Zur Rose Group

Half-Year Report 2021

Contents

Dear Shareholders

In a challenging market environment, the Zur Rose Group continued to rigorously implement its growth strategy in the first half of 2021. Although the OTC drug market stagnated as a result of a considerable decline in demand for cold and flu medications due to the pandemic, external revenue[1] rose by 20.8 per cent in local currency terms or 23.2 per cent in Group currency terms to CHF 998.0 million, in line with the targets announced. Growth accelerated substantially in the second quarter, rising 26.2 per cent, after 16.0 per cent in the first quarter. The general move towards more online purchases and steady growth in new customers contributed to the dynamic performance. The number of active customers rose by more than 600,000 to 11.7 million[2] in the second quarter.

Sustained pleasing performance in the segments — The Zur Rose Group saw strong gains in Germany, with growth in external revenue accelerating in the second quarter to 35.6 per cent in local currency terms (after 25.2 per cent in the first quarter). In the first half it grew by 30.0 per cent in local currency terms or 33.7 per cent in Group currency terms to CHF 656.0 million. This positive performance was driven by the online business in non-prescription medications and health products, despite the stagnation in the OTC market. The prescription drugs business based on paper prescriptions almost reached the same level as the period last year and is testament to the high degree of customer loyalty. The Switzerland segment also put in a stable performance, thanks to successful initiatives. Revenue in the home market increased by 5.6 per cent to CHF 305.1 million. In the Europe segment, which currently consists of Spain and France, revenue rose by 22.9 per cent in local currency terms or 26.4 per cent in Group currency terms, to CHF 40.5 million in the first half.

Investments stepped up to support the growth strategy — To support the growth strategy, in the first half the Zur Rose Group stepped up investments in electronic prescriptions and high-margin areas for the future: the healthcare ecosystem, telemedicine and PaaS (platform as a service). As the European umbrella brand for the ecosystem and with a view to the launch of e-prescriptions, in February 2021 DocMorris launched a major marketing campaign in Germany ("Das neue Gesund"). In total, expenditure for these activities increased in the first half by around CHF 20 million. Because the OTC market stagnated due to the pandemic, the costs of growth were higher, which had an impact on the margin and the marketing ratio. The results were also burdened by non-recurring expenditure, chiefly in connection with acquisitions and restructuring. EBITDA adjusted for non-recurring effects was minus CHF 42.9 million. The operating result (EBITDA) was minus CHF 49.7 million.

1 This consists of the consolidated revenue of the Zur Rose Group plus the mail-order revenue of pharmacies supplied by the Zur Rose Group, less the consolidated revenue for their supply.

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

Technical components for e-prescriptions ready: test phase for e-prescriptions starts — The introduction of electronic prescriptions in Germany is proceeding as planned. As at 30 June 2021, all technical components – the gematik app for forwarding e-prescriptions, the identity provider as the central access system and the specialist e-prescription service on which all e-prescriptions are stored in encrypted format, the implementation of which Zur Rose subsidiary eHealth-Tec was also involved as a partner of IBM – had been provided on schedule.

On 1 July 2021 a three-month test phase, in which DocMorris is also participating, started in Berlin-Brandenburg as a focus region. This sees selected doctors in their practices or by telemedicine, local and online pharmacies and patients trying out the new prescribing and dispensing process with e-prescriptions. A national test phase across Germany will start on 1 October 2021, before e-prescriptions become mandatory on 1 January 2022. From then on, patients will no longer have to follow the previous cumbersome procedure of sending paper prescriptions in by post to e-commerce pharmacies. By that date at the latest, providers of practice and pharmacy management systems and hospital information systems must have connected their software to the gematik e-prescription specialist service. eHealth-Tec has come up with a compatible software development kit (SDK) for this, which is already being used by various pharmacies and telemedecine providers. This tool meets the highest security standards and all gematik requirements and combines a host of individual steps into one stringent process.

New DocMorris app for the start of the test phase — The new DocMorris app also started punctually for the launch of the gematik test phase for e-prescriptions. This provides users with a convenient scan function for the field codes on the print-out when having e-prescriptions filled, allowing the prescription information to be sent to DocMorris quickly and digitally. The Zur Rose Group currently anticipates that more than 90 per cent of patients will initially receive their e-prescriptions as a print-out, and that owing to the high technical requirements and the complex identification process, fewer than 10 per cent of prescriptions will be submitted using the official gematik e-prescription app.

