

Annual Report

20
22

ZurRose
Group

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At a glance

The Zur Rose Group in 2022 in facts and figures.

01/09/22



E-script

National roll-out of e-prescriptions started in Germany

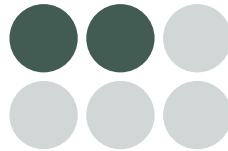
59 million

EBITDA improvement (adjusted) in CHF



139 million

Funds raised for refinancing and general corporate purposes in CHF



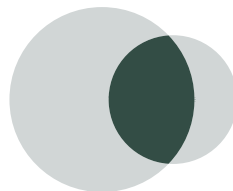
1/3

Percentage of women on the Board of Directors – target reached a year ahead of schedule



New logistics

Automation level increased in Heerlen to 70 per cent and capacity more than doubled to 27 million packages per year



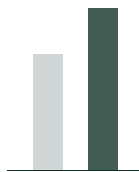
Structure

medpex brand successfully integrated at the Heerlen location and the Eurapon brand discontinued



Sustainability

Second year of reporting focused on setting targets, optimised governance structure, carbon footprint, diversity and inclusion



+9.5%

Significant growth in Switzerland

Profile

The Swiss-based Zur Rose Group is Europe's largest online pharmacy and one of the leading wholesale suppliers to medical doctors in Switzerland. It also operates the leading marketplace for health and personal care products in southern Europe. The company is internationally present with strong brands – including DocMorris, Germany's best-known health platform. With its business model, the Zur Rose Group offers patients, customers and partners a broad range of products and services in the fields of e-commerce pharmacy, marketplace and professional health. In doing so, Zur Rose is pursuing its vision of creating a world for everyone to manage their health in one click. In 2022, about 2,700 employees in Switzerland, Germany, the Netherlands, Spain and France generated an external revenue of CHF 1,837 million serving more than ten million active customers. The shares of Zur Rose Group AG are listed on the SIX Swiss Exchange (securities number 4261528, ISIN CH0042615283, ticker ROSE). For further information, please visit zurrosegroup.com.

Key Financials

	31.12.2022	31.12.2021	31.12.2020
	in CHF million	in CHF million	in CHF million
Key financials, in CHF million			
External revenue	1,836.7	2,034.0	1,761.7
Year-on-year-change of external revenue in % in local currency	-5.4	14.8	15.1
Year-on-year-change of external revenue in %	-9.7	15.5	12.3
Net revenue	1,608.2	1,726.5	1,476.9
Year-on-year change of net revenue in %	-6.9	16.9	9.0
Gross margin in % of net revenue	15.3	15.1	16.3
EBITDA adjusted	-69.7	-128.9	-31.2
in % of net revenue	-4.3	-7.5	-2.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-77.7	-142.6	-78.4
in % of net revenue	-4.8	-8.3	-5.3
Earnings before interest and taxes (EBIT)	-140.3	-193.8	-117.6
in % of net revenue	-8.7	-11.2	-8.0
Net operating income	-171.1	-225.7	-135.6
in % of net revenue	-10.6	-13.1	-9.2
Equity	350.8	484.9	531.7
in % of total assets	31.9	38.2	41.6
Investments	59.3	63.5	59.8
Number of employees in full-time equivalents	2,283	2,131	1,960

1) External revenue consists of the consolidated revenue of the Zur Rose Group plus online revenues of pharmacies supplied by the Zur Rose Group, less the consolidated revenue from supplying them. The definition was slightly revised in 2021 and the figures for the previous year restated accordingly.

Letter to Shareholders

Dear Shareholders

In the second quarter of 2022 the Zur Rose Group launched a broad-based break-even programme. This is aimed at significantly improving adjusted EBITDA by increasing gross margin, structural cost savings, productivity gains and higher marketing efficiency. The programme progressed faster than planned throughout the year 2022.

Significant improvements thanks to rigorous implementation of the action plan — In June 2022 the Group successfully opened its second distribution centre in Heerlen, the Netherlands. This increased the level of automation of logistics from 50 per cent to 70 per cent and capacity was more than doubled, from 12 million to 27 million parcels per year. Thanks to productivity improvements from state-of-the-art logistics, the Zur Rose Group is achieving savings of CHF 10 million per year. The integration of the medpex brand at the Heerlen site was completed as planned at the end of October 2022. In addition, Eurapon's online customers have been able to purchase their products from the DocMorris pharmacy in Heerlen since December 2022. The logistics site in Bremen was closed at the end of December 2022 and the Eurapon brand was discontinued. In addition to these measures to reduce complexity, significant improvements were made in terms of gross margin as well as logistics and marketing costs.

CHF 59.2 million improvement in earnings compared to previous year — With external revenue of CHF 1,836.7 million, the Zur Rose Group achieved its revenue target for 2022. In Switzerland, Zur Rose continued its growth trend and grew well above the market. Due to the rigorous focus on profitability, revenue in Germany and the southern European marketplace business fell as expected. The measures taken led to a significant improvement at all earnings levels in all segments. Adjusted EBITDA rose 1.8 per cent to CHF 22.1 million in Switzerland, 50.0 per cent to minus CHF 48.0 million in Germany and 58.0 per cent to minus CHF 9.7 million in Europe. Overall, adjusted EBITDA improved CHF 59.2 million to minus CHF 69.7 million, exceeding the target announced for 2022. The operating result (EBITDA) amounted to minus CHF 77.7 million (previous year: minus CHF 142.6 million).

Sale of Swiss business to Migros significantly improves capital structure — As announced on 3 February 2023, Migros subsidiary Medbase, as the future owner of Zur Rose's Swiss business, is taking over all Swiss operating units (excluding real estate) and all employees. The transaction is expected to close in the second quarter of 2023, subject to approval by the competition authority. The Zur Rose Group will receive proceeds of around CHF 360 million from the transaction. By doing so, the Group is ensuring its strategy will be implemented and significantly strengthening its capital structure. The proceeds will leave the company largely net debt-free.

¹ External revenue consists of the consolidated revenue of the Zur Rose Group plus mail-order revenues of pharmacies supplied by the Zur Rose Group, less the consolidated revenue from supplying them.

Focus on core B2C business strengthens position in Germany — With the sale of the Swiss business, the Zur Rose Group will in future concentrate on its core B2C business centred on Germany – with the focus on patients and customers. By concentrating its activities, the Group will strengthen its position in the EUR 50 billion pharmacy market in Germany and other European countries. This applies in particular to the prescription business, which is unlocking enormous potential with the rollout of electronic prescriptions in Germany. The Group will further expand the digital healthcare ecosystem through services for chronically ill patients and customers as well as strategic partnerships with healthcare partners.

Accelerated roll-out of e-prescriptions in Germany from 2024 — Since the introduction of electronic prescriptions in Germany, more than 1.4 million have already been transmitted and processed. According to the Federal Ministry of Health, e-prescriptions are to be introduced as the mandatory standard by 1 January 2024 and their usage will be simplified considerably. Electronic patient records (ePA) will be set up for all members of statutory health insurance schemes by the end of 2024, and e-prescriptions can also be dispensed via the ePA app. By January 2024 health insurers must enable their members to identify themselves via the eID function on their identity card and electronic health insurance card (eGK) completely digitally and seamlessly for the telematics infrastructure to send e-prescriptions. In addition to the e-prescription app and print outs of the QR code, e-prescriptions will also be able to be redeemed in brick-and-mortar pharmacies from August 2023, using the eGK. Furthermore, the Ministry of Health (BMG) is currently considering to allow patients to scan the e-prescription QR code (token) from a card reader in a doctor's practice using a smartphone to redeem it at a pharmacy of their choice using an app. According to the BMG, this paperless method could in future be used as an additional option for redeeming e-prescriptions at online pharmacies.

Significant progress in sustainability and clear targets for the future — The Zur Rose Group can report significant progress in its second sustainability report. In addition to an improved governance structure, the measurement of the carbon footprint and the focus on diversity and inclusion, the Group has for the first time set clear and ambitious sustainability targets, the achievement of which is linked to the compensation of the Executive Board. Among other things, the aim is to reduce CO₂ emissions by 4.2 per cent annually and work towards the long-term goal of climate neutrality. Over the coming years, the aim is to reach even more chronically ill patients with chronic care services and to further develop the digital healthcare ecosystem.

Zur Rose Group AG changes name to DocMorris AG — With the sale of the Swiss business to Medbase, the Zur Rose brand will also be transferred to Medbase. Zur Rose Group has the right to continue to use the brand during a transitional period. The Board of Directors will propose to the Annual General Meeting of Shareholders on 4 May 2023 for Zur Rose Group AG to change its name to DocMorris AG. The name refers to the DocMorris brand, which will in future be used both for the core B2C business and for the Group. The registered office of the company and the stock exchange listing will remain in Switzerland.

Outlook — In 2023 the Zur Rose Group will continue to focus in particular on its plan to create a sustainable basis for profitability and future revenue growth. Including the full-year earnings contribution from the Swiss business, the Group would, as announced, reach break-even at the adjusted EBITDA level as early as 2023.

Excluding the Swiss business and regardless of the ramp-up speed of electronic prescriptions, the Group expects for 2023 a mid-single-digit percentage decline in external revenue, an improvement of adjusted EBITDA to between minus CHF 20 million and minus CHF 40 million and capital expenditure of CHF 30 million to CHF 40 million. For 2024, management is aiming for break-even on adjusted EBITDA. The mid-term guidance is confirmed at an adjusted EBITDA margin of 8 per cent.

Thanks — We look forward to tackling these challenges with the energetic support of our motivated employees, to whom we owe much in 2022 thanks to their tireless dedication and high level of expertise. A special thank-you also to our customers for their trust as well as to you, our esteemed shareholders, for your loyalty.



Walter Oberhänkli
Chairman of the Board



Walter Hess
Chief Executive Officer



Walter Hess (left) und Walter Oberhänsli.

Interview: Chairman of the Board and CEO

CEO Walter Hess and Chairman of the Board Walter Oberhänsli take stock of their first year in their new roles. They report on the successes and challenges of the past financial year, as well as the latest developments relating to electronic prescriptions in Germany.

Walter Hess, you have been CEO since May 2022. What have the biggest challenges to date been?

W. H. — 2022 was a very challenging year for us in many ways. Most crucial was the fact that electronic prescriptions (e-scripts) were not introduced in Germany in January 2022, as set down in law. Also, the focus of the capital markets has done a 180-degree turn from growth to profitability due to the difficult economic situation. As a result, we had to completely reset our targets and priorities in the second quarter of 2022 to launch guiding measures in the second half, which we implemented rigorously.

Walter Oberhänsli, you have been Chairman of the Board of Directors for almost a year. What is your initial assessment?

W. O. — It was a very difficult shift. We couldn't have foreseen the change in the markets. Nor could we have imagined that the German government would not introduce e-scripts. Given the starting position, Walter Hess's team delivered an outstanding performance. I am delighted that we have managed to shift from growth to profitability in a very short time. Although we have not reached the end point yet, we are certainly on the right track, as the results prove. In addition, we have made a groundbreaking decision: to sell the Swiss business. This was certainly not an easy step, but it was absolutely right from a business and strategic point of view. With this extremely solid capital base, we will be in a stronger position as we step into the future. So I'm looking forward to everything that lies ahead of us.

Walter Hess, the break-even programme that has been launched outlines the rigorous roadmap to profitable growth. What are your priorities?

