrect medication. Zur Rose is committed to the mandatory introduction of electronic prescriptions in Switzerland.

Fair system for drug prices — In its debate on cost-cutting measures for the healthcare system at a special session early in the year, the National Council rejected the introduction of a reference price system for patent-expired drugs by a clear majority of over two-thirds. Although regulated prices for prescription medicines and generics have already been regularly reviewed and reduced in the past, the package of cost-cutting measures also provides for new arrangements for regulating prices and hence margins on medicines. Zur Rose welcomes the rejection of the reference price system and emphasises that any restructuring of pricing cannot regulate individual elements in isolation; factors such as ex-factory and generics prices, service-based remuneration and distribution margins have to be seen as an inter-related whole. Redefinition must involve all relevant players, especially also to ensure provision of medicines to tpeople living with a chronic condition who often depend on drugs in the medium to high-price segment.

PHARMACY MARKET VOLUME IN SWITZERLAND

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



Source: IQVIA, 2020

Despite difficult conditions due to the pandemic, during the year under review Zur Rose forged ahead with the shift from being a supplier of medicines in the narrow sense of the word to an operator of healthcare platforms and technology provider. The joint digital healthcare platform with partners announced in the autumn sets new standards in Swiss healthcare.

Business performance

Pleasing performance despite the coronavirus crisis — Zur Rose increased revenue in the Switzerland segment by 7.1 per cent in the year under review to CHF 593.1 million, a growth rate well in excess of the market. As early as February, Zur Rose set up a crisis unit to implement the business and operating measures needed in view of the pandemic. In terms of business, the initial phase saw a strong rise in demand for both prescription and non-prescription drugs. Zur Rose therefore drew up a list of vitally necessary medicines and by working closely with authorities and manufacturers ensured these remained available on the market. Where supplies were at risk, Zur Rose increased the inventories of drugs held despite the huge increase in storage costs. The overriding objective was to guarantee the greatest possible security of supply and deliveries by prudent planning. In mid-March the Federal Council imposed a restriction on dispensing medicines and also declared that only urgent treatments should take place in doctors' surgeries. Demand for drugs in the early part of the year therefore declined again, especially in the physicians business, but had largely returned to normal by the beginning of the summer. There was definite and sustained growth in customers in the online business during the crisis.

Leading technology provider and platform operator in eHealth — As part of the acceleration in digitalisation, during the year under review the Zur Rose Group considerably stepped up the focus on its offering as a technology provider and operator of platforms and ecosystems in the eHealth industry. The Swiss business saw further development in the platform technology for supply chain, professional services and patient services. The emphasis is on the "platform as a service" model: Zur Rose supplies technology, logistics and interfaces to service providers in exchange for a licensing fee.

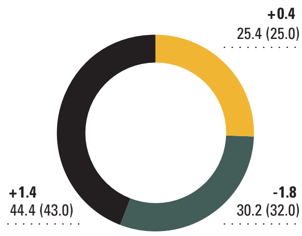
In November Zur Rose announced the creation of a joint venture with partners Allianz Care, CSS and Visana to operate an extensive digital healthcare platform. This will go online in Switzerland in the second quarter of 2021. The platform is open to all players in the healthcare sector: insurers, doctors, hospitals, pharmacies and other providers can offer their services. Patients enjoy access to tailored, quality assured healthcare services round the clock at the click of a mouse. This platform sets new standards in Swiss healthcare and lays the foundations for digitally supported, integrated provision.

Professional Services: delivering medication and digitalising practice processes — Zur Rose increased its market share in Professional Services (physicians business) from 25 per cent to 25.4 per cent. Persistent cost pressure in the healthcare system has resulted in greater price sensitivity and an awareness of processing costs. Since 1 January 2020, Zur Rose has therefore been offering Professional Services customers a new pricing model with attractive service conditions.

The coronavirus pandemic boosted demand for simple digital solutions in outpatient care too: there was a steep rise in telephone enquiries and video consultations, and surveys of doctors showed a great need for a quick and secure way of transmitting prescriptions. Zur Rose supported practices, the providers of basic healthcare, with a broad information campaign to help them deal with the coronavirus pandemic and its impact. Along with information on daily operations and rapid tests, thanks to the assistance in prescription transmission, practices were able to ensure patients at risk had their medicines delivered to their homes by the online pharmacy.

MARKET SHARES IN THE PHYSICIANS BUSINESS

As per end of 2020 (value of previous year 2019) in %



Zur Rose
Direct suppliers
Other wholesalers and purchasing organisations

Source: IQVIA, 2020

BlueCare: the Zur Rose technology hub — In its role as technology hub for the Switzerland segment, BlueCare came up with several innovative solutions for service providers during the year under review: digital assistance in prescription transmission allows every doctor's practice to send prescriptions to any pharmacy electronically in any format. A product called BlueMedication was developed; this increases drug therapy safety by automatically scanning medication data in reports (for example on discharge from hospital) and displaying these in a structured list of drugs. The application also performs a digital comparison with an existing medication plan and has an extended interaction control which also takes account of issues such as dosage, age tolerance, allergies and certain pre-existing conditions, and checks them digitally.

Expanding Specialty Care — During the year under review the Zur Rose Group set up the subsidiary Specialty Care Therapiezentren AG to further extend the offering in Specialty Care both in location and the hours it is available. The Specialty Care team has specifically trained care staff to support patients with complex treatments in correctly administering medications, such as carrying out infusion therapies. Patients can access this service at home or in the practice of a partner doctor. With the offering constantly undergoing further development, several new cooperations with manufacturers were entered into during the year.

Integrated supply solutions with health insurers and managed care organisations — Zur Rose renewed cooperation agreements with several health insurers and worked jointly with its partners to develop innovative solutions in health insurance. The Multimed basic insurance model launched in 2019 with CSS saw strong demand and demonstrates that a lower deductible is an important incentive for policyholders. The aim is to integrate insurance solutions into the digital healthcare platform and contribute to lowering the cost of healthcare with innovative product ideas and process improvements.

In September Zur Rose launched the digital medication assistant Medi+ jointly with insurer KPT: the service is free to use for KPT policyholders and, provided they give their consent, all drugs billed through KPT are automatically shown in the medication plan. Further drugs can be added to the list using a scan function. This means the application has an overview at all times of all medications to be taken. Medi+ also makes it possible to set up a schedule for taking medications with a reminder function, store prescriptions and order more supplies easily online. Customers of the Zur Rose online pharmacy can also use the functionalities of Medi+ through their customer account.

Pleasing performance from both joint ventures with Migros subsidiary Medbase — Zur Rose is pursuing an omni-channel approach with the shop-in-shop pharmacies in Migros branches. Further branches opened in 2020 in the Tivoli shopping centre in Spreitenbach and the Wynecenter in Buchs in the canton of Aargau. Another branch was added at the end of November in the Migros supermarket in Crissier in the canton of Vaud, thus marking the entry into the market in French-speaking Switzerland.

The joint venture ZRMB Marketplace AG operates an online shop for non-prescription health and care products at zurrose-shop.ch. In the medium term this will operate as a marketplace where other partners are able to offer their products. The online shop is performing robustly against the competition: revenue was well ahead of budget and more than twice the level of the previous year. This reflects both increased demand for articles such as protective masks and disinfectants at the start of the coronavirus pandemic, and also a general trend towards more online sales, especially on mobile devices. As the sole online channel for health and care products, since the end of February the shop has offered customers the ability to collect Migros Cumulus points on every purchase. Thanks to targeted digital marketing, an expanded range and an attractive pricing policy, the numbers of both new and repeat customers more than doubled year on year. Active customers display both more frequent purchases and very high levels of satisfaction.

Zur Rose the best-known online pharmacy in Switzerland — The major redesign of the online presence of zurrose.ch during the year under review marked a major milestone in the transformation of the traditional mail-order business into an online pharmacy: Zur Rose both modernised the look and optimised the user experience. The online relaunch in the autumn was accompanied by a national marketing campaign. This particularly emphasised the entry into the market in French-speaking Switzerland. For the first time Zur Rose used French-language channels for TV adverts and launched a social media campaign in this part of the country, which resulted in brand recognition shooting up in less than a year: the figure was 26 per cent on an unprompted basis in French-speaking Switzerland, almost double the level of the previous year. In German-speaking areas Zur Rose climbed to become the best-known online pharmacy in both prompted and unprompted surveys. The increased brand recognition was also reflected in the user numbers: active customers at the online pharmacy rose 8 per cent year on year.

As part of the redesign the Zur Rose customer account was revamped and various functionalities added. The account lets customers manage and renew repeat prescriptions clearly and order medications easily online, as well as providing a reminder function when doctors' prescriptions run out. The Medi+ medication assistant launched with insurer KPT can also be used in the Zur Rose account, making it accessible to Zur Rose customers, too.

Drug blister packaging under the Dailymed brand — If several drugs have to be taken every week, individual blister packaging demonstrably increases patient safety and therapy adherence. During the year under review Dailymed enjoyed pleasing customer growth year on year. One of the things that made this possible was further digitalisation of the production and ordering process. A new distribution structure was put in place, laying the foundation for successful acquisition and servicing of institutions such as care homes, which also benefit from Dailymed.

The digitalisation of healthcare in Germany continues to move ahead swiftly, including at the level of legislation. From 1 January 2022 it will only be permissible to issue doctor's prescriptions in Germany electronically. Germany was also the first European country to bring in the certified "app on prescription" – a digital healthcare application for statutory healthcare. The Strengthening Local Pharmacies Act which has come into effect again bans pharmacies based in the EU outside Germany from paying bonuses on prescription medicines to patients in Germany; this is contrary to a final judgement handed down by the European Court of Justice in 2016.

Market environment

Market growth in Germany [1] — 2020 saw Europe's largest market for medicines grow by 6.7 per cent to EUR 50 billion. Pharmacies currently have a market share of 86 per cent. The other 14 per cent of sales are generated through hospitals and clinics. In the pharmacy channel, mail order accounts for just under 1 per cent[2] of prescription drugs and 24.9 per cent of OTC medicines. Pharmacy sales of prescription medicines increased by 7 per cent in 2020 to EUR 35.3 billion, while sales of OTC medicines decreased by 5 per cent to EUR 4.9 billion. Revenue from non-prescription products (OTC medicines and products commonly sold in pharmacies) in the pharmaceutical mail-order business rose by almost 16 per cent to EUR 2.4 billion in 2020. The most important products are OTC medicines, accounting for 50 per cent, followed by health products, accounting for 29 per cent.