For patients, the new DocMorris app also now gives them the option to order their OTC medications and healthcare products directly or arrange a video consultation with a qualified doctor from Germany. The launch of the app is being supported by a major marketing campaign focusing on e-prescriptions and how to have them filled.

By the end of the year, all services and functions like e-commerce, healthcare services and marketplace will be combined in a digital DocMorris healthcare platform with just one app and one front-end application, to ensure the most convenient customer experience. As an intermediate stage, the DocMorris+ marketplace has been renamed DocMorris Express for same-day deliveries by partner pharmacies.

Start for ecosystem healthcare journeys — The first healthcare journey was successfully launched in collaboration with global healthcare company Novo Nordisk for people living with obesity (www.docmorriscare.com/adipositas) at the end of March 2021. The ecosystem healthcare journey allows people with obesity to seek information and professional help, get advice from specialist doctors and discover solutions to improve their health and quality of life. Doctors can be consulted both online, using TeleClinic, and physically with the help of a health care provider locator. The marketing campaign for the obesity care journey has already achieved a broad and substantial impact after just four months. The ads have been viewed more than 55 million times (number of impressions). Google Trends has also seen a sharp rise in interest in searching for the term "obesity" since the campaign and care journey started.

Awards for the ecosystem umbrella brand DocMorris — The multimedia campaign "Das neue Gesund" launched in Germany in February in 2021 conveys the new brand values of DocMorris after the substantial rebranding at the end of 2020. In 2021, DocMorris has won eight prestigious international awards for the new branding and the #TakeCare Christmas campaign so far, including the Red Dot for brand design and four New York Festival awards. These prizes are a recognition of the new brand appearance, which reflects the values and positioning of DocMorris. Unaided brand awareness rose by eight percentage points.

Another healthcare digitalisation law approved — On 6 May 2021 the German Bundestag passed the Digital Provision and Care Modernisation Act (Digitale-Versorgung-und-Pflege-Modernisierungs-Gesetz, DVPMG), with the support of the governing parties. Amongst other things, Doctors are now allowed to conduct and charge up to 30 per cent of their consultations as video consultations. Healthcare providers are also obliged to set a digital authentication procedure for video consultations. This will remove barriers to using remote treatment such as having to show an electronic healthcare card by video or afterwards in the practice. The new Act is likely to further accelerate demand for online consultations. An increasing number of doctors are opting for telemedicine offerings alongside their normal consultations. Zur Rose subsidiary TeleClinic has also witnessed a strong increase in treatments over the platform since the start of the pandemic.

Merger of apo-rot brand with DocMorris successfully concluded — apo-rot B.V. merged with DocMorris N.V. on 30 June 2021. All employees were taken on and integrated into the existing structures at the Heerlen site. This means the Zur Rose Group has now completed the next stage of integration to increase efficiency.

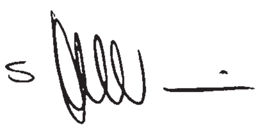
Well healthcare platform to go live shortly — In recent months the joint venture set up by insurers CSS and Visana, Medi24 and the Zur Rose Group has laid the technological groundwork for running a comprehensive digital healthcare platform where Zur Rose provides part of the technology. The next step will be the market entry of the Well healthcare app. The platform will simplify access to personal healthcare services for users in Switzerland, creating a basis for digitally supported, integrated care.

Zur Rose Switzerland contributes to combating the pandemic — As a systemically important provider of medicines, Zur Rose Switzerland has come up with innovative offerings in the struggle against the coronavirus. Jointly with Zur Rose subsidiary BlueCare, partner mediX and technical support from healthinal, it developed and financed a technological solution to simplify the processing of COVID-19 tests and vaccinations for doctors. The service is provided free of charge to all testing and vaccination facilities and is used by over 700 practices; more than 100,000 vaccinations and PCR tests have been administered.

Outlook — In the second half of 2021 the main focus will be on the launch of e-prescriptions in Germany. The Zur Rose Group is keen to convince with its service and e-commerce offering and boost revenue in this area considerably in the future. With 10.3 million customers in the German market and DocMorris as Germany's best-known pharmacy brand, the Group is excellently placed to seize this opportunity. It is now laying the groundwork with a clear focus on winning new customers, raising brand awareness and brand positioning.