W. H. — The priorities we have set are to optimise and reduce loss-making and cost-intensive structures and units. This also means that we will no longer accept unprofitable sales and orders. We are consciously accepting the associated loss of the customer base. In addition, we aim to significantly increase our margins, which we successfully achieved in the second half of 2022. We improve performance in logistics and marketing, too. When it comes to investing in technology, we don't make any compromises, whether it's in resources, talents or developing platforms and products. We are also uncompromising when it comes to maintaining "eRx-Readiness".

Walter Oberhänsli, how do you view the rebalancing away from pure growth to profitable growth?

W. O. — The rebalancing is the logical consequence of changes we saw last year with no alternative. Whereas in the past – with a view to the e-script roll-out – we invested both energy as well as financial resources to build a large customer base and thus focused on growth, we are now taking the logical step towards profitability. This is partly due to the delay in the e-script roll-out. On the other hand, it is due to the changing markets. I am convinced that this is the right way forward and that we are going to achieve our goals.

Walter Hess, what actions were taken in 2022?

W. H. — We achieved all of our goals and milestones in 2022: the go-live of the new distribution centre in Heerlen, the medpex brand was integrated into the DocMorris platform, the Eurapon brand was discontinued and the Bremen site closed. In addition, by reducing complexity and standardising structures, we have been able to save on overhead costs.

Walter Hess, what exactly does this mean for 2023?

W. H. — In the first half of 2023 we will continue to strengthen the DocMorris platform in Heerlen with a focus on marketing, technology and operations so as to return to revenue growth in the second half of the year. We will then focus on the e-script introduction, as well as the roll-out of our marketplace for long-tail products, for which we have already signed up over 100 suppliers. Last but not least, we successfully sold the Swiss business and received proceeds of around CHF 360 million – excluding real estate.

Walter Oberhänsli, how do you assess last year's development of e-prescriptions in Germany?

W. O. — Given the infinite advantages that digitalisation brings to healthcare, I am not that happy that this delay has now occurred and that in general it is taking far too long to actually take place. On the other hand, there are now developments – a law, plus intensive efforts on all sides – that will bring e-scripts to a breakthrough in Germany. So, I think we have to be satisfied with this development overall and am confident, that there is a bright e-script future ahead of us.

Walter Hess, with the sale of the Swiss business to Migros, you are now concentrating on the e-prescription market in Germany. What is the status here?

W. H. — Yes, with this sale we are concentrating entirely on the B2C business in Germany. We are focusing on three business areas: first, on a profitable business in over-the-counter medicines and beauty and personal care products; second, the complementary marketplace business for long-tail products and same-day deliveries; and third, the prescription drug business. In early March, the German Federal Ministry of Health (BMG) announced its digital strategy, explicitly stating that e-scripts should be enshrined in law and introduced as a mandatory standard from January 2024. From August this

The video interview is available [online](#).

year, the plug-in solution with electronic health cards will be rolled out in brick-and-mortar pharmacies, which in turn will form the basis for the nationwide introduction of e-scripts. We therefore expect the BMG to present the specific implementation plan in the second quarter of 2023. In summary: e-scripts are coming and we are ready.

Walter Oberhänsli, you founded Zur Rose Switzerland together with doctors 30 years ago. What does the sale mean for you personally?

W. O. — This was a very emotional decision, but it was right both strategically and entrepreneurial. Looking to the future, it is a groundbreaking decision that strengthens our balance sheet. It is certainly good to know that Zur Rose Switzerland is part of the Migros Group. Also for our employees. I am also feeling proud that 30 years of work have led to Zur Rose Switzerland becoming part of Migros and, to some extent, a cornerstone of its healthcare strategy.

Walter Hess, to you as CEO: Can you please sum up 2022 in just one sentence?

W. H. — 2022 was a very intensive year that saw many groundbreaking decisions and actions taken for a successful future with profitable growth.

Walter Oberhänsli, you are regarded as a visionary, so over to you: The financial year 2023 in just one sentence?

W. O. — I am convinced that by 2023, the financial markets will realise that our business model is disruptive.

The transcription of the interview contains minor deviations from the online version.



Walter Hess (left) und Walter Oberhänsli.

Segment Report

Segment Switzerland

Market environment

Discussions about cost and premium trends once again shaped health policy in 2022. Under pressure from the popular initiative introduced by the Centre party to introduce a cost brake, parliament passed a new provision on cost monitoring in the Health Insurance Act. In the wake of the coronavirus pandemic, numerous initiatives relating to the digitalisation of healthcare were launched and discussed. This included two motions to introduce electronic prescriptions.

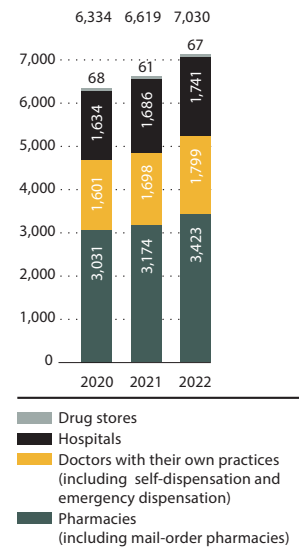
Trends in the drugs market — The total volume of the drugs market in 2022 amounted to CHF 7.03 billion, a year-on-year rise of 6.1 per cent. As part of the annual review of one-third of the medicines reimbursed by health insurers, the Federal Office of Public Health (FOPH) lowered prices at the end of 2021. This resulted in savings of CHF 100 million in the year under review.

Collective bargaining partners to monitor service costs — Under political pressure from trends in costs and premiums, the legislature passed a new provision requiring collective bargaining partners to monitor service costs in future and take measures to correct unexplained cost trends. The implementing rules are still unclear and it remains to be seen whether this new regulation will help to contain future health costs. It should also be noted that the ongoing shift from inpatient to outpatient treatment is accompanied by an increase in the statistics for drug costs.

Motions on introducing electronic prescriptions forwarded to the first chamber of parliament — In the wake of the coronavirus pandemic, numerous proposals were submitted to parliament with the aim of speeding up digitalisation in healthcare, including by the regulator. One motion each in both the National Council and the Council of States on introducing electronic prescriptions was forwarded by the first chamber in the summer; the motion from the Council of States was approved by the National Council. Zur Rose supports both initiatives, as the advantages of electronic prescriptions for patients and the entire healthcare system are obvious: they increase patient safety by removing error-prone media breaks, cutting out forged prescriptions and avoiding follow-up costs due to incorrect medication.

DRUGS MARKET VOLUME IN SWITZERLAND

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



Source: IQVIA, 2022

Revision of the Therapeutic Products Act to allow online sales of OTC medications within reach — The Federal Council has raised the prospect of a revision of the Therapeutic Products Act (TPA) to allow OTC drugs to be marketed without a prescription in Switzerland in future. A corresponding consultation on amending the TPA is expected shortly. Zur Rose strongly believes that the online business can ensure high-quality specialist advice and patient safety when dispensing medicines thanks to innovative procedures supported by technology.

New regulations governing registration of doctors already under review — New regulations on the registration of doctors entered into force at the beginning of 2022, and soon caused a supply problem in primary medical care. Under the regulations, doctors who apply for a licence to practice must now be able to provide evidence of at least three years of professional experience in Switzerland in the relevant specialist field. The federal legislator therefore wants to relax this provision again and allow the cantons to make exceptional arrangements. Zur Rose supports efforts to correct the requirements in order to counteract a shortage of healthcare professionals.

Business performance

At the start of the year, the biggest problems associated with the COVID-19 pandemic seemed to have been overcome. However, the next major global crisis came along immediately in the form of the outbreak of war in Ukraine. The tense macroeconomic situation with high energy costs, rising inflation and a continuing shortage of skilled workers creates a challenging business environment. Nevertheless, the performance of the segment Switzerland in 2022 was extremely positive and exceeded expectations with an increase of almost 10 per cent over the previous year. In supplying medications to doctors' practices, deliveries to primary care providers increased. The online pharmacy was able to retain the additional customers gained during the pandemic and performed as expected.

Pleasing sales performance in the Swiss market — Sales performance in the segment Switzerland was extremely pleasing and exceeded expectations and market growth with an increase of almost 10 per cent over the previous year.

Supplying medications to doctors' practices — In Professional Services, the year saw solid market growth and an increase in market share. Zur Rose had a market share of 24.8 per cent in supplying medications to doctors' practices in 2022, up 0.4 per cent over the previous year. This is primarily due to significant growth in supplying general practitioners. In April, Zur Rose also acquired the regional medical wholesaler Ärztemedikam based in Liestal in the canton of Baselland.

Drug availability was another challenge in 2022 due to the persistently tense situation in global supply chains. Zur Rose worked closely with physician customers on this to make it easier to plan and ensure the best possible availability.

Close cooperation with doctors' practices to increase patient adherence to therapy and medication safety continued, and Zur Rose also held numerous training courses for healthcare professionals on this in 2022.

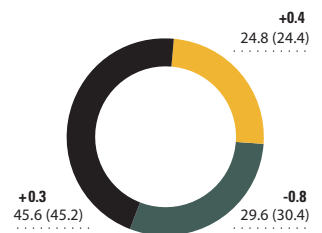
Digitalising practice processes — Consolidation and digitalisation in the physicians market made further progress. Zur Rose provides its customers with innovative digital solutions that support automation in doctors' practices and enable quality improvements. The distribution of medication robots has been successfully expanded. This will enable larger practices in particular to make their medication management more efficient and safer. The solutions developed by Zur Rose subsidiary BlueCare also offer support in digitalising practical processes.

Zur Rose online pharmacy: services for comprehensive medication management — Revenue performance in the pharmacy business was encouraging, although the online pharmacy did more modestly than last year due to the absence of revenue from COVID tests.

The online pharmacy continued to invest in digital services related to medication management for people who are chronically ill. Cooperation between doctors, health insurers and patients was further optimised by expanding services. The online pharmacy also intensified its

MARKET SHARES IN THE PHYSICIANS BUSINESS

As per end of 2022 (value of previous year 2021) in %



■ Zur Rose
■ Direct suppliers
■ Other wholesalers and purchasing organisations

Source: IQVIA, 2022

cooperation with partners, for example in services with health insurance companies, and also optimising delivery options by Swiss Post. Once again the online pharmacy showed high customer satisfaction among existing customers, with a retention rate of 88 per cent. New customer acquisition also performed positively; a marketing campaign in late autumn focused primarily on French-speaking Switzerland.

Dailymed, the service for individual medication blister packaging, enjoyed growing popularity both among private individuals and care institutions in the year under review. For people who are taking several medications at the same time, Dailymed blisters the medications into individual pouches according to their doctor's prescription. This service increases safety when taking the medication and makes an important contribution to increasing adherence and treatment success. Blister packaging and simplifying the ordering process for medical goods allow institutions in the care sector to free up human resources that can be used elsewhere.

Specialty Care once again recorded strong growth. Complex medication treatments are administered by the specialist staff of the Zur Rose Specialty Care team either to patients at home or in doctor's surgeries. Existing cooperations with manufacturers were extended and new contacts made. Specialty Care enjoys a high level of customer loyalty, which underscores the customers' need for a specialist and competent person to deal with, as well as a pleasant and calm environment when administering complex therapies – be it in familiar surroundings at home, in a doctor's practice or in a therapy centre during off-peak hours.

Medbase joint ventures: shop-in-shop pharmacies in Migros branches and the Zur Rose online shop — In the spring, the Zur Rose online shop was migrated to a new technological platform with marketplace functionalities. The Zur Rose technology hub in Barcelona is responsible for developing these. User guidance in the shop has been further improved and the ordering process has been simplified. Following the successful transition to the new technology, the move to a multi-seller online marketplace took place in the autumn: in addition to the Zur Rose online pharmacy, seven other Swiss partner shops will initially be offering their products on the digital healthcare marketplace. The range now includes over 45,000 over-the-counter health and beauty products from more than 2,800 well-known brands. This allows customers to shop at several established Swiss online shops at the same time, saving time and money and earning Cumulus points with every purchase.