1 IQVIA™ Market Report Classic, Performance of the German Pharmaceuticals Market in 2020

2 Federal Ministry of Health: Financial results of the Statutory Health Insurance (GKV) 1st to 3rd quarter 2020 (KV45)

Patient Data Protection Act — The German federal government continues to forge ahead with digitalisation with the Patient Data Protection Act (PDSG), which came into effect in October 2020. Amongst other things, from 1 January 2022 it will only be permissible to issue doctor's prescriptions electronically, using the telematic infrastructure. The PDSG also stipulates that in future patients will be able to download electronic prescriptions to their smartphone and have them dispensed from a pharmacy. The app for this will be developed by gematik to allow the corresponding QR code to be saved on a mobile. Electronic prescriptions can be dispensed in any pharmacy, either digitally using the app or by printing out a 2D barcode.

Future Hospitals Act — In October 2020 the Future Hospitals Act (KHZG) came into effect. The German federal government is stepping up digitalisation in hospitals with a programme of investment. From 1 January 2021, EUR 3 billion is available to hospitals for investing in modern emergency capacity, digitalisation and IT security. The KHZG also offers medical institutions a chance to install digital equipment in their accident and emergency facilities.

Digital Supply Act (DVG) — The Digital Supply Act (DVG) came into effect at the end of 2019; this introduced the "app on prescription" as a digital healthcare application (DiGA) for patients. Doctors and psychotherapists can now prescribe digital healthcare applications, i.e. certified healthcare apps that can help identify, monitor, treat or alleviate illnesses. For this to happen, a doctor must diagnose a condition or injury and an appropriate digital healthcare application for the treatment must be listed in the directory of the Federal Institute for Drugs and Medical Devices (BfArM). The BfArM checks the app for data security and functionality. The first approved apps have been included in the catalogue of services for statutory health insurers, and hence qualify for reimbursement, since October 2020. Germany is the first country in Europe where this is possible.

Digital Provision and Care Modernisation Act — The Federal Ministry of Health is planning to bring in further changes to e-prescriptions in the Digital Provision and Care Modernisation Act (DVPMG). According to the draft, insured persons will also be able to access e-prescriptions without the relevant app or a hard copy of the QR code, using an electronic healthcare card. Starting in 2023 / 2024, insured persons and service providers will receive digital identities allowing secure authentication in video consultations. The Act will further accelerate the expansion of telemedicine. This means that arranging face-to-face consultations with a doctor will in future fall under telemedicine services, providing a one-stop service for insured persons. Chargeable video consultations will also be increased from 20 per cent to 30 per cent of doctors' services per quarter. The draft should be submitted to the Bundestag early this year and is likely to come into effect in mid-2021.

Strengthening Local Pharmacies Act — The Strengthening Local Pharmacies Act (VOASG), which came into effect in December 2020, again bans pharmacies based in the EU outside Germany, including DocMorris, from paying bonuses on prescription medicines to patients in Germany. In doing this, the German legislator is circumventing a final judgement handed down by the European Court of Justice (case

C-148 / 15). In this case the court ruled in 2016 that pharmacies based in the EU outside Germany are not bound by German price-fixing for prescription medicines and are allowed to grant their customers discounts to make up for a competitive disadvantage. Under the VOASG, pharmacies based in the EU outside Germany are now again at a disadvantage to German pharmacies in terms of market access, because it was only the bonus that established a level playing field in the German market. At the time this Annual Report was published the European Commission had not yet announced its reaction to the renewed legal ban on bonuses. Infringement proceedings are still under way against Germany for breach of the principle of the free movement of goods; the Commission may refer this suit directly to the ECJ (no. 2013 / 4075). As a pharmacy, DocMorris will use legal options against the bonus ban.

Digital Services Act — In December 2020 the European Commission presented its proposal for the Digital Services Act, which aims to create a legal framework for digital services. The proposal sets out extensive duties of reporting and due diligence for online platforms, including transparency rules for online advertising and expanded duties of disclosure in the General Terms and Conditions of Business. Duties are categorised by size of platform, which is measured by the number of active users, amongst other things. All online providers offering services in the internal market must obey the new rules, regardless of whether they are based in the EU or outside it. Approval by the Member States and the European Parliament is still awaited. The Commission is aiming to proceed rapidly, although the Act is not expected to come into force before 2022.

The Germany segment managed to increase revenue (including Medpex and Apotal) by 16.5 per cent in local currency terms and further extend its number one position. The acquisitions of the mail-order activities of Apotal, with 1.1 million clients, and TeleClinic, Germany's leading telemedicine provider, allowed the growth and platform strategy to be rigorously pursued. DocMorris+ marked the launch of a new business model in Germany. This platform provides easy and convenient access to all healthcare services in one place – from diagnosis with an online doctor to the drug or healthcare products needed.

Business performance

Extending the number one position in Germany — The Zur Rose Group again extended its number one position in the German pharmaceutical e-commerce business in 2020. Despite the deliberate reduction in marketing activities for paper prescriptions in the run-up to the launch of electronic prescriptions, revenue in Germany including Medpex and Apotal rose 16.5 per cent in local currency terms to EUR 1,022.5 billion. In Swiss francs growth stood at 12.3 per cent.

Reorganisation in Germany — In order to capture integration synergies and cover the market more effectively, at the start of 2020 the Germany segment switched from brand-based management to country-based management. The management team of the Germany segment of the Zur Rose Group was also strengthened as from 1 January 2020, with the aim of driving ahead the integration of the individual companies in marketing and IT to achieve economies of scale while simultaneously extending market leadership in the country. As part of the reorganisation, over the course of the year 2020 the Group brought together various service functions with its own staff and operating resources in Heerlen and Mannheim. Vitalsana, which had been based in Heerlen, was legally and economically merged with DocMorris, including staff and clients, and the Vitalsana site closed down. Marketing and Non-Pharma Customer Service for Eurapon Pharmahandel GmbH in Bremen were combined at the DocMorris site in Heerlen. The marketing tasks carried out for various companies in the Germany segment by Zur Rose Pharma GmbH of Halle an der Saale were taken on by the Zur Rose sites in Heerlen and Mannheim.

eHealth-Tec leads in innovation — In June 2020, Zur Rose subsidiary eHealth-Tec entered into a strategic partnership with medatixx, a leading provider of software solutions for registered doctors. Its practice software solutions are used by 38,000 doctors across Germany.

Since the e-prescription pilot project with health insurer Techniker Krankenkasse (TK) started in February 2019, eHealth-Tec as technology partner for the remote treatment service has now connected more than 1,200 pharmacies over its proprietary e-prescription solution. With further health insurers joining the shared "e-prescription Germany" project in July 2020, 27 million people who are members of statutory health insurance schemes could have been able to use e-prescriptions.

In the third quarter of 2020 eHealth-Tec completed the technological expansion of its eRx infrastructure. Because it applies the latest authentication procedures for all eRx users, along with end-to-end encryption, the eHealth-Tec solution meets the strictest security requirements. In terms of functionality the eRx infrastructure fully covers the structure envisaged by gematik, the software service provider of the Federal Ministry of Health, and can already be used for doctors, patients and pharmacies.

In November 2020 gematik awarded the contract for the specialist e-prescription service in Germany to IBM. eHealth-Tec is involved in the implementation as a partner to IBM. This was based on the tender by gematik for the "provision of development services, computer centre infrastructure, system hardware and software as part of the launch of e-prescriptions". eHealth-Tec contributed its accumulated experience as a systems provider for e-prescription solutions to the IBM bid. Implementation now includes supplying the necessary infrastructure and operating and supporting the hardware and software components to be able to process the entire volume of e-prescriptions generated in Germany. The successful participation in the gematik tender reinforces the role played by the Zur Rose Group as a pioneer in successfully introducing electronic prescriptions in Germany.

The Future Hospitals Act is leading to increased demand in Germany for ERPath, the eHealth-Tec accident and emergency information system, since it offers an opportunity for medical institutions to install digital equipment in their accident and emergency facilities. This innovative software system was one of the first to meet the accident and emergency requirements of the Federal Joint Committee (G-BA), giving it a competitive advantage. ERPath now supports the work of the medical specialists and care staff in the accident and emergency facilities at more than 100 hospitals.

Apotal acquisition — The Zur Rose Group further extended its leadership in the European market by acquiring the mail-order and diabetes activities of the Apotal Group in 2020. This pharmacy is based in Bad Rothenfelde and operates a mail-order service for non-prescription medicines, health and beauty products and prescription drugs. Apotal also has a market-leading network focused on diabetes patients, providing a broad range of offerings and services related to this chronic condition. The mail-order business of Apotal generated revenue of EUR 157 million in 2019, growing at a high double-digit rate and with positive EBITDA. The additional 1.1 million Apotal customers will enable the Zur Rose Group to achieve improved economies of scale and size advantages.

TeleClinic acquisition — 2020 saw the Zur Rose Group acquire Munich-based TeleClinic, Germany's leading provider of telemedicine. For the Group, TeleClinic is a key strategic building block in the Zur Rose healthcare ecosystem, to which the purchase adds telemedical services. In 2020 TeleClinic managed to increase the number of consultations by its national network of 260 or so registered doctors on the telemedicine platform by over 500 per cent. More than 10,000 private prescriptions were transmitted to pharmacies over the TeleClinic pharmacy portal. The increased patient demand was due to the coronavirus pandemic and cost-free access for non-private patients for the first time. Thanks to its high quality standards, TeleClinic also secured its position with doctors and patients as the first port of call for digital healthcare. In December 2020 TeleClinic launched a new portal for prescribing digital healthcare applications during a video consultation, making it easier to access certified "apps on prescription".

New branding for DocMorris — Digitalisation is increasingly becoming the key distinguishing feature for all players in healthcare. To also reflect these trends in the healthcare market in the DocMorris brand identity and architecture, the pharmacy has had a new brand image since December 2020. The company will focus even more closely on customers and caring for their health. A logical consequence of this shift in outlook is to replace the previous pharmacy cross with a symbol of people and their health – the heart. The varying shades of green for the heart also reflect the variety of current and future services. The new branding for the DocMorris pharmacy marks just the beginning of a change of paradigm from pharmaceuticals to healthcare.

National campaign — In December 2020 DocMorris launched over online channels the advert "#TakeCare", telling the story of an elderly gentleman who does himself proud. Over a four-week period the DocMorris commercial gained international attention, with 147 million views. The advert was one of the most-viewed digital Christmas campaigns globally on Facebook and YouTube, enjoying 109 million and 28 million hits respectively. The new brand design with the heart logo as a human symbol having been presented last year, the national campaign across Germany is officially starting in 2021. The multimedia blitz aims to showcase the DocMorris brand as an approachable and reliable partner and make the digital services on the DocMorris+ healthcare platform come alive.