In a changing market environment where the trend towards digitalisation has accelerated sharply as a result of the pandemic, the Zur Rose Group is step-by-step changing from being a pure e-commerce pharmacy to a comprehensive healthcare service and health-tech provider. The focus is on creating and expanding the European healthcare ecosystem, where all the activities surrounding digital healthcare are brought together. This will make it possible for people to manage their health in one click. Zur Rose will drive ahead the European expansion. An accelerated trend towards digitalising the healthcare system is apparent in several countries. Zur Rose will seize the market opportunities that arise and roll out further growth initiatives.

The Zur Rose Group confirms the short and medium-term growth and earnings targets announced on 18 March 2021.



Prof. Stefan Feuerstein
Chairman of the Board

Walter Oberhänsli
Executive Director and CEO

Consolidated Income Statement

		1.1. – 30.6.2021		1.1. – 30.6.2020	
	Notes	CHF 1,000	%	CHF 1,000	%
Net revenue	3	**839,788**	**100.0**	697,997	100.0
Other operating income		**4,462**		6,426	
Cost of goods		**–704,516**		–576,604	
Personnel expenses		**–76,944**		–70,749	
Other operating expenses		**–112,502**		–81,524	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**–49,712**	**–5.9**	–24,454	–3.5
Depreciation, amortisation and impairment		**–23,397**		–17,515	
Earnings before interest and taxes (EBIT)		**–73,109**	**–8.7**	–41,969	–6.0
Share of results of joint ventures		**–1,299**		–1,628	
Finance income		**5,972**		1,148	
Finance expenses		**–9,362**		–10,903	
Earnings before taxes (EBT)		**–77,798**	**–9.3**	–53,352	–7.6
Income tax income / (expense)		**764**		1,015	
Net income / (loss)		**–77,034**	**–9.2**	–52,337	–7.5
Attributable to Zur Rose Group AG shareholders		**–77,034**		–52,388	
Attributable to non-controlling interests		**0**		51	

	CHF 1		CHF 1	
Net income / (loss) per share	**–8.03**		–6.03	
Diluted net income / (loss) per share	**–8.03**		–6.03	

Consolidated Statement of Comprehensive Income

	1.1. – 30.6.2021	1.1. – 30.6.2020
	CHF 1,000	CHF 1,000
Net income / (loss)	**–77,034**	–52,337
Exchange differences on translation of foreign operations	**3,548**	–4,661
Other comprehensive income to be reclassified in subsequent periods to the income statement	**3,548**	–4,661
Remeasurement pensions	**2,508**	455
Income tax	**–373**	–253
Other comprehensive income not to be reclassified in subsequent periods to the income statement	**2,135**	202
Other comprehensive income / (loss)	**5,683**	–4,459
Total comprehensive income / (loss)	**–71,351**	–56,796
Attributable to Zur Rose Group AG shareholders	**–71,351**	–56,839
Attributable to non-controlling interests	**0**	43

Consolidated Balance Sheet

ASSETS	Notes	30.06.2021 CHF 1,000	%	31.12.2020 CHF 1,000	%
Cash and cash equivalents		**251,672**		300,614	
Current financial assets		**330**		358	
Trade receivables		**124,887**		114,948	
Prepaid expenses		**20,992**		13,040	
Other receivables		**15,173**		17,372	
Inventories		**83,931**		92,941	
Current assets		**496,985**	**39.7**	539,273	42.2
Investments in joint ventures		**2,522**		3,785	
Property, plant and equipment		**56,291**		53,792	
Right-of-use assets		**42,807**		42,787	
Intangible assets		**616,962**		604,537	
Non-current financial assets		**29,098**		27,877	
Deferred tax assets		**6,773**		6,431	
Non-current assets		**754,453**	**60.3**	739,209	57.8
Total assets		**1,251,438**	**100.0**	1,278,482	100.0

Consolidated Balance Sheet

LIABILITIES AND EQUITY		30.06.2021		31.12.2020	
	Notes	CHF 1,000	%	CHF 1,000	%
Current financial liabilities		**300**		441	
Current lease liabilities		**5,945**		6,360	
Trade payables		**117,687**		93,319	
Other payables		**18,082**		13,916	
Tax liabilities		**1,729**		1,273	
Accrued expenses		**46,426**		34,528	
Short-term provisions		**575**		6,821	
Short-term liabilities		**190,744**	**15.2**	156,658	12.3
Non-current financial liabilities		**44,908**		43,741	
Non-current lease liabilities		**36,584**		36,156	
Bonds	5	**484,660**		483,917	
Pension obligations		**16,384**		17,961	
Long-term provisions		**4,122**		31	
Deferred tax liabilities		**7,896**		8,277	
Long-term liabilities		**594,554**	**47.5**	590,083	46.2
Total liabilities		**785,298**	**62.8**	746,741	58.4
Share capital		**316,149**		315,791	
Capital reserves		**487,484**		486,807	
Treasury shares		**–31,607**		–31,927	
Retained earnings		**–272,829**		–202,325	
Exchange differences		**–33,057**		–36,605	
Equity attributable to Zur Rose Group AG shareholders		**466,140**	**37.2**	531,741	41.6
Total equity		**466,140**	**37.2**	531,741	41.6
Total liabilities and equity		**1,251,438**	**100.0**	1,278,482	100.0