The shop-in-shop pharmacies in Migros branches continue to be very popular with customers. The Romanel-sur-Lausanne branch opened a further shop-in-shop pharmacy in western Switzerland at the end of December 2022.

Sale of the Swiss business to the Migros subsidiary Medbase — On 3 February 2023, the Zur Rose Group announced that it is selling its Swiss business to the Migros subsidiary Medbase. As the future owner of the Zur Rose Swiss business, Medbase is taking over all operational units in Switzerland (excluding land and properties) with all employees. The merger marks an expansion of the existing successful cooperation between Medbase and Zur Rose Switzerland. Together

the two companies are keen to further develop integrated outpatient basic care and provide access to the best possible treatment. The transaction is expected to close in the second quarter of 2023, subject to approval by the competition authority.

Segment Germany

Market environment

Several laws were passed in Germany in 2022 to stabilise and relieve the financial burden on the German healthcare system which also have an impact on the pharmacy market. The Financial Stabilisation of Statutory Health Insurance Act increased the pharmacy discount by EUR 0.23 for two years. As part of the Hospital Care Relief Act, further innovations with regard to digitalising the German healthcare system such as easier access to electronic health records (ePA) and e-prescriptions were enshrined in law. E-prescriptions will become the mandatory standard for the provision of medicines on 1 January 2024 and it will be made much easier to use them.

Market growth in Germany^{1,2} — The German pharmacy market is experiencing structural growth in the mid-single-digit percentage range, primarily in the prescription segment, with a value of over EUR 50 billion in 2022. The online share of prescription medicines is just under 0.7 per cent³, while for over-the-counter medicines it is 23.6 per cent. The Federal Ministry of Health (BMG) has announced the mandatory introduction of electronic prescriptions for January 2024.

Proposal on the European Health Data Space published — The European Commission published its legislative proposal on the European Health Data Space (EHDS) on 3 May 2022. Among other things, this requires the Member States of the European Union to establish an interoperable infrastructure for the exchange of health data, including e-prescriptions and e-health records, by 2025. Cross-border use of telemedicine, including billing functionality, is also to be implemented. The proposal is now going through the ordinary legislative procedure in the European Parliament and the Council.

Decision on pharmaceutical services — On 10 June 2022, the independent arbitration panel announced its ruling on new pharmaceutical services in pharmacies, as the National Association of Statutory Health Insurance Funds and the German Association of Pharmacists were unable to agree on the service package and its associated compensation. As a result of the Strengthening Local Pharmacies Act (VOASG), which came into force in December 2020, policyholders had already been entitled to new pharmaceutical services since the beginning of 2022. The five new services will allow online pharmacies to contribute their experience and pharmaceutical expertise, particularly in extended medication advice in connection with polymedication, as well as standardised instructions on using medicinal products correctly and practising breathing techniques.

National roll-out of e-prescriptions across Germany began on 1 September — As of 31 August 2022, all six quality criteria set for

1 IQVIA™ Market Report, Performance of the German Pharmaceuticals Market in 2022

2 Insight Health, OTC pharmacy market development December 2022

3 Federal Ministry of Health: Financial results of the SHI system 1st - 3rd quarter 2022 (CW45)

completing the test phase of e-prescriptions were met, paving the way for the nationwide implementation of e-prescriptions. From 1 September 2022 the phased national roll-out began in the Westphalia-Lippe region in the federal state of North Rhine-Westphalia and in the federal state of Schleswig-Holstein. The Westphalia-Lippe Association of Statutory Health Insurance Physicians announced on 3 November 2022 that it would temporarily stop pushing for the introduction of e-prescriptions until a purely digital solution for e-prescriptions has been implemented. Irrespective of this, medical practices and hospitals throughout Germany will continue to be able to switch to digital prescriptions. For this reason, e-prescriptions will still be issued, and process development driven forward by gematik, the National Agency for Digital Medicine. Pharmacies throughout Germany are already able to process e-prescriptions and settle them with health insurers. To date, more than 1.4 million e-prescriptions have been dispensed. According to the Federal Ministry of Health, e-prescriptions are to be introduced as the mandatory standard by 1 January 2024 and their usage will be simplified considerably.

In addition to hard copies of the prescription code and the e-prescription app, the Federal Ministry of Health and gematik are also examining several other redemption channels. From mid-2023 onwards, for example, it will be possible to redeem e-prescriptions in pharmacies using an electronic healthcare card (eGK). For reasons of non-discrimination and within the legal framework of the EU internal market, this option should also apply to all online pharmacies. The European Association of E-Pharmacies (EAEP) is already in direct contact with the Federal Ministry of Health to jointly come up with a non-discriminatory and user-friendly solution for its members' millions of customers. In addition, the shareholders of gematik decided in November 2022 to implement the “Dispense without registering”-function in the e-prescription app so as to increase use of e-prescriptions and the app. This allows patients to digitally assign prescriptions to a pharmacy and have them dispensed without registering for an app.

Financial Stabilisation of Statutory Health Insurance Act —

Under the Financial Stabilisation of Statutory Health Insurance Act (GKV-FinStG), which entered into force on 12 November 2022, the pharmacy discount for prescription finished drugs dispensed in pharmacies and also for preparations covered by statutory health insurance is increased from EUR 1.77 to EUR 2.00 per drug on pharmacies' dispensing price. The increase of EUR 0.23 per pack delivered is limited to a period of two years.

Hospital Care Relief Act — The Hospital Care Relief Act (KHPfLEG) came into force on 29 December 2022. This also contains some innovations with regard to the digitalisation of the German healthcare system. For example, it provides for easier access to electronic health records and e-prescriptions. Health insurers are obliged to issue electronic health cards with a contactless interface (NFC), including a PIN, to policyholders who had applied for an ePA by 31 December 2022. From 1 January 2024, they must also enable policyholders to identify themselves for the telematics infrastructure using the eID function on their identity card. In addition, policyholders will be able to agree to a lower-threshold authentication procedure in future. The interface for value-added services for e-prescrip-

tions will continue to be more narrowly defined, so only authenticated authorised persons will have access to data from electronic prescriptions, including manufacturers of digital healthcare applications, health insurers, doctors and pharmacies. However, the access data for e-prescriptions in the form of a token must explicitly not be transmitted via this interface.

Business performance

Due to the break-even programme, the Zur Rose Group recorded a decline in external sales in the segment Germany of 12.2 per cent to EUR 1,081.6 million in 2022. In Germany, the Group took significant steps to reduce complexity, increase gross margin and boost marketing efficiency, and also implemented further integration and logistics measures. The medpex brand was successfully integrated into operations at the Heerlen site in the Netherlands. The logistics location in Ludwigshafen will be retained and used to process orders for non-pharmaceutical products for the segment Germany. In addition, the logistics activities in Bremen and the Eurapon brand were discontinued.

Productivity improvements thanks to new logistics centre in Heerlen — At the end of the second quarter of 2022 the Zur Rose Group successfully started operations at the new distribution centre in Heerlen. This increased the level of automation logistics from 50 to 70 per cent and capacity was more than doubled, from 12 million to 27 million parcels per year. The location therefore has sufficient capacity to scale the volume of e-prescriptions and handle the medpex volume.

Efficiency gains from integrating the medpex brand into the Heerlen location — The medpex brand was integrated into the DocMorris pharmacy in Heerlen as of the end of October 2022 and continues to operate. This step was a consequence of the closure of the owner-managed “Stifts” pharmacy and the associated medpex online business in Ludwigshafen as of 31 October 2022 by the former owner. The Zur Rose Group has offered around 200 logistics and pharmaceutical-technical employees continued employment in Ludwigshafen and Heerlen. The logistics location in Ludwigshafen has been retained and is being used by the Zur Rose Group to process orders for non-pharmaceutical products for the segment Germany; it has a capacity of seven million parcels per year. 36 jobs were created for administrative services provided for the former “Stifts” pharmacy at the Zur Rose company Visionrunner GmbH. Visionrunner has voluntarily made individual severance offers to employees as part of its social responsibility.

Complexity reduced further and the next step towards profitability — The former online customers of the discontinued Eurapon brand have been supplied with over-the-counter and prescription drugs on request by the DocMorris pharmacy from the new logistics centre in Heerlen since mid-December 2022. Zur Rose Group closed its Eurapon Pharmahandel GmbH logistics facility in Bremen on 31 December 2022 and has discontinued the Eurapon brand. As a result, the Group has further reduced complexity in the segment Germany and taken another important step towards profitability. The decision was made by mutual agreement with pharmacist Kubilay Talu, the owner of Euro Apotheke. The associated online business and hence also the eurapon.de online shop were closed in mid-December 2022.

New logistics centre

Learn more in [this video](#).

¹ External sales comprise consolidated sales of the Zur Rose Group plus online sales of pharmacies supplied by the Zur Rose Group less consolidated sales for their supply.

The Zur Rose Group has offered all pharmaceutical employees employed at the Bremen location, including those from the online business of Euro Apotheke, continued employment in Heerlen. The company has voluntarily made individual severance offers to the approximately 90 employees of Eurapon Pharmahandel GmbH affected by the closure as part of its social responsibility.

Strategic changes at eHealth-Tec — After considering various future scenarios for the ERPath emergency room information system from Berlin-based software developer and IT service provider eHealth-Tec, it was sold to FORUM Family Office in Munich on 31 December 2022. FORUM is already active in the healthcare software sector and has many years of experience and broad expertise in e-health applications. From the company's point of view, the sale is therefore the ideal step for customers and employees as well as for the technical and strategic advancement of the service. With over 100 hospitals and facilities already using the innovative software solution, ERPath is in an excellent position in its market segment. A total of 14 employees of eHealth-Tec have changed to the new owner.

E-scripts in Germany: background and opportunity

The nationwide and mandatory introduction of electronic prescriptions (e-prescriptions or eRx) for prescription drugs (Rx) is not just a matter for German law. It is also a real opportunity for the Zur Rose Group and its customers.

Launch of e-prescriptions in progress: test phase successfully completed – The steps involved in using e-prescriptions – from issuing and sending them to policyholders to dispensing and invoicing – have been trialled in a nationwide test phase. The quality criteria agreed by all partners of gematik, the National Agency for Digital Medicine, i.e.:

- 30,000 e-prescriptions successfully billed
- 99.9 per cent availability of infrastructure
- A high proportion of PVS / ZPVS / AVS systems have already issued e-prescriptions
- All health insurers must be able to accept and invoice e-prescriptions
- Retaxation cases, i.e. partial or full reimbursement of pharmaceutical costs to pharmacies by health insurers for technical reasons, should be virtually zero
- No server errors

were successfully fulfilled on 31 August 2022. The nationwide phased roll-out followed on 1 September 2022. Shortly afterwards, however, the region of Westphalia-Lippe and the federal state of Schleswig-Holstein announced that they would no longer press ahead with the roll-out of e-prescriptions due to the lack of low-threshold digital redemption options. The Federal Ministry of Health and gematik are currently at an advanced stage of developing a range of additional transmission channels in addition to the paper printout of the prescription code and the e-prescription app.

Unique opportunity for the Zur Rose Group

- Digitalisation of the approximately 500 million paper recipes (pRx) issued annually opens up a market worth EUR 50 billion. 80 per cent of this can be counted as chronic demand.
- Currently, paper-based Rx online has a market share in Germany of less than one per cent. With OTC online penetration already at 23 per cent, it is realistic to achieve at least ten per cent of e-prescriptions online in the mid-term. This is particularly evident from a look at other European countries where e-prescriptions are already commonplace: for example, the share of eRx online in Sweden has risen from zero to 13 per cent within just a few years.