DocMorris+ healthcare platform is launched — A new business model and a new era in health care provision in Germany started in December 2020 with the launch of DocMorris+. This platform provides easy and convenient access to all healthcare services in one place – from diagnosis with an online doctor to the drug or healthcare products needed. For the first time, customers can manage their health with a single app – anywhere, anytime, with just a tap of the finger. The launch therefore marked a strategic milestone on the path towards an integrated healthcare platform. In the start phase the focus is on the capabilities of the partner network and OTC orders by mail order. As the healthcare platform grows, faster delivery options, like pick-up, will then be available to customers. Once a relevant volume of e-prescriptions has been generated in the German market, the tried-and-tested e-prescription module featuring various services, such as receiving and dispensing digital prescriptions, will also be activated in the app.

The coronavirus pandemic has significantly accelerated the development of trade towards e-commerce. This is clearly demonstrated by the strong growth of the marketplace business in the Europe segment. Revenue increased by 73.5 per cent year on year to EUR 61.9 million, marked by a peak during the lockdown in spring 2020. This development reflects the enormous online potential of the little-regulated segment of over-the-counter standard pharmacy health and care products. The total market in Europe amounts to around EUR 100 billion.

Business performance

Capital-efficient business model with major customer benefits — PromoFarma is the leading brand for online pharmacy marketplaces in Spain and DoctiPharma the second biggest brand in France. Through their platforms, the Zur Rose Group distributes over 160,000 over-the-counter health, beauty and personal care products from some 8,000 brands. These products are provided and shipped to customers by a network of currently 1,180 partners, mainly pharmacies, but also pharmaceutical manufacturers. This gives the affiliated partners rapid access to e-commerce for little investment.

New branding for marketplaces in Spain and France — On the way to becoming the European umbrella brand “DocMorris” as the digital healthcare ecosystem, the Zur Rose Group took the next step in implementing its new brand architecture. In February 2021, PromoFarma and DoctiPharma were linked to the DocMorris brand identity. The new brand image adopts this shift in outlook by using the green heart as a symbol for health. The varying shades of green for the heart represent the variety of current and future health solutions, which can be made even more personal and individual thanks to digitalisation. The light green “by DocMorris” lettering forms the brand essence and shows both marketplaces are part of the European healthcare ecosystem.

Digital transformation with three technology hubs — The Zur Rose Group leveraged PromoFarma’s technology expertise to implement a technology development centre in Barcelona. The group now has three technology hubs in Barcelona, Winterthur and Berlin. More than 100 people from 20 nations work at the technology hub in Spain, most of them with a technical background: software engineers, data scientists, UX designers and product managers. In interdisciplinary teams across all tech hubs, the marketplace's flexible, high-performance and scalable microservice-based platform is being expanded to deploy the model in other countries like Germany and Switzerland.

The main focus is on creating the Zur Rose Group's European healthcare ecosystem, networking qualified providers with products, services and digital services. The ambition of Zur Rose is to accompany patients and empower them to use products and digital solutions to optimally manage their own health. Zur Rose is also implementing the platform-as-a-service model (PaaS) in its technical hub in Barcelona and is testing various modules of this model in the planned digital healthcare platform with the health insurance partners Allianz Care, CSS and Visana in Switzerland.

Sustainability at the Zur Rose Group

Focused and transparent — The Zur Rose Group attaches great importance to managing and developing the business in a way that is sustainable and compatible with economic, social and ecological goals. Recent years have seen numerous sustainability initiatives. In 2020 we started using these initiatives as a basis for developing a sustainable approach that can be applied systematically to the Group as a whole. For the first time, this year the annual report provides an overview of how the Zur Rose business model is linked to sustainability and the strategy the Group is adopting towards business ethics, social responsibility and environmental protection. Our objective is to expand transparency in these issues and sustainability reporting over the coming years. Management is responsible for sustainability.

A sustainable business modell

For a healthy society — At its core, the business model of the Zur Rose Group is about supplying people with pharmaceuticals in a way that is high-quality, safe and cost-effective. As Europe's largest e-commerce pharmacy, we meet the needs of our society for safe and easy provision of medications and the requirements of customers who want to shop online 24 hours a day. Both of these factors have grown in importance as a result of the coronavirus pandemic. Zur Rose therefore finds itself with a particular duty to society. Along with our responsibility for patients as an integral part of the healthcare system, this also includes ethical corporate management, human resources management that focuses on people and operations that minimise environmental impact.

A digital healthcare system with a comprehensive offering — To do justice to this duty, the Zur Rose Group positions itself as a healthcare services provider with a comprehensive offering. A key aspect of this is ongoing development of digital services. The new DocMorris+ platform is the first step towards Europe's digital healthcare eco-system, giving easy and convenient access to all healthcare services in a single place – from diagnosis in an online consultation with a doctor through to the medicine or product required.

Supporting patients seamlessly — The Zur Rose ecosystem we are aiming for pursues the vision of creating a world where everyone can manage their health in one click. For patients, the added value lies in combining digital and analogue offerings. We offer them seamless support along their individual health journey. In addition to supplying drugs, this includes top-class digital solutions and services like innovative insurance models and programmes to improve therapy adherence.

14 out of 15 **studies show that customers of e-commerce pharmacies adhere to their therapy better than patients of bricks-and-mortar pharmacies.**

14 out of the 15 studies included in a metastudy[1] show that customers of e-commerce pharmacies adhere to their therapy better than patients of bricks-and-mortar pharmacies. Zur Rose also supports patients who have to take more than three medications per day with Dailymed blister packaging. The drugs are delivered packed into small pouches, sorted by the time they are to be taken. This increases therapy adherence and helps reduce the sometimes serious consequences of medicines taken incorrectly.

1 Source: PubMed research carried out by Inav Institute 2019

Along with improving adherence to therapy, a key focus is avoiding medication errors. The Zur Rose Group therefore maintains the highest safety standards when selling drugs by mail-order, going further than in a bricks-and-mortar pharmacy: standardised, data-supported processes use the expertise of specialist staff along with artificial intelligence and systematic automatic interaction controls that consider not only a patient's current order, but also previous ones.

Partnerships improve provision — In Switzerland, the Zur Rose Group has set up a joint venture with insurance partners Allianz Care, CSS and Visana to operate a comprehensive digital healthcare platform. This is open to all players in the healthcare sector: insurers, doctors, hospitals, pharmacies and other providers can offer their services. The partners are setting new standards in Swiss healthcare and laying the foundations for digitally supported, integrated provision.

In Germany, the Zur Rose Group has entered into a collaboration with Novo Nordisk in obesity. The two companies are combining their skills: Zur Rose as a European eHealth provider and Novo Nordisk as a global healthcare company that has been driving ahead changes to overcome chronic illnesses for more than 95 years. Novo Nordisk is a leader in scientific research into obesity. The aim of the collaboration is to support people with obesity, raise awareness of the condition and make it easier to access information, diagnoses and treatment. The collaboration launched in Germany in the first quarter of 2021 with the intention of expanding into other European markets at a later date.

Data to identify new findings and relationships — As digitalisation moves ahead, networking and integrating relevant data in the healthcare system will be crucial in future – better data means better treatment, better health. It is therefore becoming ever more important to ensure information is exchanged between the patient, the doctor and the pharmacy or health insurer so treatment is optimal. The DocMorris pharmacy has clinically relevant data covering more than a million chronically sick people in its software systems, which is used solely in the interests of the patient. DocMorris collaborates with partners such as universities, hospitals, specialised companies and associations and groups of specialist physicians to collate and evaluate anonymised health information.

In 2020 DocMorris and specialist doctors jointly published a study on "incompatible double prescriptions of inhaled drugs for obstructive pulmonary diseases". The result showed that double prescriptions of inhaled drugs as a percentage of all prescriptions in this group at the DocMorris e-commerce pharmacy were reassuringly lower than would have been expected based on the findings of a survey of pulmonary specialists in 2015. Even so, there were several thousand such potentially dangerous prescriptions during the period examined. Prescribing physicians and pharmacists need to be aware of this problem to avoid medication errors, especially when prescribing or checking and delivering combinations of products.

Software solution for better risk classification — Zur Rose subsidiary eHealth-Tec has developed an IT system called ERPath for hospital accident and emergency admissions. This software solution helps doctors and care staff classify risks, draw the right conclusions and initiate appropriate treatment. The system proved particularly helpful in 2020, when bottlenecks occurred in accident and emergency facilities. A new treatment path was added to the software for the coronavirus. Modern IT solutions can considerably improve the triage process. ERPath has been proven in practice and won multiple awards, and is currently in use in over 100 clinics in Germany.

Special responsibility during the coronavirus pandemic — Zur Rose is part of the federal scheme for continuity of supply of therapeutic products and therefore responsible to the people of Switzerland for ensuring the best possible security of delivery and supply of medicines. At the start of the coronavirus pandemic we therefore drew up a list of vitally necessary medicines and by working closely with authorities and manufacturers ensured these remained available on the market. Where supplies were at risk, Zur Rose increased the inventories of drugs held despite the huge increase in storage costs. The overriding objective was to guarantee the greatest possible security of supply and deliveries by prudent planning.

Zur Rose supports doctors in combating the pandemic — In the fight against the coronavirus Zur Rose is sponsoring in Switzerland a specially developed technology solution to support doctors in developing Covid-19 tests and vaccinations: corona123.ch is a free service developed jointly with partners mediX, BlueCare and Healthinal that makes it simple to pre-record key patient data, assists in prioritising patients, transmits notifiable data directly and securely to the reporting system of the Federal Office of Public Health and enters people who have been vaccinated in the official vaccination register. Doctors benefit from a digitalised process, time savings and greater security.

EUR
34
billion

is the amount of money the German healthcare industry alone could save as a result of digitalisation, according to a 2018 study by McKinsey.

Contributing to reducing healthcare costs — People are living increasingly longer, so demand for medications and other healthcare services is rising. As a result, there is growing pressure on prices in the healthcare sector. At the same time, the healthcare market is becoming increasingly digital and liberalised, so electronic prescriptions will become mandatory in Germany from 2022. As a study by McKinsey[1] in 2018 showed, thorough digitalisation of the healthcare system could save as much as EUR 34 billion in Germany alone. Digital offerings like electronic prescriptions not only increase patient safety, they also avoid the follow-on costs incurred when there are media breaks and processes are not digitalised. Partnerships and alternative insurance models also contribute to keeping a lid on costs.

1 Source: https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/digitizing-healthcare-opportunities-for-germany#

Responsible management and business ethics

Clear rules on ethical conduct — The Zur Rose Group code of conduct sets out the principles our Board of Directors and employees follow in their activities. Amongst other things the code makes clear that conflicts of interest must be avoided and that corruption and anti-competitive behaviour will not be tolerated. The code forms part of the contract of employment and is signed by staff. Employees must notify the legal department of any breaches of the code of conduct. As far as possible, reports are treated as confidential. Employees who report breaches in good faith are protected against being disadvantaged due to their notification.