Consolidated Cash Flow Statement

	1.1. – 30.6.2021	1.1. – 30.6.2020
	CHF 1,000	CHF 1,000
Net income / (loss)	**–77,034**	–52,337
Depreciation, amortisation and impairment	**23,397**	17,515
Finance expenses (net)	**2,787**	9,324
Share of results of joint ventures	**1,299**	1,628
Income tax	**–764**	–1,015
Non-cash income and expenses	**6,847**	11,393
Income taxes paid	**40**	0
Interest paid	**–3,154**	–1,042
Interest received	**265**	216
Change in trade receivables, other receivables and prepaid expenses	**–14,448**	–8,340
Change in inventories	**9,036**	–35,836
Change in trade payables, other liabilities and accrued expenses	**37,532**	17,694
Change in provisions	**–2,155**	–322
Cash flow from operating activities	**–16,351**	–41,122
Acquisition of subsidiaries, net of cash acquired	**0**	–42,276
Purchase of property, plant and equipment	**–6,906**	–4,286
Acquisition of intangible assets	**–23,109**	–12,463
Investment in non-current financial assets	**–1,527**	–5,477
Repayment of current financial assets	**230**	25
Cash flow from investing activities	**–31,311**	–64,477
Acquisition of non-controlling interests Bluecare	**0**	–743
Proceeds from capital increases	**808**	279
Issue of a convertible bond (net after transaction costs)	**0**	171,963
Repayment of financial liabilities	**–3,334**	–10,303
Purchase of treasury shares	**–2**	–1
Cash flow from financing activities	**–2,527**	161,195
Increase / (decrease) in cash and cash equivalents	**–50,189**	55,596
Cash and cash equivalents at the beginning of the year	**300,614**	204,681
Foreign currency differences	**1,247**	–2,257
Cash and cash equivalents at the end of the period	**251,672**	258,020

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 2020	**262,199**	**269,694**	**−5,219**	**−86,369**	**−34,653**	**405,652**	**−110**	**405,542**
Net income / (loss)				−52,388		−52,388	51	−52,337
Other comprehensive income				210	−4,661	−4,451	−8	−4,459
Total comprehensive income				−52,178	−4,661	−56,839	43	−56,796
Share-based payments				10,360		10,360		10,360
Issue of new shares for contingent capital increase	27,000		−27,000			0		0
Equity component for issued convertible bond				765		765		765
Acquisition of non-controlling interests Bluecare			94	−904		−810	67	−743
Purchase of treasury shares			−1			−1		−1
Issue of new shares for employees	68	211				279		279
30 June 2020	**289,267**	**269,905**	**−32,126**	**−128,326**	**−39,314**	**359,406**	**0**	**359,406**
1 January 2021	**315,791**	**486,807**	**−31,927**	**−202,325**	**−36,605**	**531,741**	**0**	**531,741**
Net income / (loss)				−77,034		−77,034		−77,034
Other comprehensive income				2,135	3,548	5,683		5,683
Total comprehensive income				−74,899	3,548	−71,351	0	−71,351
Share-based payments				5,399		5,399		5,399
Transaction costs of capital increase		−37				−37		−37
Purchase of treasury shares			−2			−2		−2
Allocation of treasury shares			322	−322		0		0
Issue of new shares for employees	358	714		−682		390		390
30 June 2021	**316,149**	**487,484**	**−31,607**	**−272,829**	**−33,057**	**466,140**	**0**	**466,140**

Notes to the Interim Consolidated Financial Statements

1 Operating activities

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 Zur Rose Group (the “Group”). The registered office of Group Management and the headquarters of business activities are based at Walzmühlestrasse 60, 8500 Frauenfeld (Switzerland).