DocMorris App

Learn more about the [DocMorris health app](#).

August

Quality criteria of the nationwide test phase successfully met

50 billion

EUR market opened by digitalisation of 500 million pRx per year

- With its number one brand DocMorris, the Zur Rose Group is ideally positioned in Germany. This is also reflected in the aided brand awareness of 65 per cent and the aided e-prescription awareness of 18 per cent.¹
- According to internal calculations, the existing OTC customers of the Zur Rose Group have e-prescription potential of more than EUR one billion: Approximately 26 per cent of active customers belong to the group of people living with one or more chronic diseases.

Digitalisation in healthcare: e-prescriptions setting the course

— E-prescriptions are not only the basis for widespread use of electronic patient records, but also an important enhancement when it comes to the use of telemedicine. Electronic prescriptions are essential for other new digital applications too, such as medication reminders and the eMedication plan including the interaction check. These make an important contribution to adherence and medication safety.

Firm legal basis: the path to the introduction of e-prescriptions with free choice of pharmacy

— On 20 October 2020, the German Protection of Electronic Patient Data in the Telematics Infrastructure Act or Patient Data Protection Act (PDSG) came into force. Originally, it stipulated mandatory and nationwide introduction of e-prescriptions as of 1 January 2022 for prescription drugs. There is nothing to prevent this as soon as the technical requirements have been met.

Following the amendment to Book 5 of the German Social Security Code (SGB V) on the basis of the PDSG, policyholders are always free to choose their own pharmacy – local or online. According to this, patients should also be able to use their prescriptions conveniently, easily and securely at mail-order and online pharmacies if desired.

Conclusion — One thing is certain: when it comes to digitalisation in the German healthcare system, the introduction of electronic prescriptions is essential. This is because it lays the foundation for structured data processing and the introduction of electronic health records. And the advantages are obvious for the players too: in future, doctors will also be able to send their patients their prescriptions digitally, so it is no longer absolutely necessary to come into the practice each time. For patients, e-prescriptions not only contribute to medication safety and adherence, but are also a convenient, easy and modern solution. Last but not least, practice staff will be relieved in the long-term.

65%

DocMorris brand awareness

E-prescriptions are the basis for the introduction of new digital applications and make an important contribution to adherence and medication safety.

The Patient Data Protection Act stipulates mandatory and nationwide introduction of e-prescriptions.

You are free to choose your pharmacy – local or online.

¹ Data as at December 2022

Segment Europe

Business performance

In the two leading marketplaces in southern Europe, PromoFarma by DocMorris in Spain and DocMorris DoctiPharma in France, revenue developed as planned in the 2022 financial year as a result of the continued strong optimisation of marketing expenses. At EUR 70.3 million, it fell slightly by 7.2 per cent year-on-year.

Profitability programme on track — In 2022 the Zur Rose Group achieved initial successes with its broad-based break-even programme in the Europe segment too: not only was marketing efficiency considerably improved; structural measures also significantly streamlined the organisation.

Technological developments: optimised digital healthcare marketplace — The Barcelona-based technology hub has developed a new platform for marketplace functionalities across all segments. The result for customers is an optimised user journey and a simplified ordering process. In spring 2022, the [Swiss online shop](#) successfully switched to the new platform. In addition to the Zur Rose online pharmacy, seven other Swiss partner shops will initially be offering their products on the multi-seller online marketplace.

Launch of the fulfilment marketplace and a loyalty program — The Spanish marketplace launched the concept of the fulfilment marketplace in the third quarter. The more than 50 sellers can deposit their products in a Zur Rose Group warehouse. PromoFarma by DocMorris handles the order picking and packaging. This process not only improves the conversion rate. It also reduces the number of shipments per order, in line with the sustainability approach. In September 2022 the “Health Points” loyalty programme was launched in both markets. Marketplace customers can collect points with their purchases, and then redeem them in the form of a discount on the next order.

Focus on the Spanish market: start of OTC online business — The Zur Rose Group has owned a pharmacy in Montemor-o-Novo, Portugal, since October 2021. Since August 2022, cross-border shipment of OTC products to Spain has been trialled from their warehouse.

Across segments: a focus on people

Five questions for the CPO

Benjamin Staub Baumgartner has been with the Zur Rose Group since 2017 and was appointed Chief People Officer in May 2022. In this interview he explains why the transformation of the Target Operating Model was the key project in the People area last year, what the biggest challenges were and what he demands of himself and his role.

1. Mr Staub Baumgartner, would you please briefly introduce yourself and your business operating area.

B. S. B. — I spent seven years at the retailer MediaMarktSaturn Switzerland, most recently as Head of Human Resources, before moving to Zur Rose Switzerland in 2017 as Director HR. I wanted to actively co-create the cultural transformation that places employees at the centre. Today, five years later, this has resulted in a Group-wide HR management approach that we have been pursuing at the Zur Rose Group since 2020 and which I am driving forward – first as Director HR and now as CPO.

For my colleagues and I in the People department it's not just about recruiting talented people, it's also keeping them with us through several stages of their career. The Employee Experience plays a key role in this: our staff should have positive experiences with us and be able to contribute to the company's success. That's why we consistently invest in developing skills and ensuring that each and every one of us is able to develop further in our position. This creates a win-win situation for both sides. When it comes to human resources, our focus is not on individual processes but the interaction between them from an employee point of view. That's how we manage to be an "employer of choice" in every respect. Everyone at the Zur Rose Group can be an "eHealth pioneer", regardless of their location or position, and make a meaningful contribution to our society. We have introduced this slogan as the core of our employer brand.

It is also important to me for our HR department to create a solid foundation that supports all of this. Along with indispensable standards such as paying salaries on time, this also implies efficient, digital and professional processes that are mapped on a shared platform.

"Everyone at the Zur Rose Group can be an 'eHealth pioneer', regardless of their location or position, and make a meaningful contribution to our society."

2. What was your key project in the People area in 2022 for the Zur Rose Group?

B. S. B. — Transforming our Target Operating Model (TOM) was probably the key project for us in 2022. This involved questioning existing structures, which have often evolved historically and through acquisitions, and realigning them by functional organisations. Following the strong expansion in recent years, since 2022 we have been focused more on profitability and integrating our various companies in the best possible way, leveraging synergies and creating uniform reporting lines for the long term. This allows employees to develop better and contribute their expertise persistently and across all segments, which makes work easier and more efficient for everyone. Economic considerations also play an important role, but they are certainly not the exclusive factor.

“Transforming our target operating model (TOM) was probably the key project for us in 2022.”

TOM provides the basis for many other projects and measures we were able to drive forward in the People area in 2022. For example, we have revised our Employer Value Proposition, the core of our employer brand, and set up a talent acquisition strategy including a job referral programme. We have also invested in further developing our employees with Group-wide learning opportunities such as LinkedIn Learning and GoFluent. TOM requires the corporate culture to change – from silo thinking to an agile and consensus-driven approach. With #OurJourney we have created a tool that serves as a framework for performance reviews and offers continuity to both sides – supervisors and teams. Last but not least, there is a need for a Group-wide digital solution for shared data and processes. We were able to successfully introduce this, too.

3. What were the biggest challenges in implementation?

B. S. B. — Because of the focus on growth and the associated acquisitions, the Zur Rose Group used to use different tools depending on segment and location. The various corporate cultures also differ. If we now want to introduce a new approach for the entire Group, this is a major change. Employee perceptions can be quite negative in the first instance. I see it as one of the tasks of the HR department to combat this and highlight the positive aspects: agile working, flat hierarchies and so much more. At the same time, it is important to me to always be empathetic and accessible – especially when it comes to implementing drastic measures. Parallel to this shift in mindset, we also had to develop the processes mentioned. I would say that these were – and are – the biggest hurdles.

4. What is particularly important to you personally in your work and as Chief People Officer?

B. S. B. — I measure my personal success as Chief People Officer – besides other elements – by the fact that employees approach me directly, regardless of the issue. This shows me that our people approach – our doors being always open to everyone – is actually being put into practice. We must not make the mistake of reducing our colleagues merely to their labour. We need to bear in mind that they are human beings, some of whom face challenges in their private lives or have to deal with personal issues. It is very important to me that we, as an employer, support them actively if possible. Apart from that, it always takes the necessary empathy and the ability to see things from someone else's perspective to be accepted as a People department. For me, one thing is certain: dealing with people determines whether you are successful in the long term – as an HR department and not least as a company.

“For me, one thing is certain: dealing with people determines whether you are successful in the long term – as an HR department and not least as a company.”

5. What is on the agenda for you as the CPO of the Zur Rose Group in 2023?

B. S. B. — There are already quite a few things planned for 2023. We want to further advance the digital integration of People work so as to simplify processes and make them more efficient. Our benchmark is to be positively perceived by our employees in their day-to-day work with us. #OurJourney should be established as a shared experience for all, across the Group. Ultimately, my main concern is that the People department should be seen as a go-to department, with doors always open to everyone.



Benjamin Staub Baumgartner

Team spirit: employees' voices

Work across segments was the focus for HR in 2022. Seven employees in the Zur Rose Group technology team talk about how their daily working lives have changed.

The Zur Rose Group has various sub-brands and is active in four key markets. 2,700 employees contribute to the success of the business model every day. The launch of the profitability programme and the transformation of the Target Operating Model drew the focus in 2022 to work done across segments. Seven employees working in technology at Zur Rose talk about what it feels like when barriers vanish and several teams become one.

Carlos Advanced Specialist Data Analytics

“Instead of working on a single solution for a small part of the company, now I can work on different projects across locations. Not only have I got to know new colleagues, I have also gained familiarity with tools I had never used before. I feel I am bringing real added value to the entire organisation. That motivates me all the more.”



Place of work: Frauenfeld, Switzerland
Part of the Zur Rose Group since: October 2021



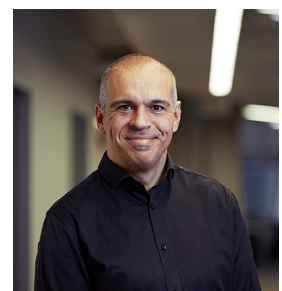
Charlene Product Lead Apps

“For years, I had little contact with the teams at other locations. But we all face similar challenges and can learn from each other. I appreciate working with lots of different people and cultures, I personally find it enjoyable and enriching. Thanks to the flat hierarchies, I also feel more integrated into the corporate Group and more tied into the various teams.”

Place of work: Berlin, Germany
Part of the Zur Rose Group since: March 2020

Giorgio Senior Consultant

“There is an increasingly strong sense of togetherness with the teams from other locations and segments emerging: instead of being a lone wolf, I now feel part of the bigger picture. I entirely support the idea of abolishing silo thinking and replacing it with agile working. This allows us to focus on creating new things together and optimising our products and services in the best possible way.”



Place of work: Winterthur, Switzerland
Part of the Zur Rose Group since: October 2020

Timo

Team Lead IT Service Center

“The way we work has become much leaner: pathways are now shorter, and decisions are made more quickly. And when you can no longer see the woods for the trees in a project, the expertise of colleagues in other locations is incredibly valuable. Continuously exchanging knowledge allows us to meet rising demands quickly and satisfactorily.”