Compliance without compromises — All employees are required to familiarise themselves with the statutory provisions and ordinances, along with the internal regulations, directives and rules relevant to their professional activity. The Zur Rose Group trains employees in compliance issues such as private corruption in the healthcare sector, respecting data protection law, and observing supervisory regulations when dealing with medications. During the year under review there were no compliance breaches involving human rights, human resources, the environment, corruption or money laundering.

Stricter protection of patient data — As an e-commerce pharmacy, the Zur Rose Group is subject to the professional confidentiality rules governing pharmacists. Protecting patient privacy is therefore particularly important. Internal processes and staff training ensure that highly sensitive patient data and data relating to employees and business partners is protected in accordance with the legal requirements. Zur Rose uses hybrid methods to train employees on this issue, i.e. physical teaching combined with an e-learning system. Technical and organisational measures are also in place to prevent unauthorised access to patient data.

IT security under the microscope — The Zur Rose Group carried out an IT security test in 2020. The rapid development of digitalisation and rising IT security requirements make regular checks essential to prevent risks occurring or identify them at an early stage. Amongst other things, the Group tested operating continuity management, data protection, system access and cyber defence. IT security was improved where necessary.

Employees and HR management

42 countries represented among our workforce

An HR function focused on values — In 2020 the Zur Rose Group established a Group-wide human resources strategy which focuses on treating employees in a way that is value-based and ethically correct by deliberately and permanently putting humanity at the heart of the HR function. The way employees are treated should be based on universal human values that improve their quality of life and enable them to unfold their potential in a friendly environment. A good example of this are the endeavours to improve work / life balance. Zur Rose has made considerable efforts to promote this. It offers staff attractive working conditions, discounts and voluntary social benefits. In Switzerland, these include e.g. contributions to childcare and tickets for public transport.

A growing and diverse workforce — The size of our workforce is growing: at the end of 2020 we employed 2,208 staff (plus 364 in the supply chain), 336 more than at the start of the year. The percentage of women at the Zur Rose Group at both employee level and in middle management is high. The percentage of women in top management and Group Management is currently lower, but we will continue to consider qualified female candidates when new positions have to be filled. A total of 42 countries are represented among our workforce[1].

2,208 employees worldwide

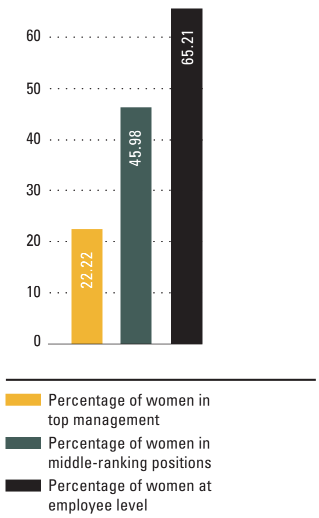
Treatment that is respectful, transparent and fair — Our code of conduct and HR practices ensure that all employees are entitled to treatment by line managers, colleagues and business partners that is respectful, transparent and fair. No one may suffer discrimination, harassment or disadvantage. One of the ways we support these principles is by our inclusive language guidelines. Regular leadership training courses ensure that these values are firmly embedded in daily management practice.

The Zur Rose Group is committed to equal pay. All companies in Switzerland with more than 100 employees have to conduct an equal pay analysis. The analysis confirmed equal pay at Zur Rose. Since 2019, all staff can take part in an attractive share participation programme on request.

1 Includes the Switzerland Segment, DocMorris and Medpex; these make up around 70% of total employees at the Zur Rose Group.

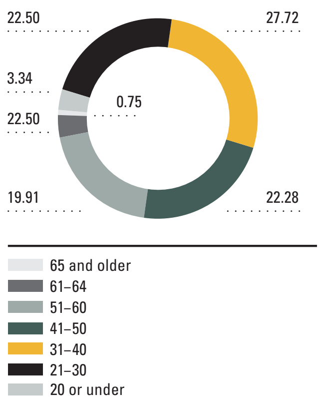
PERCENTAGE OF WOMEN [1]

in % as at 31 December 2020



AGE STRUCTURE OF EMPLOYEES [1]

in %



Encouraging talent and potential — The Zur Rose Group encourages the development of talent and potential. It provides employees with an extensive programme of training. For instance, the Zur Rose Academy regularly offers training courses on regulation and pharmaceuticals, working methods training, management development programmes, coaching, first aid courses and product training.

We are currently developing a unified approach for talent and performance management. In line with the values described, the focus is on employees' strong points and potential, encouraging flat hierarchies and cross-team cooperation. We are supporting implementation of the new common approach in the Group with a modern HR tool: Workday. Zur Rose is keen to increasingly offer staff, among other things, the opportunity to gain international experience within the Group.

22 **% female executives in top management**

Safety and health protection — As a healthcare company, the Zur Rose Group attaches considerable importance to staff safety and health protection. Naturally, we comply with national regulations on safety at work. Our onboarding programme includes safety issues. We offer employees training in safety at work, avoiding accidents outside work and ergonomics.

During the coronavirus pandemic in particular, protecting staff enjoys the highest priority. Right at the start of the crisis, Zur Rose ordered all employees whose activities did not absolutely require them to be in a particular place to work from home. The technical infrastructure for this was put in place within a very short period. Staff unable to work from home but in a risk category were no longer deployed on site but continued to receive their full salary. All employees also received free face masks and disinfectant for their personal use.

Logistics and environmental protection

700 **suppliers in Switzerland and Germany and more than 1,000 pharmacy partners in Spain and France on the marketplace**

A network of local suppliers and business partners — Zur Rose Group locations buy the majority of their almost 180,000 products from pharmaceutical companies, wholesalers and brand-name manufacturers in the country they operate in. In Germany and Switzerland we have around 700 suppliers; in Spain and France we work with more than 1,000 partners (mostly pharmacies), who are able to use our e-commerce marketplace with the latest technology on favourable terms.

Products are securely stored in Zur Rose warehouses, packaged and delivered to customers by transport partners. In Switzerland, 86 per cent of products go to physician clients with their own practice pharmacy and shop-in-shop pharmacies (B2B). Around 14 per cent are dispatched directly to end-customers (B2C). In Germany, orders we receive are delivered directly to end-customers by our transport partners. In Spain and France, orders are provided by affiliated partners via the marketplace and sent to end-customers.

Understanding and increasing environmental efficiency — The Zur Rose Group is keen to get a better grasp of the environmental efficiency of its logistics and seize opportunities to optimise them. We are therefore planning studies to look into the environmental impact of mail-order business compared to conventional solutions.

We are also improving our environmental efficiency in other areas of operations. Our site at Heerlen in the Netherlands has switched almost entirely to green electricity and we are reviewing this for our other locations. In Germany, wherever possible we use sustainable printed materials.

Responsible warehousing and packaging — Some products have special requirements for secure storage. They may have to be kept chilled, for example. In the interests of more efficient refrigeration, the Zur Rose Group has combined several small chiller cells in its Swiss warehouse into a single larger unit.

We are also optimising our packaging. For filling, we are looking to make increasing use of recycled materials. All cardboard boxes must bear the Forest Stewardship Council (FSC) seal indicating the pulp was produced sustainably. Packaging adhesives are moving to environmentally friendly alternatives. We are also adjusting the size of packages and carrying out test runs with packages in letter format.

In Germany, some sites already use only sustainable packaging. The logistics in Bremen, for example, use 100 per cent recycled fibres and paper as filler. All German sites will be improving their packaging in 2021.

In Switzerland we are making progress in better transport planning in the B2B business. By increasingly grouping orders together, we save on trips and reduce the need for packaging materials.

Green delivery — Our logistics depend largely on external providers, who are committed to reducing their environmental footprint. These include, for instance, DHL and Swiss Post, who since the start of 2021 offset their CO_2 emissions.

In Germany too we have determined the first steps towards green delivery, for example by working with suppliers who offset their CO_2. We will review these and start work on implementation in 2021.

Corporate Governance

The Zur Rose Group applies the principles and rules of Corporate Governance set out in the "Swiss Code of Best Practice for Corporate Governance" of economiesuisse. The content and structure of this section comply with the Directive on Information relating to Corporate Governance issued by the SIX Swiss Exchange. Unless otherwise stated, all information relates to the reporting date of 31 December 2020. The key elements of corporate governance are defined in the Company's Articles of Association, Organisational Regulations and Terms of Reference of the Committees of the Board of Directors. The Zur Rose Group publishes these documents online at zurrosegroup.com > "Investors & Media" > "Corporate Governance".

1 Group Structure and Shareholders

1.1 Group Structure

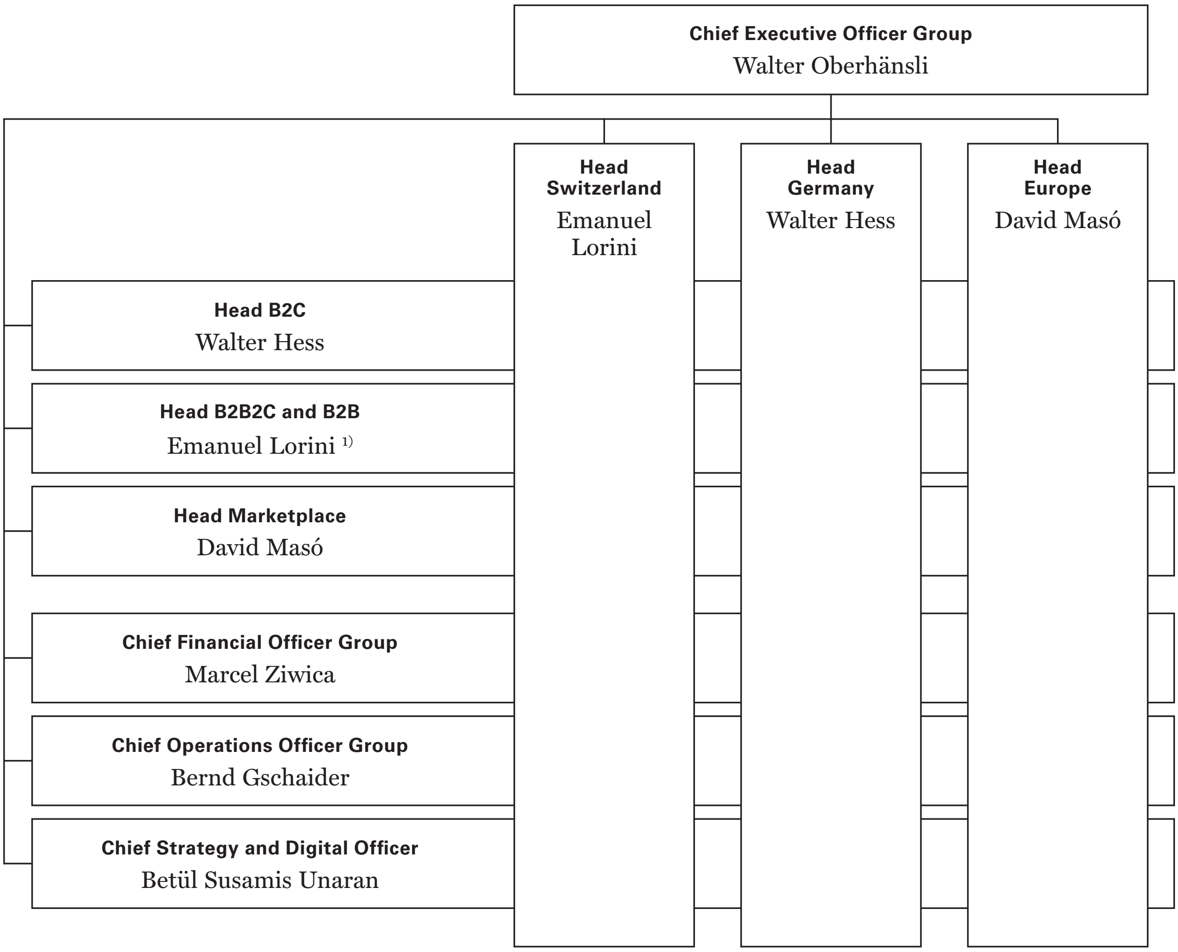
Zur Rose Group AG based in Steckborn is organised as a stock corporation under Swiss law. The registered shares with the security number 4261528 are listed on the SIX Swiss Exchange. The Board of Directors supervises the Zur Rose Group, while the Group Management is responsible for the operational management.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