The interim consolidated financial statements cover the period from 1 January to 30 June 2021 (hereinafter the “reporting period”) and were approved by the Board of Directors on 17 August 2021.

Zur Rose Group AG is listed on the stock exchange. The shares are traded on SIX Swiss Exchange under the International Reporting Standard (ISIN: CH0042615283).

The amounts listed in the interim financial statements are rounded. If the calculations are performed with a higher numerical accuracy, small rounding differences can occur.

2 Accounting policies

2.1 Basis of preparation

The unaudited interim consolidated financial statements of the Zur Rose Group for the first half year 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting.

Since the interim consolidated financial statements do not include all disclosures as contained in the consolidated financial statements, they should be read in conjunction with the consolidated financial statements as at 31 December 2020. Changes in or new accounting policies from those for the consolidated financial statements for 2020 are shown in Note 2.2.

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

The accounting policies for the interim financial statements are consistent with those applied in the preparation of the consolidated financial statements for the financial year ending on 31 December 2020. The changes to existing standards and interpretations to be applied for the first time from 1 January 2021 have no material impact on the net assets, financial position or results of operations of the Group.

The Group has not early adopted any other published standards, interpretations or changes that have yet to come into force.

2.3 Estimates and assumptions

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

Influences on operations

The operating business of the Zur Rose Group is subject to only marginal seasonal variation.

Income tax

Current income tax is based on an estimate of the expected income tax rate for the full year 2021.

2.4 Principal exchange rates

The following exchange rates were used for currencies:

	1.1. – 30.6.2021		**1.1. – 30.6.2020**		**31.12.2020**
Currency	End of period	Average rate of period	End of period	Average rate of period	End of period
EUR 1	**1.0968**	**1.0942**	1.0663	1.0639	1.0822

3 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, right-of-use assets and 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 for the first six months as at 30 June 2021 and the previous year as at 30 June 2020.

1.1. – 30.6.2021	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	301,435	497,848	40,505	0	839,788
Revenue with other segments	3,636	0	0	–3,636	0
Total net revenue	**305,071**	**497,848**	**40,505**	**–3,636**	**839,788**
Operating profit contribution	**22,819**	**5,941**	**–1,285**	**–3,636**	**23,839**
Unallocated operating costs					–73,927
Unallocated operating income					376
Earnings before interest, taxes, depreciation and amortisation (EBITDA)					**–49,712**
Depreciation and amortisation					–23,397
Earnings before interest and taxes (EBIT)					**–73,109**
Finance result, net [1]					–4,689
Earnings before taxes (EBT)					**–77,798**

1) of which associated companies and joint ventures CHF –1.3 million

1.1. – 30.6.2020	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	287,164	378,779	32,054	0	697,997
Revenue with other segments	1,593	0	0	–1,593	0
Total net revenue	**288,757**	**378,779**	**32,054**	**–1,593**	**697,997**
Operating profit contribution	**19,921**	[2] **19,509**	**–1,800**	**–1,593**	[2] **36,037**
Unallocated operating costs					–61,260
Unallocated operating income					[2] 769
Earnings before interest, taxes, depreciation and amortisation (EBITDA)					**–24,454**
Depreciation and amortisation					–17,515
Earnings before interest and taxes (EBIT)					**–41,969**
Finance result, net [1]					–11,383
Earnings before taxes (EBT)					**–53,352**

1) of which associated companies and joint ventures CHF –1.6 million
2) CHF 5.7 million were reclassified from the unallocated operating income to the operating profit contribution Germany

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	**1.1. – 30.6.2021**	**1.1. – 30.6.2020**
Type of goods or service	CHF 1,000	CHF 1,000
Professional services	**227,408**	220,272
Retail Business (B2C)	**74,027**	66,892
Total revenue from contracts with customers	**301,435**	287,164

Segment Germany	**1.1. – 30.6.2021**	**1.1. – 30.6.2020**
Type of goods or service	CHF 1,000	CHF 1,000
Retail Business (B2C)	**497,848**	378,779
Total revenue from contracts with customers	**497,848**	378,779

Segment Europe	**1.1. – 30.6.2021**	**1.1. – 30.6.2020**
Type of goods or service	CHF 1,000	CHF 1,000
Marketplace	**40,505**	32,054
Total revenue from contracts with customers	**40,505**	32,054

4 Business combinations

There were no business combinations in the reporting period.

The purchase price allocations for the following companies were final as at 30 June 2021.

TeleClinic
On 31 July 2021 Zur Rose Group AG acquired 100% of TeleClinic GmbH, based in Munich.