Place of work: Heerlen, Netherlands
Part of the Zur Rose Group since: April 2016



Place of work: Mannheim, Germany
Part of the Zur Rose Group since: March 2022

Kerstin

Product Owner Order Management

“I have been with the Zur Rose Group for a year and can confirm that the promises that got me excited as an applicant are actually being lived out. There are no noticeable limits or impediments to working with the different tech teams. This efficient dialogue is incredibly valuable for me and my work.”

Victor

Data Engineer

“In the data engineering team, we are constantly exchanging ideas across countries and pursuing the same goal. We can express our own opinions, appreciate different perspectives and share what we have learned with each other. It feels good to be part of an international technology company.”



Place of work: Barcelona, Spain
Part of the Zur Rose Group since: December 2019



Place of work: Barcelona, Spain
Part of the Zur Rose Group since: April 2021

Marta

Product Owner

“Working across segments promotes the feeling of being part of one big team. At the same time, it creates more transparency and visibility when it comes to the products and services we develop. What I find personally rewarding is the multicultural exchange of views with colleagues, which also helps me to constantly question my perspective and sometimes think outside the box.”

Sustainability

The Zur Rose Group can point to significant progress in its second year of reporting. In addition to an improved governance structure, the measurement of the carbon footprint and a focus on diversity and inclusion, clear and ambitious sustainability targets were set for the first time

The sustainability approach

For the Zur Rose Group, one thing is clear: sustainable entrepreneurship and profitable growth go hand in hand. Responsible business conduct, social responsibility, environmental protection and high ethical standards form the basis for business success.

Developing and implementing sustainability measures covers the entire Group and requires close cooperation across all of Zur Rose Group's departments and sites. The sustainability approach is based on four strategic pillars: Healthier People, Sustainable Planet, Caring Company and Reliable Partnerships. In each of these pillars, Zur Rose has set itself key targets that are in line with the United Nations Sustainable Development Goals (SDGs). Zur Rose is also committed to the United Nations Global Compact.



Clear progress and clear targets for the future

The first Sustainability Report set the framework and a strong foundation for the Zur Rose Group's further efforts to drive forward the various aspects of sustainability. This year's second Sustainability Report provides a transparent overview of the progress the Group has made since then. It also illustrates the ambition to anchor sustainability even more strongly throughout the company and to involve all stakeholders – including employees.

For the first time, Zur Rose has set itself firm sustainability targets: among other things, the aim is to reduce CO₂ emissions by 4.2 per cent annually and to work towards the long-term goal of climate neutrality. In the coming years, the intention is also to reach even more chronically ill people with the relevant services and further develop the platform for the digital healthcare ecosystem. In the long term, one thing is certain: the Zur Rose Group is committed to working towards achieving its vision so that everyone can manage their health in one click.

The sustainability targets are also linked to Executive Board remuneration. By doing this, the Zur Rose Group is underscoring its ambition in terms of sustainability and taking responsibility for all stakeholders – employees, customers, shareholders, healthcare partners and communities.

Improved governance structure strengthens relevance — In order to give the topic of sustainability even more weight as a key strategic pillar, Zur Rose further consolidated and expanded its governance structure in 2022. Among other things, the Group Head of Sustainability now reports to the full Executive Board. In addition, a new Sustainability Steering Committee is developing ideas and driving forward measures at the operational level.

Consolidation and expansion of the governance structure lend even greater weight to sustainability

Energy efficiency through optimisation — The ongoing operational consolidation of brands at the Heerlen site in the Netherlands is also creating sustainability potential. As part of the ongoing optimisation process, it was possible to track relevant metrics such as waste management and energy consumption. In addition, 5,000 solar panels were installed on the roof of the new logistics facility in Heerlen and efficient LED lighting was installed inside.

5,000

solar panels installed on the roof of the new logistics centre in Heerlen

Raising awareness of diversity and inclusion — Zur Rose held the first Group-wide D&I Week in summer 2022, which consisted of various presentations, workshops and panel discussions. More than 300 participants from across the entire Zur Rose Group developed an awareness and understanding of how to drive forward the transformation towards an inclusive company.

>300

participants from the Zur Rose Group attended the lectures, workshops and panel discussions of the first D&I Week

Zur Rose also evaluated all positions Group-wide for the first time in 2022. Among other things, the analysis created a basis for evaluating gender representation at each management level as well as the gender pay gap. The pleasing result was that there is no gender pay gap, that is statistically significant, when looking at the entire Zur Rose Group. In future, the Zur Rose Group will therefore focus on ensuring this in each of its main regions (Germany, the Netherlands, Switzerland, Spain).

Climate Action Month: >170 trees planted — September 2022 was all about Climate Action Month. By involving all employees, we succeeded in anchoring the topic of sustainability even more firmly within the Zur Rose Group. Using a digital solution, more than 85 ideas from more than 540 employees across the Group were collected to answer the initial question of how Zur Rose can become more sustainable. Many of the suggestions can be tested and implemented directly. Zur Rose also planted two trees for each idea submitted, through its partner, the Oro Verde Tropical Forest Foundation.

>85

ideas: Employees collect suggestions on how the Zur Rose Group can become even more sustainable during Climate Action Month in September

Selected highlights

Healthier People

2

Chronic Care Services launched:
Thyroid and erectile dysfunction

>18

million interaction letters sent

Sustainable Planet

172

trees planted as part of Climate
Action Month

5,000

solar cells installed at the
Heerlen site

Caring Company

1.1%

gender pay gap for comparable
positions

66

different nations represented
among our employees

Reliable Partnerships

>150

industry partners – mostly
manufacturers and suppliers –
take part in the first DocMorris
Partner Day

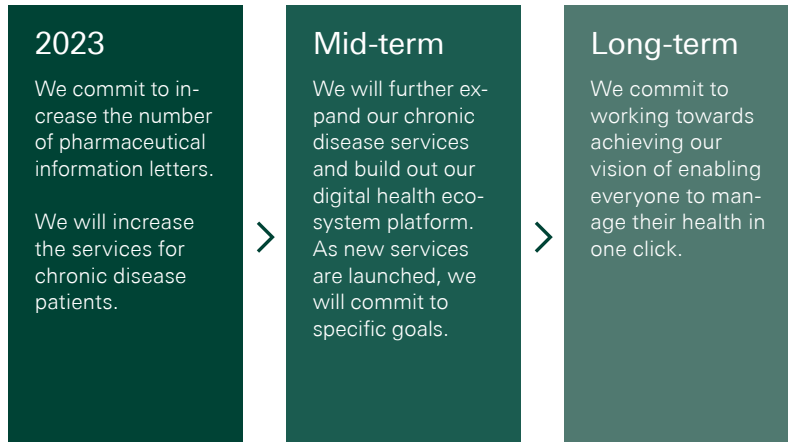
1.

Supplier Code of Conduct
developed in cooperation with
industry partners

Setting sustainability targets

For the first time in 2022, the Zur Rose Group set itself specific, measurable short-, mid- and long-term targets in each of its four strategic pillars: Healthier People, Sustainable Planet, Caring Company and Reliable Partnerships. These are not only closely interwoven with the strategy, but also linked to the compensation of the Executive Board.

Healthier People



Sustainable Planet



Caring Company



Reliable Partnerships



The detailed sustainability report 2022 can be found [here](#).

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 2022. 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.

1 Group structure and shareholders

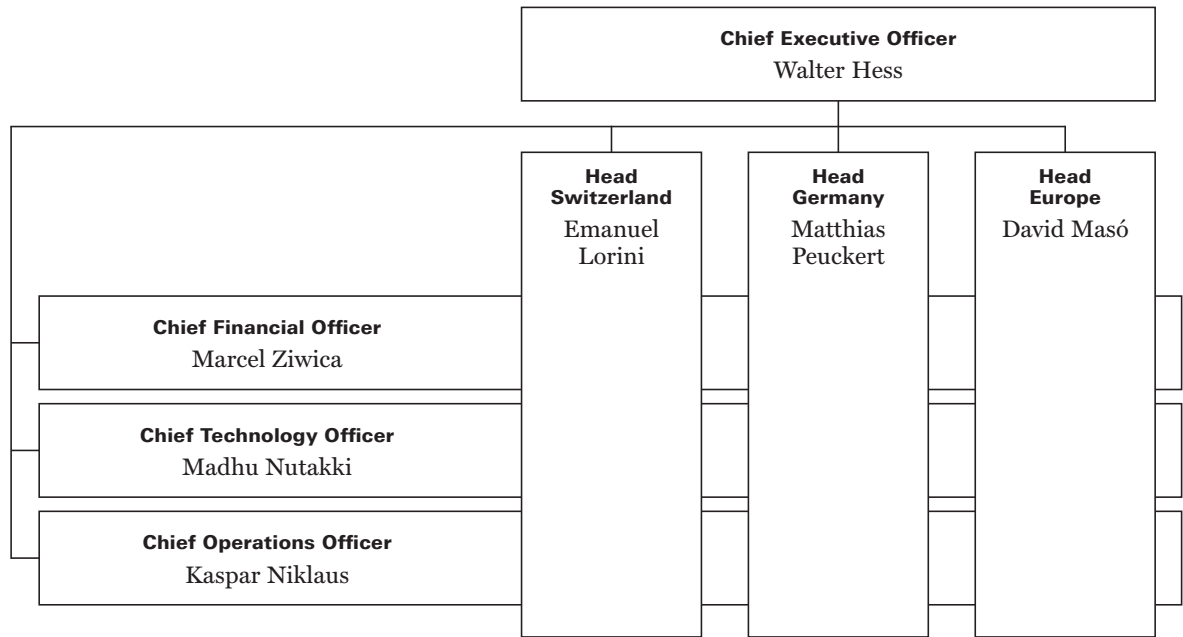
1.1 Group structure

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 Executive Board is responsible for the operational management. The CEO is responsible for managing the business of the Zur Rose Group. Under his leadership the Executive Board deals with all issues of relevance for the Group, takes decisions within its authority and submits motions to the Board of Directors. The Group structure consists of the segment organisation, responsible for regions and revenue, and the Finance, Technology and Operations functions. The members of the Executive Board are responsible for devising and achieving their entrepreneurial objectives and running their units independently. People, Legal, Communications, Internal Audit and Strategic Initiatives report to the CEO; Finance and Investor Relations & Sustainability report to the CFO. These provide services for the whole Group.

The business model of the Zur Rose Group covers online distribution of prescription and OTC medications, health and care products and digital services (marketplace, ecosystem, technology and telemedicine). In Switzerland, Zur Rose also has a pharmaceutical wholesaling business. Information on segment reporting can be found in the management report starting on page 14.

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 85. 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



1.2 Significant shareholders

According to the disclosure notices to the SIX Swiss Exchange, the following shareholders held three per cent or more of the share capital on 31 December 2022:

Beneficial owner(s)/Person(s) entitled to exercise voting rights ¹⁾	Direct shareholder	Issued shares Purchase/sale position	Shares on loan Purchase/sale position
Frank M. Sands	Sands Capital Management, LLC	4.931% /	
	Sands Capital Team Fund, L.P.	–	
	Sands Capital International Growth Master Fund, L.P.		
	Sands Capital Global Leaders Funds Plc		
Reade Griffith	Acasta Global Master Fund	3.22% /	
UBS Group AG	UBS AG		19.28% /
	UBS Asset Management (UK) Ltd		0.42%
	UBS Fund Management (Luxembourg) S.A.		
	UBS Switzerland AG		
	UBS Europe SE		
	UBS Asset Management Switzerland AG		
JPMorgan Chase & Co.	J.P. Morgan Securities plc		13.283% /
	J.P. Morgan Securities LLC		5.969%
	J.P. Morgan SE		
Bank of America Corporation	Merrill Lynch International		9.857% /
	BofA Securities Europe SA		0.457%
	Bofa Securites Inc		
	Merrill Lynch Professional Clearing Corporation		

1) Compared to share capital at the time of disclosure (changes in capital see 2.3)

Changes in significant shareholders after the reporting date: LMR Partners 3.02/2.12 per cent, Sculptor Special Funding, LP 3.13/1.86 per cent, UBS (shares on loan) 18.66/0.3 per cent and JPMorgan (shares on loan) 13.322/6.55 per cent of the share capital at the editorial deadline of the Annual Report.