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

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

The subsidiaries included in the Group consolidation, with details of their names and registered offices, share capital and the percentage interest held by Group companies, are listed in the Notes to the Consolidated Financial Statements on page 79. The consolidation does not include any companies whose equity securities are listed on a stock exchange, with the exception of Zur Rose Group AG.

STRUCTURE OF THE ZUR ROSE GROUP



1) Member of the Group Management as of 1 January 2021

1.2 Significant Shareholders

According to the disclosure notices to Zur Rose Group AG and the SIX Swiss Exchange, the following shareholders held 3 percent or more of the share capital on 31 December 2020:

Beneficial owner(s) / Person(s) entitled to exercise voting rights 1)	Direct shareholder	Percentage 2)
Credit Suisse Group AG	Credit Suisse AG (direkt und indirekt) Credit Suisse (Schweiz) AG Credit Suisse AG, Dublin Branch Credit Suisse Securities (USA) LLC Credit Suisse Securities (Europe) Limited Credit Suisse International	8.09 / 1.41
UBS Group AG 3)	UBS AG UBS Switzerland AG UBS Asset Management (UK) Ltd. UBS Fund Management (Luxembourg) S.A. UBS Asset Management Trust Company	6.9 / 0.06
Patrick Schmitz-Morkamer Patrick Bierbaum	PSquared Master SICAV Ltd. Leveraged Event Fund LP BP Investment Ltd.	4.84 / –
Al Faisaliah Group Holding Company	Matterhorn Pharma Holding	4.57 / –

1) Compared to share capital at the time of disclosure (changes in capital see 2.3)
2) Purchase / sale positions
3) In the context of the convertible bond issued in spring 2020, UBS assumes the function of lending the shares of the investors in the convertible bond. This means that UBS borrows the shares from Zur Rose Finance B.V. in order to then lend them on to these investors.

Changes in significant shareholders after the reporting date: Al Faisaliah Group Holding Company holds 4.57 per cent, BlackRock, Inc. 3.0 per cent, FMR LLC 3.07 per cent and Invesco Ltd. 3.051 per cent of the share capital at the time this Annual Report was published.

Treasury shares: Zur Rose Group AG holds 54,625 treasury shares. Furthermore, 900,000 treasury shares are held by Zur Rose Finance B.V. These shares serve as a share lending facility to support the convertible bond issued in spring 2020. When shares are lent, the shareholding of Zur Rose Finance B.V. remains in place for disclosure purposes.

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

Zur Rose Group AG had 7,519 shareholders at 31 December 2019 (6,530 at the end of 2019).

1.3 Cross-Shareholdings

There are no cross-shareholdings with other companies.

2 Capital Structure

Information on the capital structure can be found in the financial report on page 114.

2.1 Capital

The share capital of Zur Rose Group AG as at 31 December 2020 was CHF 315,790,980.00, divided into 10,526,366 registered shares with a par value of CHF 30.00 each.

2.2 Authorised and Conditional Share Capital

Authorized Capital
Zur Rose Group AG has no authorised capital.

Conditional Share Capital for Employee Participations
The share capital of the Company may be increased by an amount not to exceed CHF 5,205,090.00 through the issuance of up to 173,503 fully paid up registered shares with a par value of CHF 30.00 each through issuance of shares to employees and members of the Board of Directors of the Company and its subsidiaries. The preemptive rights and advance subscription rights of the existing shareholders of the Company for the new shares in proportion to their existing participations shall be excluded. The issuance of shares (issue amount, start date of dividend rights, type of contributions) or of options related thereto or a combination of shares and options shall be made pursuant to one or more plans to be issued by the Board of Directors. The issuance of shares or options may occur at a price below the market price. The acquisition of registered shares via the exercise of option rights and any subsequent transfer of such registered shares shall be subject to the restrictions of Article 5 of the Articles of Association.

Conditional Share Capital for Financing, Acquisitions and other Purposes
The share capital of the Company may be increased by an amount not to exceed CHF 12,266,400.00 through the issuance of up to 408,880 fully paid up registered shares with a par value of CHF 30.00 each through the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, options, warrants or other securities or contractual obligations of the Company or any of its subsidiaries (hereinafter collectively, the Financial Instruments). The preemptive rights of the existing shareholders shall be excluded upon the exercise of any Financial Instruments in connection with the issuance of shares. The then-current owners of such Financial Instruments shall be entitled to acquire the new shares issued upon conversion, exchange or exercise of any Financial Instruments. The main conditions of the Financial Instruments shall be determined by the Board of Directors.

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

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

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

2.3 Changes in Capital
At 31 December 2019, the share capital of Zur Rose Group AG was CHF 262,199,160.00. On 26 March 2020, the share capital increased by CHF 27,000,000.00 to CHF 289,199,160.00. The new shares were issued from the existing conditional capital for financing, acquisitions and other purposes. On 17 July 2020, the share capital increased as part of a capital increase from authorised capital by CHF 22,224,690.00 to CHF 311,423,850.00 and on 14 August 2020 by CHF 3,995,220.00 to CHF 315,419,070.00. In 2020, the Company issued 12,397 registered shares from the conditional capital for employee participations, increasing the share capital by CHF 371,910.00 to CHF 315,790,980.00.

For previous years please refer to the Annual Report 2019 (can be downloaded at *https://gb.zurrose-group.com/en/gb2019/home.html),* page 31, and the Annual Report 2018 (can be downloaded at *http://gb.zurrosegroup.com/en/gb2018/home.html),* page 23.

2.4 Shares and Participation Certificates
On 31 December 2020, the share capital was divided into 10,526,366 registered shares with a par value of CHF 30.00 each. The shares are fully paid up. Zur Rose Group AG has not issued any participation certificates.

2.5 Dividend-Right Certificates
The Company has not issued any dividend-right certificates.

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

The Nominees recorded in the share register are therefore registered without voting rights. There are no other transfer limitations and no statutory privileges. Any lifting or amendment of the limitations on transferability requires a shareholders' resolution by a voting majority of at least two thirds of the shares represented.

2.7 Convertibles Bonds and Options
Zur Rose Group AG placed a convertible bond in the amount of CHF 175 million through its subsidiary Zur Rose Finance B.V. in 2020 and listed it on the SIX Swiss Exchange. The bond has a term of five years and matures on 31 March 2025, a coupon of 2.75 per cent per annum, payable semi-annually in arrear, and a conversion price of CHF 142.3944 which represents a premium of 20 per cent to the volume weighted average price ("VWAP") of the Zur Rose Shares between launch of the Bonds and close of trading on SIX Swiss Exchange on 26 March 2020. The issue price and the redemption price are set at 100 per cent. The Issuer may call the Bonds at any time on or after the day which falls 21 calendar days after the third anniversary of the Settlement Date at par, plus accrued interest, if any, if the VWAP of the Shares is at least 130 per cent of the conversion price on at least 20 out of 30 consecutive trading days or at any time after the Settlement Date at par, plus accrued interest, if less than 15 per cent in aggregate of the principal amount of the Bonds is outstanding. If the bonds were fully converted, a total of 1,228,981 shares would be issued to the owners of the convertible bonds, representing a share capital of CHF 36,869,430 and a ratio of 14.1 percent to the share capital outstanding at the time of issuance (CHF 262,199,160). In this context, 900,000 new shares were created and a securities lending agreement was concluded.

3 Board of Directors

3.1 Members of the Board of Directors
The majority of the Zur Rose Group's Board of Directors are independent Directors. The Board has proven expertise in technology, trading and finance. In line with corporate policy, due account is taken

of diversity. The Board will ensure that in 2021 it again contains female members, and has set itself the goal of having each gender representing at least 30 per cent of Board members from 2023 at the latest.