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 (Germany), Ultra-Pharm Medicalprodukte GmbH of Bad Rothenfelde (Germany) and Dia Plus Minus Handelsgesellschaft mbH of Hilter (Germany).

5 Financial instruments

The consolidated balance sheet as at 30 June 2021 shows liabilities from contingent consideration arrangements of CHF 33.3 million arising from the acquisitions of Apotal, Eurapon and Clustertec.

Details on the measurement of the fair values at levels 2 and 3 are presented below:

Contingent consideration liabilities	**30.06.2021**	**31.12.2020**
	CHF 1,000	CHF 1,000
As at 1 January	**32,472**	62,254
Investment cash flow	**0**	–50,270
Through business combinations [1)]	**0**	20,737
Change in fair value (through profit or loss)	**444**	–206
Exchange differences	**425**	–43
Total contingent consideration liabilities	**33,341**	32,472

1) Acquisition of Apotal as at 17 August 2020

The contingent consideration liabilities as at 30 June 2021 include CHF 21.6 million for Apotal, CHF 11.0 million for Eurapon and CHF 0.7 million for Clustertec. The assessment of the fair value of the contingent consideration liabilities as at 30 June 2021 is unchanged since 31 December 2020.

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 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 performance of the Apotal Group and thus on the expected degree of target achievement for revenue and EBITDA margin. Changing this input factor may lead to material adjustments to the liability recognised 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 30 June 2021 of –10 per cent towards or +5 per cent away from the "worst case scenario" results, ceteris paribus, in a reduction of CHF –2.0 million or an increase of CHF 1.0 million in the liability respectively, which would change net income 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 revenue targets will be achieved.

Eurapon

Payment of the remaining obligation of CHF 11.0 million (EUR 10.1 million) is due at the end of 2023 and is only subject to fair value adjustments due to exchange rate and interest rate fluctuations (Level 2).

Bonds

The fair value (Level 1) of the listed bonds was CHF 324.5 million as at 30 June 2021 (31 December 2020: CHF 321.2 million) and the carrying amount was CHF 313.0 million as at 30 June 2021 (31 December 2020: CHF 312.7 million). The fair value (Level 1) of the listed convertible bond amounted to CHF 455.4 million as at 30 June 2021 (31 December 2020: CHF 365.6 million) and the carrying amount as at 30 June 2021 was CHF 171.6 million (31 December 2020: CHF 171.2 million).

6 Events after the end of the reporting period

No unrecognised events occurred after the balance sheet date.

Alternative Performance Measures

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:

- External revenue [1)]
- Growth in local currency [1)]
- Gross margin in percent of revenue
- EBIT
- EBITDA
- EBITDA adjusted
- EBITDA adjusted before expenditures on additional growth initiatives
- EBITDA margin
- Net financial debt

External revenue is defined as the consolidated revenue of the Zur Rose Group plus the mail order revenue of pharmacies supplied by the Zur Rose Group less the consolidated revenue for their supply.

Growth in local currency shows the percentage change of a performance measure compared with the previous year without the impact of exchange rate effects (conversion is 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 [2)]
= **Net financial debt**

1) The definition has been slightly adjusted. However, this has no quantitative impact on the alternative performance measures.

2) 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)

June 2021	IFRS	Acquisition	Restructuring, Integration	Other 1)	adjusted
Net revenue	**839,788**	–	–	–	**839,788**
Operating income	4,462	–	–	−969	3,493
Operating expense	−893,962	4,992	1,187	1,641	−886,142
EBITDA	**−49,712**	–	–	–	**−42,861**

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.

June 2020	IFRS	Acquisition	Restructuring, Integration	Other 1)	adjusted	Growth initiatives	before expenditures on additional growth initiatives
Net revenue	**697,997**	–	–	–	**697,997**	–	**697,997**
Operating income	6,426	–	–	–	6,426	–	6,426
Operating expense	−728,877	10,872	2,118	–	−715,887	8,848	−707,039
EBITDA	**−24,454**	–	–	–	**−11,464**	–	**−2,616**

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.

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All statements in this report relating to matters that are not historical facts are forward-looking statements that are not guarantees of future performance and involve risks and uncertainties, including but not limited to: future global economic conditions, foreign exchange rates, statutory rulings, market conditions, the actions of competitors, and other factors beyond the control of the Company. This half-year report is published online in German and English. The German half-year report is the authoritative version.

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