Treasury shares: Zur Rose Group AG holds one treasury share on 31 December 2022. Furthermore, 1,900,000 treasury shares are held by Zur Rose Finance B.V. These shares serve as a share lending facility to support the convertible bonds issued in 2020 and 2022. These are not issued shares and cannot be converted into them. When shares are lent, the shareholding of Zur Rose Finance B.V. remains in place for disclosure purposes.

The disclosure notifications published by Zur Rose Group AG via the electronic publication platform of the SIX Swiss Exchange can be found [here](#). The shareholdings of the members of the Board of Directors and Executive Board are shown in detail in the Notes to the Financial Statements of Zur Rose Group AG on page 139.

Zur Rose Group AG had 15,946 shareholders at 31 December 2022 (10,063 at the end of 2021).

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 118.

2.1 Capital

The share capital of Zur Rose Group AG as at 31 December 2022 was CHF 404,728,200.00, divided into 13,490,940 registered shares with a par value of CHF 30.00 each.

2.2 Authorised and conditional capital in particular

Authorised capital

The Board of Directors is authorised to increase the share capital at any time until 28 April 2024 by a maximum amount of CHF 67,167,840.00 by issuing a maximum of 2,238,928 fully paid up shares with a par value of CHF 30.00 each. An increase of the share capital in partial amounts shall be permissible.

Conditional share capital for employee participations

The share capital of the Company may be increased by an amount not to exceed CHF 4,684,770.00 through the issuance of up to 156,159 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.

Conditional share capital for financing, acquisitions and other purposes

The share capital may be increased by an amount not to exceed CHF 37,167,810.00 through the issuance of up to 1,238,927 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.

Further provisions on authorised and conditional capital can be found in articles 3a, 3b, 3c and 3d of the [Articles of Association](#).

2.3 Changes in capital

On 31 December 2021, the share capital of Zur Rose Group AG was CHF 335,839,110.00. On 2 September 2022, the share capital increased by CHF 44,710,200.00, with 1,119,463 new shares issued from authorised capital and 370,877 new shares issued from conditional capital. On 16 December 2022, the Company issued a further 805,963 new shares from conditional capital, increasing the share capital by CHF 24,178,890.00. On 31 December 2022, the share capital was CHF 404,728,200.00.

For previous years please refer to the [Annual Report 2021](#), page 39, and the [Annual Report 2020](#), page 43.

2.4 Shares and participation certificates

On 31 December 2022, the share capital was divided into 13,490,940 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 three per cent 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 per cent 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

Convertible bond 2022 to 2026

Zur Rose Group AG placed a convertible bond in the amount of CHF 94.972 million through its subsidiary Zur Rose Finance B.V. in 2022 and listed it on the SIX Swiss Exchange. The bond has a term of four years (maturity 15 September 2026), a coupon of 6.875 per cent per annum, which is distributed quarterly, and a conversion price of CHF 49.725. This represents a premium of 27.5 per cent over the reference share price of CHF 39.00, the offer price determined in an accelerated bookbuilding for a simultaneous capital increase. The Bonds will be issued and redeemed at par. The Issuer has the right to redeem the Bonds early. This at any time after the payment date at par, plus accrued interest if less than 15 per cent of the principal amount of the Bonds is outstanding. In the event of a full conversion of the Bonds, a total of 1,909,945 shares would be issued to the owners of the Convertible Bonds, representing a share capital of CHF 57,298,350 and a ratio of 15.06 per cent to the share capital outstanding at the time of issuance (CHF 380,549,310), taking into account the simultaneous capital increase.

Convertible bond 2020 to 2025

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 per cent to the share capital outstanding at the time of issuance (CHF 262,199,160).

Further details of the convertible bonds and the public bonds can be found in note 24 to the consolidated financial statements.

Zur Rose Group AG has not issued any options.

3 Board of Directors

3.1 Members of the Board of Directors

The majority of the Board of Directors of Zur Rose Group AG are independent directors. The Board uses the criteria in the Swiss Code of Best Practice for Corporate Governance from *economiesuisse* to determine if its members are independent. This states that non-executive members who either never belonged to the Executive Board or did so more than three years ago and who have no or only relatively minor business relations with the Company are deemed independent. The term of office of members of the Board of Directors is not a criterion for judging their independence. No members of the Board of Directors act as an executive for the Zur Rose Group. Within the past three reporting years only the former CEO Walter Oberhänsli acted as an executive. The members of the Board do not have any significant business relationships with the Zur Rose Group. There are no cross-involvements.

The Board of Directors consists of six members. When members are nominated, the emphasis is on experience in leadership and management roles, e-commerce, technology, digitalisation, law, regulatory issues, healthcare, marketing, finance and accounting, M&A, capital markets, risk management, compensation and sustainability, plus in particular international experience. The Board of Directors strives to make a balanced allowance for the skills and knowledge that reflect the strategic and operational focuses of the Zur Rose Group, the international outlook and the accounting requirements for listed companies. The skills and knowledge needed are broadly covered by the Board. At the Annual General Meeting of Shareholders on 28 April 2022, Rongrong Hu was elected to the Board, making one third of the Board female. Dr. Thomas Schneider and Prof. Dr. Volker E. Amelung did not stand for re-election.

On 31 December 2022, The Board of Directors consisted of the following persons:

MEMBERS OF THE BOARD OF DIRECTORS

	Position	First elected	Term expires
Walter Oberhänsli	Chairman, non-executive	1993	2023
Prof. Stefan Feuerstein	Vice Chairman, non-executive, independent	2010	2023
Prof. Dr. Andréa Belliger	non-executive, independent	2021	2023
Rongrong Hu	non-executive, independent	2022	2023
Dr. Christian Mielsch	non-executive, independent	2019	2023
Florian Seubert	non-executive, independent	2019	2023

EXPERIENCE AND COMPETENCIES OF THE BOARD OF DIRECTORS

	represented proportionally
Capital market	3/6
E-Commerce	3/6
Finance / Accounting	2/6
Healthcare	2/6
International experience	4/6
Leadership	5/6
Legal and Regulatory	1/6
Marketing	2/6
Merger and Acquisition	3/6
Remuneration	2/6
Risk Management	2/6
Sustainability	2/6
Technology and Digitisation	3/6

– **Walter Oberhänsli** (1958, Swiss national)

Chairman of the Board since April 2022 (also from 1996 to 2011). Walter Oberhänsli served as Executive Director and CEO of the Zur Rose Group from 2005 to 2022. He co-founded Zur Rose in 1993 while practising as an independent lawyer. He holds a master's degree in Law from the University of Zurich.

– **Stefan Feuerstein** (1955, German national, Prof.)

Chairman of the Board of Partners of the UNIMO-Gerstner Group in Switzerland and holder of different directorships in various companies. Stefan Feuerstein served as Executive Director and CEO of Markant AG until 2010 and prior to this, he was a member of the Management Board of METRO AG, responsible for strategic group purchasing and food and retail. He holds a degree in Business Administration and has been an honorary professor at Worms University of Applied Sciences since 2001.

– **Andréa Belliger** (1970, Swiss national, Prof. Dr.)

Prorector of the University of Teacher Education Lucerne since 2007 and Director of the Institute for Communication and Leadership IKF since 2003. Andréa Belliger is also Director of and an advisor to various Swiss and German companies in the healthcare, financial, insurance and energy sectors. As well as being an author and international keynote speaker on digital transformation – particularly in healthcare – she also holds a PhD in Theology, Philosophy and History from the universities of Lucerne, Strasbourg and Athens, and has a master's degree in International Business Administration from ZfU International Business School, Switzerland and United States.

– **Rongrong Hu** (1980, Chinese national)

Investor focusing on the technology sector. From 2013 to 2018, Rongrong Hu worked for eBay as Senior Director of Innovation, M&A and Business Development EMEA and earlier as Chief Strategy Officer Greater China. Previously, she worked for McKinsey & Company and CITIC Capital, and founded various businesses. She graduated with a dual bachelor's degree in Telecommunication Engineering and International Economics & Trading from Shanghai Jiao Tong University and holds a master's degree in Business Administration from Harvard Business School.

– **Christian Mielsch** (1962, German national, Dr. rer. nat.)

Currently active in various non-executive functions. Christian Mielsch was a member of the Management Board and CFO of the German REWE Group from 2012 to 2022. He previously held a number of management positions at Bertelsmann AG and METRO Group until 2012, including CFO of METRO Cash & Carry International and ultimately, COO of METRO Cash & Carry Central East Europe. Prior to that, he worked as a Consultant and Engagement Manager at McKinsey & Company. He earned a doctorate degree in Physics from the Technical University Dortmund and studied Business Administration at the University of Hagen.

– **Florian Seubert** (1973, German national)

Partner and private investor at the German Maxburg Capital Partners as well as AB1204 Capital since 2013. Florian Seubert was Co-founder and CFO of Zooplus AG from 1999 to 2013 and prior to this, worked in the Securities Division of JPMorgan. He earned a master's degree in Philosophy, Politics and Economics from Oxford University.

3.2 Other activities and vested interests

– Walter Oberhänsli

President of the Association of Swiss Mail-Order Pharmacies (VSVA), Bern

– 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 Vice Chairman 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), including functions on the Executive Board and Board of Directors of various affiliated companies

Chairman of the Advisory Board of SINN GmbH, Hagen (DE)

Member of the Foundation Board of E. et C. Renaud, Neuchâtel (CH)

Member of the Research Advisory Board at Worms University of Applied Sciences (DE)

– Andréa Belliger

Member of the Executive Board of the Lucerne University of Teacher Education

Board Member of Aargauische Kantonalbank, Aarau

Board Member of WAS Wirtschaft Arbeit Soziales of the canton of Lucerne, Lucerne

Board Member of Lernetz AG, Berne

Board Member of Gebert Rüt Foundation, Basel

Member of the Health Policy Advisory Board of ApoBank – Deutsche Apotheker- und Ärztebank, Düsseldorf (DE)

Member of the Digital Advisory Board of allthisfuture AG, Risch-Rotkreuz

Chairwoman Association of the Institute for Communication & Leadership, Lucerne

Managing Director of OES Online Education Solutions GmbH, Geiss

– Rongrong Hu

Board Member of People & Places AG, Horgen

Managing Partner of P&P Investment Management GmbH, Horgen

Board Member of Harvard Club of Switzerland

– Christian Mielsch

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

Board Member of Attikon Finanz AG, Düsseldorf (DE)

Managing Partner of AB1204 Verwaltungs GmbH, Brannenburg (DE)

Chairman of the Board of Econnext AG, Frankfurt (DE)

Board Member of Tion Renewables AG, Grünwald (DE)

Member of the Board of Electronics and Systems Company Al Faisaliah Group, Riad (SA)



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- 1 — Walter Oberhänsli
- 2 — Stefan Feuerstein
- 3 — Andréa Belliger
- 4 — Rongrong Hu
- 5 — Christian Mielsch
- 6 — Florian Seubert

3.3 Number of permitted activities

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. Walter Oberhänsli serves as the Chairman of the Board. Prof. Stefan Feuerstein 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.