On 31 December 2020, it consisted of the following persons:

MEMBERS OF THE BOARD OF DIRECTORS

	Position	First elected	Term expires
Prof. Stefan Feuerstein	Chairman, Non-Executive Director	2010	2021
Walter Oberhänsli	CEO, Executive Director	1993	2021
Dr. Thomas Schneider	Vice Chairman, Non-Executive Director	1995	2021
Prof. Dr. Volker Amelung	Non-Executive Director	2010	2021
Tobias Hartmann	Non-Executive Director	2019	2021
Dr. Christian Mielsch	Non-Executive Director	2019	2021
Florian Seubert	Non-Executive Director	2019	2021

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

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

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

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

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

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

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

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

3.2 Other Activities and Vested Interests

— **Stefan Feuerstein**
Chairman of the Board of the Al Faisaliah Group's Electronics & Systems Company, Riyadh (SA)
Chairman of the Board of Electronic Partner Handel SE as well as Director of the holding company Haubrich Holding SE, Düsseldorf (DE)
Chairman of the Supervisory Board of Kühnl + Schmidt Architekten AG, Karlsruhe (DE)
Chairman of the Shareholders' Council of the UNIMO-Gerstner Group, Zug (CH), Xanten (DE), La Valetta (MLT); associated functions on the Executive Board, Management Board and Supervisory Board of various affiliated companies
Member of the Research Advisory Board at Worms University of Applied Sciences (DE)

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

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

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

— **Tobias Hartmann**
Director of SGS Société Générale de Surveillance SA, Geneva

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

— **Florian Seubert**
Director of SUSI Partners AG, Zug
Managing Partner of AB1204 Verwaltungs GmbH, Brannenburg (DE)
Board Member of Pacifico Renewables Yield AG, Grünwald (DE)

BOARD OF DIRECTORS *(from left)*

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

3.3 Additional Mandates Outside the Zur Rose Group

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

3.4 Elections and Terms of Office

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

3.5 Internal Organisational Structure

3.5.1 Allocation of tasks within the Board of Directors

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

3.5.2 Committees of the Board of Directors

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

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

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

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

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

3.5.3 Working methods of the Board of Directors and its Committees

The Board of Directors meets as often as is deemed necessary or if a member requests this in writing. The meetings usually take place about every two months, taking up a full day. Meetings of the Board of Directors are convened by the Chairman or, should he be prevented from doing so, by the Vice Chairman or by the oldest member of the Board of Directors. Meetings of the Board of Directors and its Committees may also be held by telephone or video conference. Meetings are convened in writing, with details of the agenda items. The Board of Directors constitutes a quorum if the majority of its members are present. Participation by telephone or video equates to attendance in person. No quorum is required if solely the completion of a share capital increase is to be ascertained and the subsequent amendment to the Articles of Association is to be resolved. The Board of Directors passes its resolutions by a majority of the votes cast. In the event of a tie, the Chairman has the casting vote. Resolutions may be passed by circular letter unless a member requests a verbal consultation. The Board of Directors met threex times during the 2020 financial year. In addition, 17 telephone respectively video conferences of the whole Board were held. All members of the Board of Directors attended all meetings of the Board, with the exception of five absences for business reasons or illness. Meetings of the Board of Directors are normally also attended by the CFO and the Group General Counsel (as minute-taker) in an advisory capacity. The other members of the Group Management are invited to meetings of the Board of Directors where the strategy and budget or market-specific agenda items are to be deliberated.

The Committees meet at least twice a year (spring and autumn) and at such other times as required and may be requested by any member of the Committees. The meetings usually last two or three hours. The role of the Committees is restricted to the preparation of decision-making criteria for the attention of the Board of Directors. The composition, organisation, powers and roles of the individual Committees are defined by the Board of Directors in appropriate Committee Terms of Reference (available at h*ttps://zurrosegroup.com/websites/zurrosegroup/English/2080/corporate-governance.html),* to the extent that they are not prescribed by the Articles of Association or a resolution of the General Meeting of Shareholders. The chairmen of the Committees keep the Board of Directors informed of their activities at the next ordinary meeting of the Board of Directors or, in urgent cases, immediately. The Audit Committee met four times and the Compensation and Nomination Committee twice during the 2020 financial year. All Committee members attended all the meetings. Members of the Group Management are also usually represented at the Committee meetings in an advisory capacity, as well as individual specialist departments, when required.

3.6 Definition of Areas of Responsibility

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

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

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

3.7 Information and Control Instruments Relating to the Group Management

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

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

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

4 Group Management

4.1 Members of the Group Management

In December 2020, Olaf Heinrich left the Group Management and stepped down from his position as Head Germany. He was succeeded by Walter Hess, formerly Head Switzerland. Emanuel Lorini was newly appointed Head Switzerland.

On 31 December 2020, the Group Management consisted of the following members:

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

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

— **Walter Hess** (1965, Swiss national), Head Germany
Head Switzerland of the Zur Rose Group from 2015 to December 2020. Head Germany since December 2020. Before joining the Group, he worked as an external consultant, also on various projects for Zur Rose, and ultimately heading the Zur Rose Pharma GmbH facility in Halle (Saale, Germany). CEO of Praevmedic AG, Zurich, until 2013. Previously held a number of management positions in international industrial companies. After a business education, he studied business administration at FHS St. Gallen University of Applied Sciences.

— **David Masó** (1971, Spanish national), Head Europe
CEO of PromoFarma, Barcelona, since 2012 and Head Europe of the Zur Rose Group since May 2020. Co-founder of several start-ups in the e-commerce and digital sector in Spain: 2012 PromoFarma; 2009 Qporama, active until 2011; 2003 Futurlink, CEO until 2009. Previously management consultant for internet projects at European level. Telecommunications engineering studies at UPC Barcelona, Master of Business Administration at ESADE Barcelona and Executive Program at Stanford.

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

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

Emanuel Lorini has been a new member of the Group Management since 1 January 2021:

— **Emanuel Lorini** (1977, dual Swiss-Italian national), Head Switzerland
Joined Zur Rose in 2011 as Head of the medical wholesaler business and member of the Executive Committee of Zur Rose Suisse AG. Serving as Head Switzerland of the Zur Rose Group since December 2020. He worked in corporate development for managed care system solutions at BlueCare AG in Winterthur from 2008 to 2010. Previously he worked at Health Info Net (HIN) AG in Wallisellen, ultimately as Head of E-Health Platform. He studied business administration at the University of St. Gallen.

4.2 Other Activities and Vested Interests

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

— **Bernd Gschaider**
No other activities or vested interests.

— **Walter Hess**
Chairman of the Board and co-owner of Praevmedic AG, Zurich
Chairman of the Board of Sportsemotion AG, Rorschach
Director of Hohlflex AG, Abtwil
President of the European Association of E-Pharmacies (EAEP), Berlin (DE)

— **David Masó**
Member of the Board of Directors at Mascoteros.com, Barcelona (ES)
Associate teacher at ESADE and ISDI school for e-commerce and marketplace strategies in Barcelona (ES)

— **Betül Susamis Unaran**
Senior Advisor of Arsenal Capital Partners, New York (USA)
Senior Advisor of Native Design Ltd., London (UK) and San Francisco (USA)

— **Marcel Ziwica**
No other activities or vested interests.

4.3 Number of Permitted Activities Outside the Zur Rose Group

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

4.4 Management Contracts

There are no management contracts with third parties.


1 —


2 —


3 —

1 — WALTER OBERHÄNSLI
2 — MARCEL ZIWICA
3 — WALTER HESS

4 — BETÜL SUSAMIS UNARAN
5 — EMANUEL LORINI
6 — BERND GSCHAIDER
7 — DAVID MASÓ

4 —

5 —

6 —

7 —

5 Compensation, Shareholdings and Loans

Information about the compensation of the Board of Directors and Group Management is provided in the Compensation Report.

6 Shareholders’ Participation Rights

6.1 Voting Right Restrictions and Representation

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

6.2 Quorums Required by the Articles of Association

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

6.3 Convocation of the General Meeting of Shareholders

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

6.4 Inclusion of Items on the Agenda

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

6.5 Entries in the Share Register

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

7 Changes of Control and Defence Measures

7.1 Duty to Make an Offer

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

7.2 Clauses on Changes of Control

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

8 Auditors

8.1 Duration of the Mandate

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

8.2 Auditing Fees

The total cost of the auditing services charged by Ernst & Young during 2020 was CHF 504,627. In addition, the audit firm charged fees of CHF 159,558 for audit-related services.

8.3 Additional Fees

Fees amounting to CHF 82,487 were incurred during 2020 for tax advice and people advisory services provided by the audit firm.

8.4 Information Instruments Pertaining to the External Audit

Before each scheduled meeting, the external Auditors report to the Audit Committee in writing on relevant auditing activities and other important issues associated with the Company. Representatives of the external Auditors attend the meetings of the Audit Committee for specific agenda items, and to comment on their activities and answer questions. During 2020, the external Auditors attended two meetings of the Audit Committee. The Audit Committee assesses the performance, remuneration and independence of the auditors annually and submits a proposal to the Board of Directors for the nomination of the Auditors, for the attention of the General Meeting of Shareholders. The Audit Committee also reviews the scope of the external audit, audit plans and relevant procedures annually. The results of the audit are discussed with the external Auditors.

9 Information Policy

The most important sources of information are the Annual Report and the Half Year Report, the website (www.zurrosegroup.com), press releases, press conferences, meetings for financial analysts and investors as well as the Annual General Meeting. Zur Rose Group provides information about its annual and half-year results in the form of press releases and by holding analyst and media conferences. Quarterly revenue is announced in press releases. Shareholders are sent the printed summary report on the financial year upon request. A full online version of the annual report can be accessed at *https://gb.zurrosegroup.com/en/gb2020/home.html*. Furthermore, the half-year report is available online as a PDF at *https://zurrosegroup.com/websites/zurrosegroup/English/2050/publications.html*. The Annual General Meeting for the shareholders of record is held in the first half of the year. The Group reports on key events by way of press releases, which are available at *https://zurrosegroup.com/websites/zurrosegroup/English/2010/press-releases.html*. This information can be subscribed to at *https://zurrosegroup.com/websites/zurrosegroup/English/2095/subscribe-to-press-releases.html*.

The regular reporting dates are shown under *https://zurrosegroup.com/websites/zurrosegroup/English/2090/financial-calendar.html*. Key dates in 2021 are:

18 March	2020 Full-Year Results
20 April	First Quarter Trading Update
29 April	Annual General Meeting of Shareholders
18 August	Half-Year Results
21 October	Third Quarter Trading Update

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

Compensation Report

The Compensation Report describes the compensation principles, governance framework and compensation system of Zur Rose Group AG. It also contains detailed information on the compensation of the members of the Board of Directors and Group Management for the 2020 financial year (the "reporting year"). This report complies with the requirements of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) of 1 January 2014 and with Section 5 of the Annex to the Directive on Information relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange on 20 June 2019.

1 Principles

1.1 Principles of the compensation of the Group Management

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

The compensation system is based on the following principles:

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

1.2 Principles of the compensation of the Board of Directors

The members of the Board of Directors are expected to act independently in exercising their supervisory activities. Therefore they receive for their work only fixed compensation (a retainer) for each term of office, which is granted partly in cash and partly in blocked shares in the Company.

2 Governance

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

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

Approval of compensation (Art. 25): The General Meeting of Shareholders approves the proposals of the Board of Directors in relation to the aggregate amounts of the maximum fixed compensation of the Board of Directors for the following financial year, the variable compensation of the Board of Directors for the preceding financial year, the maximum fixed compensation of the Group Management for the following financial year, and the variable compensation of the Group Management for the preceding financial year.

Supplementary amount for changes to Group Management (Art. 26): If the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient also to cover new members of the Group Management, the Company may pay a supplementary amount, which may not exceed 50 per cent of the last aggregate compensation amount approved.

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

Loans and credits (Art. 30): Loans and credits to members of the Board of Directors and Group Management may be granted under market conditions. The total amount of such outstanding loans and credits may not exceed the total annual compensation of that member.

2.2 Compensation and Nomination Committee

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

LEVELS OF RESPONSIBILITY

Decision on:	CEO	VRP	Compensation Committee	Board of Directors	General Meeting of Shareholders
Compensation policy, including structuring of variable compensation			Recommendation	Approval	
Performance criteria for the compensation of the members of Group Management	Recommendation		Proposal	Approval	
Maximum total compensation of the Board of Directors and Group Management			Recommendation	Proposal	Aproval (binding vote)
Individual compensation Chairman			Proposal	Approval	
Performance assessment and individual compensation CEO		Recommendation	Proposal	Approval	
Individual compensation of the members of the Board of Directors			Proposal	Approval	
Performance assessment and individual remuneration of the members of Group Management (excluding the CEO)	Recommendation		Proposal	Approval	
Compensation Report			Recommendation	Approval	Consultative vote

The Compensation and Nomination Comittee consists of three members of the Board of Directors and comprises: Dr. Thomas Schneider, chair, Prof. Stefan Feuerstein, member, and Florian Seubert, member. The members are elected by shareholders at the Annual General Meeting of Shareholders for the reporting year. The members of the CNC serve for a term of one year ending at the end of the next Annual General Meeting of Shareholders (term of office). They are eligible for re-election.

As a rule, the meetings of the CNC are held before the meetings of the Board of Directors, so that the proposals can be formulated and approved by the full Board. In addition, the chairman of the CNC reports to the Board of Directors on the Committee's activities after each meeting. The minutes of the Committee meetings are provided to the members of the Board of Directors. Members of the Group Management may attend the meetings in an advisory capacity upon invitation, but are not present during the discussion and determination of their own compensation. The CNC meets at least twice a year. In 2020 the CNC held two regular meetings and considered, amongst other things, the recurring agenda items mentioned above. All members attended all meetings.

The CNC may engage the services of an external consultant in compensation matters from time to time. In 2020, hkp Deutschland were appointed to carry out a benchmarking exercise for the compensation of the Group Management. This firm holds other appointments from the Zur Rose Group. The CNC can also consult internal experts on compensation issues, such as the Chief Executive Officer, the Chief Financial Officer and the Group Head of Human Resources.

2.3 Determination Procedure and Disclosure of Compensation

The CNC benchmarks the compensation of Group Management regularly against the compensation paid by comparable listed companies and European e-commerce companies. Companies with comparable market capitalisation and revenue are taken into account. An in-depth review of the compensation of the Group Management was carried out in 2020, to determine how competitive it is in terms of structure and overall amount. The peer group comprises AO World, APG. The peer group includes AO World, APG SGA, Arbonia, Ascom, Bobst Group, Bossard, Burckhardt, Burkhalter, Comet, Conzzeta, Daetwyler, Delticom, Hawesko, Huber+Suhner, Inficon, Interroll, Kardex, Komax, Kudelski, Metall Zug, Rieter, Schweiter, Siegfried, SRP, u-blox and Zooplus, and is balanced in terms of market capitalisation, income and headcount. The compensation of the CEO of DocMorris was also compared with a sector-specific group of e-commerce companies and direct competitors.

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

The compensation of the Board of Directors is regularly compared with standard practice at other Swiss industrial companies. A review of the compensation of the Board of Directors was carried out in 2017, to determine how competitive it is in terms of structure and overall amount. Two reference markets were considered to gain a comprehensive view of market practice. A general Swiss market was considered, comprising the top 100 SPI companies, and a market made up of a group of 39 Swiss companies listed on SIX Swiss Exchange, adjusted by size and industry. The structure and amount of the compensation of the Board of Directors has not been adjusted since this review. The next review is scheduled for the coming year.

3 Compensation of the members of the Board of Directors

3.1 Compensation Structure

The compensation system for the Board of Directors is primarily intended to ensure it acts independently in overseeing the Group Management. Board members therefore receive a fixed base fee for their services for each term of office (retainer), 70 per cent of which is paid in cash and 30 per cent comprising registered shares of the Company with a three-year vesting period. In addition to the basic compensation they receive cash compensation for sitting on various committees. The size of the fee reflects special functions (chair, vice-chair or member) and memberships and functions in the Board's committees. The amount of compensation is not linked to a performance component and is not discretionary. Depending on the role, the following compensation is paid:

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

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

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

The Chairman of the Board of Directors does not receive a fee for serving on the Committees. The Executive Director and CEO is remunerated for his services as part of his ordinary compensation as a member of the Group Management and does not receive any additional compensation for serving on the Board of Directors.

The cash payment is made after the Annual General Meeting of Shareholders and the shares are transferred shortly afterwards. Shares are released in the event of liquidation or a change of control. The Company may reimburse members of the Board of Directors for expenses in the form of reimbursement of actual expenses incurred and / or an expense allowance within the amounts allowed for tax purposes. This reimbursement of expenses does not count as compensation. The members of the Board of Directors do not participate in the pension plan of Zur Rose Group AG.

3.2 Compensation paid to the Board of Directors in the 2020 financial year

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

For the 2020 financial year, the members of the Board of Directors received fixed compensation of CHF 845,000 (2019: CHF 788,000), compensation of CHF 74,000 for serving on committees (2019: CHF 74,000), and social security contributions of CHF 51,000 (2019: CHF 53,000). Of the total compensation of CHF 970,000 (2019: CHF 915,000), CHF 264,000 (2019: CHF 236,000) was awarded in the form of shares with a vesting period of three years. The fixed remuneration for members of the Board of Directors who had been members for the last two years was unchanged from the previous year. The table below shows the compensation paid to members of the Board of Directors in 2020.

Name, function [1]	**Fixed gross compensation in cash**		**Fixed gross compensation in shares** [2]		**Committee fee in cash**		**Social security contributions**		**Total** [3]	
In CHF 1,000 (gross)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Prof. Stefan Feuerstein (Chairman)	**210**	210	**95**	90	–	–	**22**	21	**327**	321
Dr. Thomas Schneider (Vice Chairman)	**91**	91	**41**	39	**20**	20	**11**	11	**163**	161
Prof. Dr. Volker Amelung (Director) [4]	**70**	70	**32**	30	**34**	34	**10**	10	**146**	144
Dr. Heinz Baumgartner (Director)	–	29	–	13	–	4	–	3	–	49
Vanessa Frey (Director)	–	29	–	13	–	4	–	3	–	49
Tobias Hartmann (Director)	**70**	41	**32**	17	–	–	–	–	**102**	58
Dr. Christian Mielsch (Director)	**70**	41	**32**	17	**10**	6	–	–	**112**	64
Florian Seubert (Director)	**70**	41	**32**	17	**10**	6	**8**	5	**120**	69
Non-Executive Directors	**581**	552	**264**	236	**74**	74	**51**	53	**970**	915
Walter Oberhänsli (Executive Director and CEO)	–	–	–	–	–	–	–	–	–	–
Board of Directors	**581**	552	**264**	236	**74**	74	**51**	53	**970**	915

1) As at 31 December 2020 and 31 December 2019, seven members of the Board of Directors were in office. The previous year's members were re-elected to the Board at the Annual General Meeting of Shareholders on 23 April 2020. Vanessa Frey and Dr. Heinz Baumgartner stepped down from the Board of Directors at the Annual General Meeting of Shareholders on 23 May 2019. At the same time, the AGM elected Tobias Hartmann, Dr. Christian Mielsch and Florian Seubert to the Board of Directors.
2) The relevant fair value on the day of allocation of CHF 158.40 (2019: CHF 96.40) per share corresponds to the respective daily closing price on the Swiss stock exchange.
3) For disclosure in the Compensation Report, the accrual principle was applied to all compensation elements. Grants are reported in the Compensation Report for the year for which they are awarded.
4) The committee fee paid to Prof. Dr. Volker Amelung includes a director's fee for a subsidiary in the amount of CHF 14,000.

At the Annual General Meeting held on 23 May 2019, the shareholders approved a maximum total amount of the fixed compensation for the Board of Directors for the 2020 financial year worth CHF 1,030,000. The compensation for the 2020 financial year granted to the Board of Directors and disclosed in the table above is within the maximum authorised total amount.

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

4 Compensation of the members of the Group Management

4.1 Compensation Structure

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

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

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

COMPENSATION STRUCTURE

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

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

Short-term variable compensation
Short-term variable compensation is a performance bonus that recognizes both the Group's financial performance and the employees' personal performance in a given financial year. Through this variable compensation, employees participate in the Group's success and are rewarded for their personal performance. The target value of short-term variable compensation is expressed as a percentage of annual base salary and is 40 per cent for the CEO and between 20 and 40 per cent for the other members of the Group Management. The performance bonus can be a total of 0 to a maximum of 150 per cent of the target value.

The targets established by the CEO are set by the Board of Directors at the beginning of each year at the request of the Compensation and Nomination Committee and assessed at the end of the financial year based on the actual results achieved. The financial metrics during the financial year continued to be revenue and earnings targets. These financial targets have been selected because they represent the main value drivers for the Company and reflect the expansion of the business and market share (in terms of revenue) and operational profitability. As in the previous year, between 40 and 60 per cent were revenue and earnings targets for the Group or the segments and between 40 and 60 per cent were primarily the basis for measuring the short-term variable component.

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

			CEO	CFO	Other Group Management
Short-term variable compensation	Financial targets (Group or Segment)	Revenue	30%	0%	20–40%
		Income	20%	20%	20%
	Individual targets	Incl. net working capital, cash flow, strategic initiatives	50%	80%	40–60%

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

Long-term variable compensation (performance-based share plan)
The performance-based share plan is designed to enable selected executives of Zur Rose Group AG and its subsidiaries to participate in the Company's sustainable, long-term growth. The performance-based share plan was reviewed in 2019 with the assistance of hkp Deutschland GmbH and revised, as the performance criteria did not sufficiently reflect the current phase of dynamic growth in which Zur Rose finds itself. In the revised performance-based share plan, the performance criteria were concentrated on the dedicated growth strategy, and entrepreneurial focus encouraged by greater attention to the share price and the competition. In addition to revenue growth, relative Total Shareholder Return (TRS), i.e. the share price performance allowing for reinvested dividends over the three-year performance period is therefore measured, linking internal financial growth metrics with external financial data oriented to the capital markets and the competitive position. No changes were made to the performance-based share plan during the year under review.

The performance-based share plan

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

At the request of the Compensation and Nomination Committee, the Board of Directors determines the amount of individual grants for the financial year in Swiss francs depending on the role and the influence on long-term success and taking into account individual performance and strategic considerations. The amounts allocated in 2020 amount to 40 per cent of basic salary for the CEO and 35 to 43 per cent for the other members of the Group Management. Under this plan, two-thirds of the shares to be transferred are allocated to participants in Performance Share Units (PSUs) and one-third in Restricted Stocks. The entitlements are blocked for three years. The total amount granted to members of the Group Management for the grant year is approved by the shareholders at the General Meeting of Shareholders held the following year retrospectively for the grant year in accordance with the Articles of Association. In principle, if a participant joins during the year no entitlements are granted. However, the Board of Directors reserves the ability to make a reduced grant of entitlements, provided this remains within the limits of what is permitted by law and under the Articles of Association.