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. Stefan Feuerstein, Chairman

Prof. Dr. Andréa Belliger

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

Walter Oberhänsli, Chairman

Rongrong Hu

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 Executive Board. 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 Executive Board. 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 Chairman's style of leadership and the way meetings are conducted promote an open, transparent and collegiate culture of discussion based on trust and respect. The Board of Directors passes its resolutions by a majority of the votes cast; unanimous decisions are normal. 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 defends its decisions collectively, both internally and externally.

In 2022 the Board came together for four meetings and a two-day strategy workshop. In addition, 13 video conferences of the Board were held. 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 Executive Board are invited to meetings of the Board of Directors where the strategy and budget or market-specific agenda items are to be deliberated.

NUMBER OF BOARD MEETINGS	19
Average length (in hours)	3:11
Attendance	92.2%
Walter Oberhänsli	19 / 19
Prof. Stefan Feuerstein	18 / 19
Prof. Dr. Andréa Belliger	17 / 19
Rongrong Hu ¹⁾	17 / 17
Dr. Christian Mielsch	18 / 19
Florian Seubert	15 / 19
Prof. Dr. Volker E. Amelung ²⁾	1 / 2
Dr. Thomas Schneider ²⁾	2 / 2

1) Rongrong Hu joined the Board on 28 April 2022

2) Prof. Dr. Volker E. Amelung and Dr. Thomas Schneider stepped down from the Board on 28 April 2022

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](#), 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 twice and the Compensation and Nomination Committee six times during the 2022 financial year. All Committee members attended all the meetings. Members of the Executive Board are also usually represented at the Committee meetings in an advisory capacity, as well as individual specialist departments, when required.

NUMBER OF MEETINGS OF THE AUDIT COMMITTEE	2
Average length (in hours)	2:45
Attendance	100%
Prof. Stefan Feuerstein	2 / 2
Prof. Dr. Andréa Belliger ¹⁾	1 / 1
Dr. Christian Mielsch	2 / 2
Prof. Dr. Volker E. Amelung ³⁾	1 / 1

NUMBER OF MEETINGS OF THE COMPENSATION AND NOMINATION COMMITTEE	6
Average length (in hours)	1:10
Attendance	100%
Walter Oberhänsli ¹⁾	6 / 6
Rongrong Hu ¹⁾	4 / 4
Florian Seubert	6 / 6
Prof. Stefan Feuerstein ²⁾	2 / 2
Dr. Thomas Schneider ³⁾	2 / 2

1) Prof. Dr Andréa Belliger has been member of the Audit Committee and Walter Oberhänsli and Rongrong Hu have been members of the Compensation and Nomination Committee since 28 April 2022.

2) Prof. Stefan Feuerstein stepped down from the Compensation and Nomination Committee on 28 April 2022

3) Prof. Dr. Volker E. Amelung and Dr. Thomas Schneider stepped down from the Board of Directors and thus from the committees on 28 April 2022

3.6 Definition of areas of responsibility

The Board of Directors is responsible for the ultimate management and supervision of the Company and overseeing the management of business. It specifies the sustainable interests of the Company as part of its duties. In its decisions, in addition to the interests of shareholders, it also takes account of the interests of employees, business partners, customers, society and the environment. In doing so, it follows any requirements set out in the articles of association.

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 Executive Board 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 CEO and to the Executive Board, unless otherwise provided by statutory legal provisions or the Articles of Association. The duties and powers of the Executive Board are set out in the [Organisational Regulations](#).

3.7 Information and control instruments vis-à-vis the Executive Board

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. In addition, the Board of Directors receives the annual sustainability report, which describes the strategy, processes, risks and controls regarding ESG (environmental, social, governance). 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 Executive Board. In addition, the Board of Directors regularly receives a current status report on investor relations.

The Zur Rose Group has implemented three main information and control tools to support the Executive Board and the Board of Directors in running the Company: a risk management system, an internal control system and an internal audit function. The internal control system (ICS) covers all procedures and actions that ensure business operations run properly, in particular that the financial statements are accurate and reliable. For each process, key risks and controls are defined; these are carried out and checked on a regular basis. The external auditors also check that an adequate internal control system is in place.

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, plus risk reporting from the individual organisational units all the way up to the level of the Group. The Board of Directors and CEO are responsible for creating the necessary organizational 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.

Based on the [Organisational Regulations](#) and risk management, Internal Auditing conducts risk-based operational, process 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. To preserve its independence, Internal Auditing reports directly to the CEO and the Audit Committee of the Board of Directors, which also approves the audit plan for Internal Auditing. 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.

4 Executive Board

4.1 Members of the Executive Board

Walter Oberhäsli was elected Chairman of the Board of Directors by the Annual General Meeting on 28 April 2022 and stepped down as CEO. Walter Hess, formerly Head Germany, was appointed as his successor, while Matthias Peuckert succeeded Walter Hess as Head Germany. Chief Strategy and Digital Officer Betül Susamis Unaran resigned at the end of May 2022 and Chief Operations Officer Bernd Gschaider at the end of October 2022. Kaspar Niklaus was appointed as the new COO as of 1 November 2022.

On 31 December 2022, the Executive Board consisted of the following members:

– **Walter Hess** (1965, Swiss national), Chief Executive Officer

CEO of the Zur Rose Group since May 2022. Prior to this role, Walter Hess was Head Germany between 2020 and 2022, Head Switzerland from 2015 to 2020, and Managing Director of Zur Rose Pharma GmbH for two years. From 2008 until 2013 he acted as an external consultant, among other roles, for Zur Rose. He was CEO of Praevmedic until 2013. Previously he held a number of management positions within international industrial companies. Following a business education, Walter Hess graduated with a degree in Business Administration from FHS St. Gallen, University of Applied Sciences.

– **Emanuel Lorini** (1977, dual Swiss-Italian national), Head Switzerland

Head Switzerland at the Zur Rose Group since 2020. Emanuel Lorini served as Head of the medical wholesaler business of Zur Rose Suisse AG from 2011 until 2020. Before that, he worked at BlueCare AG in the area of corporate development for managed care system solutions from 2008 to 2010 after serving at Health Info Net AG, ultimately as Head of E-Health Platform. He holds a master's degree in Business Administration from the University of St. Gallen.

– **David Masó** (1971, Spanish national), Head Europe

Head Europe at the Zur Rose Group since 2020 and CEO of PromoFarma by DocMorris since 2012. David Masó has co-founded several start-ups in the e-commerce and digital sectors in Spain, including PromoFarma, Qporama and Futurlink. Before this, he worked as a management consultant for web-based projects on a European level. He earned a degree in Engineering, Telecommunications and Microelectronics from UPC Barcelona, a master's degree in Business Administration from ESADE and completed the Executive Program at Stanford.

– **Kaspar Niklaus** (1968, Swiss national), Chief Operations Officer

COO of the Zur Rose Group since November 2022. Kaspar Niklaus served as Chairman of the Executive Board of the Swiss pharmaceutical retailer Phoenix from 2015 to 2022 and was CEO of the De Sede Group from 2012 to 2014. Previously, he held management positions at Valora and Coop. He earned a degree in Agronomy from ETH Zurich and holds a master's degree in Business Administration and Informatics from the Rotterdam School of Management.

– **Madhu Nutakki** (1971, US national), Chief Technology Officer

CTO of the Zur Rose Group since 2021. Prior to joining the Group, Madhu Nutakki was with the Nissan Motor Corporation in Japan as Chief Digital Officer, Chief Customer Experience Officer and Global Business Head of Connected Cars from 2016 to 2021. He served as CTO and Global Digital Head at American International Group from 2014 to 2016 after spending 12 years at Kaiser Permanente in various management positions, most recently as Vice President Digital Health Applications and Platforms. A graduate with a master's degree in Computer Engineering from Iowa State University, he also completed an Executive Business Management programme at the Wharton School of Management of the University of Pennsylvania.

– **Matthias Peuckert** (1973, German national), Head Germany

Head Germany at the Zur Rose Group since May 2022. Matthias Peuckert was CEO of Windeln.de, a German online retailer of baby and children's articles from 2018 to 2022. Before that, he worked at Amazon from 2003 to 2017, ultimately as Group Director Core Consumables Germany and Pantry Europe.

– **Marcel Ziwica** (1975, Swiss national), Chief Financial Officer

CFO of the Zur Rose Group since 2014. Marcel Ziwica previously held a variety of management positions at Zur Rose from 2001 to 2014, most recently as Head of Group Finance and Controlling for Zur Rose Suisse AG. Prior to joining Zur Rose, he worked as a consultant at Spider Innoventure AG. He holds a master's degree in Business Administration from the University of St. Gallen.

4.2 Other activities and vested interests

– Walter Hess

Board member of Sportsemotion AG and Sportsevision AG, Gossau
 Board member of Hohlflex AG, Abtwil
 Vice President of the European Association of E-Pharmacies (EAEP), Berlin (DE)

– Emanuel Lorini

Board Member of swiss health quality associaton (shqa), Zug

– David Masó

Associate teacher at ESADE and ISDI school for e-commerce and marketplace strategies in Barcelona (ES)

– Kaspar Niklaus

Board Member of Neuroth Schweiz AG, Zug
 Board Member of Unternehmmergruppe Wettbewerbsfähigkeit (Group of Entrepreneurs Competitiveness), Zurich

– Madhu Nutakki

No other activities or vested interests.

– Matthias Peuckert

No other activities or vested interests.

– Marcel Ziwica

No other activities or vested interests.

4.3 Number of permitted activities

No member of the Executive Board 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.

5 Compensation, shareholdings and loans

Information about the compensation and shareholdings of the Board of Directors and Executive Board, and about loans to them, can be found in the Compensation Report starting on page 54 and in the notes to the financial statements of Zur Rose Group AG on page 139.



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- 1 — Walter Hess
- 2 — Marcel Ziwica
- 3 — Kaspar Niklaus
- 4 — Madhu Nutakki
- 5 — Matthias Peuckert
- 6 — Emanuel Lorini
- 7 — David Masó

6 Shareholders' participation rights

6.1 Voting rights 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 ten per cent 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 Executive Board 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. The function of Lead Auditor has held Jolanda Dolente since 2021 (for the first time for the annual report 2021). 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 2022 was CHF 578,940. In addition, the audit firm charged fees of CHF 335,304 for audit-related services.

8.3 Additional fees

Fees amounting to CHF 70,590 were incurred during 2022 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 2022, 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, the Half Year Report, the Sustainability 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. The [annual report](#) can be accessed as a full online version. Furthermore, the [half-year report](#) is available online as a PDF. 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 in the [Newsroom](#). This information can be subscribed to via [News Service](#).

The [financial calendar](#) maps the regular reporting dates. Key dates in 2023 are:

23 March	2022 Full-year results and outlook 2023
20 April	First quarter trading update
4 May	Annual General Meeting of Shareholders
17 August	Half-year results
19 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.

10 Quiet periods

General close periods start each 1 January and 1 July and end after the financial statements have been released. All transactions in the Company's securities are forbidden for people to whom they apply. The general close periods apply to members of the Board of Directors and the Executive Board, members of the segment executive boards and employees with access to material information included in the financial statements. The CFO may order a deviation from the general close periods.

Compensation Report

Dear Shareholders

On behalf of the Compensation and Nomination Committee and the entire Board of Directors it is my pleasure to submit to you the Compensation Report 2022.