At the end of a performance period of three years (starting on 1 January of the reporting year and ending on 31 December three years later), after the General Meeting of Shareholders at which the annual financial statements for the last year of the performance period are approved, the performance shares are converted into shares. At that point, the number of shares to be transferred is calculated by multiplying the number of performance share units granted by the target achievement factor. The target achievement factor for the PSUs is based half on achieving the relative TSR and half on achieving the revenue objective. The target achievement factor is restricted to a lower limit of 0 and an upper limit of 2. The number of Restricted Stocks is not subject to a target achievement factor.

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

Role	**CEO**	**Other members of Group Management**
Target	40% of basic annual salary	Between 35% and 45% of basic annual salary
Maximum opportunity	166% of target	166% of target

Instrument	Performance-based entitlements (PSUs) Two-third of allocation		Restricted Stocks One-third of allocation
Performance condition	Relative TSR	Group revenue target	None
Purpose	Measures the relative three-year share price performance against an individual peer group (50%) and the STOXX® Europe 600 Retail (50%)	Measures the increase in revenue over three years compared to budget	Not subject to any target and hence amount remains unchanged
Weighting	50% of 2 / 3 of the allocation	50% of 2 / 3 of the allocation	1 / 3 of the allocation
Manner of payout	Target achievement factor 0% to 25th percentile; Target achievement factor linear between 50% and 200% between the 25th and the 100th percentile; Target achievement factor 200% above the 100th percentile	Target achievement factor linear between 0% and 200%	100% of the Restricted Stocks

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

Pension benefits

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

Fringe benefits

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

Employment contracts

The members of the Group Management are employed under permanent employment contracts; they all have individual notice periods up to a maximum of 12 months. The members of the Group Management are not entitled to any contractual joining or severance payments or special change of control provisions, except for the early vesting of the long-term compensation plan as explained above. Under the Articles of Association of Zur Rose Group AG, employment contracts may contain competition and poaching bans up to a maximum of one year and specify compensation up to one year's salary.

4.2 Compensation paid to members of the Group Management in the 2020 financial year

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

In 2020, the members of the Group Management received total compensation of CHF 5,517,000 (2019: CHF 3,385,000. This amount includes fixed base salaries of CHF 2,435,000 (2019: CHF 1,799,000), short-term variable compensation of CHF 746,000 (2019: CHF 382,000), long-term compensation of CHF 1,386,000 (2019: CHF 620,000), fringe benefits of CHF 103,000 (2019: CHF 74,000) and pension benefits of CHF 847,000 (2019: CHF 510,000).

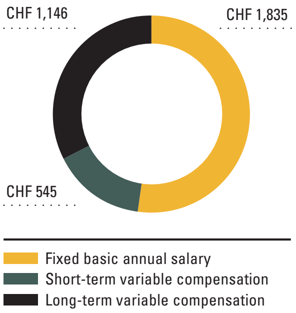
The table below shows the fixed and variable compensation and the total compensation allocated to the members of the Group Management for 2020 financial year and the previous year 2019.

			Variable compensation									
Group Management [1]	**Fixed compensation in cash**		**Short-term in cash**		**Long-term in shares** [2]		**Fringe benefits** [3]		**Pension benefits**		**Total** [4]	
In CHF 1,000 (gross)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Total compensation of the Group Management	**2,435**	1,799	**746**	382	**1,386**	620	**103**	74	**847**	510	**5,517**	3,385
Of which: Walter Oberhänsli, CEO (highest total compensation)	**600**	600	**201**	96	**240**	240	**35**	36	**261**	247	**1,337**	1,219

1) On 31 December 2020, seven members of the Group Management were in office. Three new members joined during the year. On 31 December 2019, four members of the Group Management were in office.
2) The nominal target value of the performance-based share plan allocated in 2020 for the 2020 to 2022 performance period and in 2019 for the 2019 to 2021 performance period. Including replacement payments in 2020 for a member of the Group Management in the form of blocked shares and additional blocked shares for a member of the Group Management depending on qualitative target achievement in 2021, due to expansion of the role within the Group Management.
3) Including all other compensation and benefits, such as company cars, expenses in connection with assignments, gifts and Board of Director's fees from subsidiaries.
4) For disclosure in the Compensation Report, the accrual principle was applied to all compensation elements.

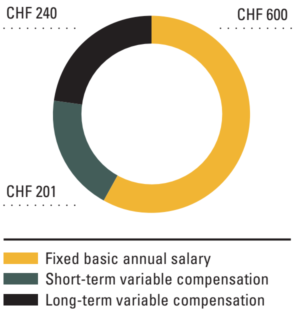
EFFECTIVE COMPENSATION OF THE GROUP MANAGEMENT (EXCLUDING THE CEO)

In CHF 1,000



EFFECTIVE COMPENSATION OF THE CEO

In CHF 1,000



Notes on the compensation table

The total compensation of the Group Management for 2020 was CHF 5,517,000. This is equivalent to a 63 per cent increase year-on-year, owing to the expansion of the Group Management from four to seven members. The fixed remuneration for members of the Group Management who had been members for the last two years was unchanged from the previous year.

At the operating level the Zur Rose Group has been extremely successful in a stressful pandemic situation. Action was taken early to protect employees' health and ensure customers were supplied with the medicines they needed at all times. Since the outbreak of the pandemic the company has seen consistently high acceptance of digital solutions and strong interest in e-commerce.

On the basis of the leading market position and offerings and digital services focused on customer needs, the Group increased revenue by 14.4 per cent in local currency terms to CHF 1,751.9 million including Medpex and Apotal (target achievement 146 per cent). This growth trend continued in all market segments: Switzerland, Germany and Europe. The operating result (EBITDA) was minus CHF 78.4 million. Non-recurring expenditure related to acquisitions and integrations, expenditure to combat the pandemic as well as the formation of a risk position in connection with an interim ruling in a VAT lawsuit reduced profit. Adjusted EBITDA came to minus CHF 31.2 million. EBIT was minus CHF 117.6 million (target achievement 0 per cent) and net income/(loss) minus CHF 135.6 million.

The measurement of short-term variable bonus payments is largely based on the development of revenue and EBIT at Group and regional level compared with the budget and on qualitative factors. Consequently, the percentage of target achievement of the bonus payment for 2020 ranges from 50 to 130 per cent (2019: 34 to 103 per cent for the Group Management and is 84 per cent (2019: 40 per cent) for the CEO.

The variable component of the fixed compensation for the reporting year corresponds to 62 to 154 per cent for the Group Management and 74 per cent for the CEO. The degree of target achievement of the short-term variable compensation for 2020 increased year-on-year and amounted to 85 per cent in the reporting year (previous year: 56 per cent). The effective short-term variable compensation for 2020 has been adjusted upwards accordingly.

STI variables	Minimum	Target (100%)	Maximum
Group financial targets			
Revenue			
EBIT			
Individual targets			
Net working capital, cash flow, strategic initiatives, etc.			
Total		**85%**	

In the allocation of the performance-based share plan in 2020 (performance period 2020 to 2022), the members of the Group Management received an allocation value of CHF 971,000 in total. This is equivalent to 5,609 PSUs and 2,805 Restricted Stocks. The performance period for the PSUs ends on 31 December 2022, based on the trend in relative TSR and revenue between 2020 and 2022. The number of Restricted Stocks remains unchanged. Entitlements are only allocated if notice of termination of employment with Zur Rose has not been given on that date.

In 2020, one member of the Group Management was promoted to a larger role and received additional PSUs. Meeting set qualitative targets for 2021 is a condition subsequent for granting these PSUs. If these targets are only achieved in part, the allocation will be adjusted downwards by the extent of target achievement. In the event of a change of control these allocations will be converted and transferred in full. The entitlements will only expire in full if the employee has given good cause by their performance or conduct to terminate employment or has given notice of termination of employment without good cause; otherwise they will be converted and transferred in full.

In 2020, one member of the Group Management was granted a replacement payment in the form of blocked shares in compensation for allocations that expired due to the change of control to the Zur Rose Group.

For the payment of the performance-based share plan in 2020 (performance period 2017–2019), a revenue target achievement factor of 2.0 was achieved. The EBIT target achievement factor was zero. A total of 4,953 shares were paid out to members of the Group Management (including the CEO), worth CHF 784,555 at the time of transfer. This value was well above the allocation value as the share price had performed positively during the 2017–2019 performance period.

At the Annual General Meeting held on 23 April 2020, the shareholders approved a maximum total amount of the fixed compensation for the Group Management for the 2020 financial year worth CHF 3,400,000. This amount consists of the fixed basic salary, the fringe benefits and the pension benefits. The fixed compensation for the 2020 financial year granted to the Group Management and disclosed in the table above is within the maximum authorised total amount.

The variable compensation disclosed in the table above for the financial year 2020 communicated to the Group Management will be submitted to the 2021 Annual General Meeting of Shareholders for approval.

No compensation was paid to former members of the Group Management in the reporting year. No compensation was paid to parties closely associated with the members of the Group Management. A loan was granted to one member of the Group Management during the financial year. The total amount of loans outstanding on market terms to the members of the Group Management, Betül Susamis Unaran and Olaf Heinrich is CHF 541,725 as at 31 December 2020. There were no loans to related parties to members of the Group Management or former members of the Group Management that were not on market terms.

Information on the shares held by members of the Board of Directors and the Group Management can be found in the Financial Report on page 135.

Building a better working world

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To the General Meeting of
Zur Rose Group AG, Steckborn

Zurich, 17 March 2021

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of Zur Rose Group AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on page 61 and page 66 of the remuneration report.

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

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

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

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2020 of Zur Rose Group AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Martin Gröli
Licensed audit expert
(Auditor in charge)

Michael Britt
Licensed audit expert

Financial Statements

Consolidated Income Statement

		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

	Notes	2020 CHF 1,000	2019 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		31.12.2020		31.12.2019	
	Notes	CHF 1,000	%	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	2019
		CHF 1,000	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 Dienstleistungsgesellschaft 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	Lease-hold and equipment	Office furnishings and IT systems	Vehicles	Total
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Cost					
1 January 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

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**	Balance sheet **31.12.2019**	Income statement **2020**	Income statement **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.

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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.

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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.

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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

	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 Dienstleistungs-gesellschaft 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

Building a better working world

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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

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.

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Texts: Zur Rose Group AG, Frauenfeld
Sustainability concept: Sustainserv GmbH, Zurich
Design: schneiterpartner AG, Zurich
Photos: Christian Grund, Zurich
Publishing system: ns.publish by Multimedia Solutions AG, Zurich