The Compensation Report describes the principles of compensation, the governance framework and the compensation systems of Zur Rose Group AG (“Zur Rose”) for the members of the Board of Directors and the Executive Board. It contains detailed information on compensation awarded for 2022 (the year under review). Furthermore we explain the current compensation policy and the decisions taken. This report complies with the requirements of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) of 1 January 2014 and with Section 5 of the Annex to the Directive on Information relating to Corporate Governance (DCG) issued by SIX Swiss Exchange on 18 June 2021.

The 2021 Compensation Report was approved by 78.2 per cent of the votes at the General Meeting of Shareholders on 28 April 2022. Zur Rose took this result as an opportunity to intensify its dialogue with shareholders. The aim was to understand and address the suggestions regarding the compensation policy and plans. Subsequently, the Compensation and Nomination Committee took action to improve the disclosure, system and governance of compensation. The results of our efforts are summarised on the following pages. We provide an overview of the topics brought to our attention and how the Compensation and Nomination Committee has addressed these. In addition, Zur Rose has focused this Compensation Report on improving the disclosure of compensation plans and making them easier to understand.

During the year, the Compensation and Nomination Committee also carried out its regular duties in compensation matters, including the annual review of compensation programmes, setting the performance targets for the Executive Board at the beginning of the year and its performance appraisal at the end of the year. It also determined the compensation of the members of the Board of Directors and the Executive Board, prepared the Compensation Report and the “say-on-pay” votes at the General Meeting of Shareholders.

With external revenue of CHF 1,836.7 million, the Zur Rose Group achieved its revenue target for 2022. In Switzerland, Zur Rose continued its growth trend and grew well above the market. Due to the rigorous focus on profitability, revenue in Germany and the southern European marketplace business fell as expected. The measures taken are aimed at significantly improving adjusted EBITDA by increasing gross margin, structural cost savings, productivity gains and higher marketing efficiency. Overall, adjusted EBITDA improved CHF 59.2 million to minus CHF 69.7 million, exceeding the target announced for 2022. The operating result (EBITDA) amounted to minus CHF 77.7 million (previous year: minus CHF 142.6 million).

At the 2023 General Meeting of Shareholders we will ask for approval on the maximum aggregate amount of fixed compensation for the Board of Directors and fixed compensation for the Executive Board for 2024 and the aggregate amount of variable compensation for the Executive Board for 2022. You also have the opportunity to vote prospectively for the first time on the long-term variable compensation of the Executive Board for 2023. You will also have the opportunity to express your opinion on this Compensation Report in an advisory vote.

The Compensation and Nomination Committee appreciates your ongoing feedback on our management compensation programmes and hopes this report will provide a lot of information. We look forward to your support and feedback at the General Meeting of Shareholders in May 2023.

Yours sincerely,



Walter Oberhänsli
Chair of the Compensation and Nomination Committee

1 Compensation programmes at a glance

1.1 Summary: Compensation of the members of the Board of Directors

Principles

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

Compensation structure

In CHF 1,000 (gross p.a.)	Total compensation	Of which in cash	Of which in shares
Chair	340	238	102
Vice Chair	180	126	54
Director	130	91	39

Compensation for serving on committees

In CHF 1,000 (gross p.a.)	Cash compensation
Committee chair	40
Committee member	20

1.2 Summary: Compensation of the members of the Executive Board

Principles

The compensation system at Zur Rose is based on the following principles:

- The compensation system embeds the strategic growth targets
- The compensation supports the recruitment, motivation and retention of talented and motivated employees
- The compensation is fair, in line with the market and transparent

Compensation structure

- **Annual base salary** in cash to attract, retain and motivate employees
- **Short-term variable compensation** in cash and over a performance period of one year to reward performance
- **Long-term variable compensation** in shares (performance share units and restricted stock units) over a performance period of three years based on the performance criteria of revenue growth and relative Total Shareholder Return to reward sustainable value creation and alignment with shareholders' interests
- **Pension and fringe benefits** to protect against risks

Short-term variable compensation 2022

The short-term variable compensation increased compared to the previous year, which is primarily due to the improvement in EBITDA in 2022 compared to 2021 and the more accurate achievement of budget.

Long-term variable compensation (realised)

The transfer amount of the Performance Share Units (PSUs) and Restricted Stock Units (RSUs) granted in 2020 into shares to be transferred as at the end of 2022, based on the TSR ranking of Zur Rose and the revenue target achieved amounted to 45.5 per cent.

1.3 Outlook 2023

- Long-term variable compensation of the Executive Board:
 - A. Discontinuation of Restricted Stock Units and fully replace them with Performance Share Units
 - B. Replacement of revenue growth as a performance condition with ambitious share price targets to reinforce a rapid increase in the value of the company in the interest of our shareholders
- Clawback: Introduction of clawback provisions in long-term variable compensation for the Executive Board
- Shareholding guidelines: Introduction of shareholding guidelines for the members of the Board of Directors and the Executive Board

1.4 Governance

Each year, the shareholders of Zur Rose approve the maximum aggregate amounts of fixed compensation for the members of the Board of Directors and the Executive Board, as well as the amount of variable compensation for the Executive Board. Shareholders also have the opportunity to express their opinion on the Compensation Report in an advisory vote. In addition, the principles governing compensation are subject to the Articles of Association, which are also approved by the shareholders.

The Compensation and Nomination Committee supports the Board of Directors in establishing and reviewing the compensation policy and guidelines and in preparing proposals for submission to the General Meeting of Shareholders on the compensation of the Board of Directors and the Executive Board. It also makes recommendations regarding the appointment of members of the Board of Directors and Executive Board for the attention of the Board of Directors.

2 Summary of adjustments made in 2022

The 2021 Compensation Report received an approval rate of 78.2 per cent at the 2022 General Meeting of Shareholders. Following this result, Zur Rose actively engaged in dialogue with the shareholders and shareholder representatives to understand and address their concerns. The issues raised by shareholders relate either to the compensation programmes of the Executive Board or how they are disclosed. These topics are summarised and discussed below.

SHAREHOLDER FEEDBACK	ADJUSTMENTS/ZUR ROSE RESPONSE
Disclosure of compensation Short-term variable compensation (STI): Lack of transparency of the relationship between performance and short-term, variable compensation	<p>Zur Rose has improved disclosure with regard to the degree of target achievement for short-term variable compensation. The table now also contains the payout as a percentage for the individual financial objectives.</p> <p>In addition, individual items in the compensation table for the Executive Board relating to the annual changes of compensation are explained in detail in order to improve the transparency of compensation decisions.</p>
Compensation system Restricted Stock Units: 1/3 of long-term variable compensation is paid in blocked shares and not subject to any performance conditions	<p>To further strengthen the relationship between performance and compensation, Zur Rose has decided to discontinue the Restricted Stock Units, which previously accounted for 1/3 of long-term variable compensation, with effect from 2023. They will be replaced by Performance Share Units in the LTI. Long-term variable compensation will therefore be based entirely on the future performance of Zur Rose over a period of three years. The performance conditions continue to be based half on relative TSR and half on revenue targets.</p> <p>Further details are described in Chapter 6 Outlook.</p>
LTI clawback provisions: The variable compensation plans do not include clawback conditions	<p>Zur Rose has decided to supplement the current forfeiture provisions in the long-term variable compensation plan with clawback provisions. The Compensation and Nomination Committee can claw back future long-term variable compensation payments in the event of restatements of the accounts due to material breaches of the applicable accounting regulations or individual misconduct.</p> <p>Further details are described in Chapter 6 Outlook.</p> <p>The provisions apply to the long-term variable compensation granted in 2023.</p>
Shareholding guidelines: No shareholding guidelines for the members of the Board of Directors and the Executive Board	<p>Zur Rose will introduce shareholding guidelines for the members of the Board of Directors and the Executive Board as of 1 January 2023. The purpose of these is to align managers with the long-term interests of shareholders and strengthen them.</p> <p>Further details are described in Chapter 6 Outlook.</p>

3 Governance

3.1 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 the Executive Board. First, the shareholders annually approve the maximum total amounts of compensation for the members of the Board of Directors and the Executive Board. In addition, the principles governing compensation are subject to the Articles of Association, which are also approved by the shareholders. The Articles of Association can be viewed [online](#). 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 corresponding 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 regarding the total amounts for the maximum fixed compensation of the Board of Directors and for the maximum fixed and variable compensation of the Executive Board.

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

Principles of compensation of the members of the Board of Directors and the Executive Board

(Art. 27): The compensation of the non-executive members of the Board of Directors consists of fixed and 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 Executive Board 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 the Executive Board may be granted on market conditions. The total amount of such outstanding loans and credits may not exceed the total annual remuneration of that member.

3.2 Compensation and Nomination Committee

The Articles of Association specify that the Compensation and Nomination Committee consists of three members of the Board of Directors, each elected individually every year by the General Meeting of Shareholders. 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 the Executive Board. It also makes recommendations regarding the appointment of members of the Board of Directors and Executive Board for the attention of the Board of Directors.

LEVELS OF RESPONSIBILITY

Decision on:	CEO	CoB	CNC	Board of Directors	General Meeting of Shareholders
Compensation policy, including structuring of variable compensation			Recommends	Approves	
Performance criteria for the compensation of the members of the Executive Board	Recommends		Proposes	Approves	
Maximum total compensation of the Board of Directors and Executive Board			Recommends	Proposes	Approves (binding vote)
Individual compensation Chairman			Proposes	Approves	
Performance assessment and individual compensation CEO		Recommends	Proposes	Approves	
Individual compensation of the members of the Board of Directors			Proposes	Approves	
Performance assessment and individual compensation of the members of the Executive Board (excluding the CEO)	Recommends		Proposes	Approves	
Compensation Report			Recommends	Approves	Advisory vote

CEO = Chief Executive Officer, CoB = Chairman of the Board, CNC = Compensation and Nomination Committee

At the 2022 General Meeting of Shareholders, Walter Oberhänsli was elected Chair and Rongrong Hu and Florian Seubert were elected members of the Compensation and Nomination Committee. The members of the Compensation and Nomination Committee 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 Compensation and Nomination Committee 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 Compensation and Nomination Committee 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 Executive Board may attend the meetings in an advisory capacity upon invitation, but are not present during the discussion and determination of their own compensation. The Compensation and Nomination Committee meets at least twice a year. In 2022 it held six meetings and considered, amongst other things, the recurring agenda items mentioned below. The meetings lasted one hour and ten minutes on average. All members of the Compensation and Nomination Committee attended all meetings.

The Compensation and Nomination Committee may engage the services of an external consultant in compensation matters from time to time. In 2020, hkp Deutschland GmbH were appointed to carry out a benchmarking exercise for the compensation of the Executive Board. This firm holds other appointments from the Zur Rose Group. In addition, in 2021 Agnès Blust Consulting AG were appointed to carry out a benchmarking exercise for the compensation of the Board of Directors. This firm holds no other appointments from the Zur Rose Group. In 2022, the Compensation and Nomination Committee sought advice from HCM International Ltd. as an external, independent compensation consultant. This firm holds no other appointments from the Zur Rose Group. The Compensation and Nomination Committee may also consult internal experts on compensation issues, such as the Chief Executive Officer, the Chief Financial Officer and the Group Head of Human Resources.

3.3 Determination procedure and disclosure of compensation

Benchmarking of the Board of Directors

Every two to three years the compensation of the Board of Directors is compared with standard practice at other Swiss industrial companies. An in-depth review of the compensation of the Board of Directors was carried out in 2021 to determine how competitive it is in terms of structure and overall amount. To gain a full overview of market practice, a peer group was created of 23 Swiss companies of similar size in terms of market capitalisation, income and headcount. The analysis revealed that the compensation structure was in line with standard market practice; the level of compensation, by contrast, was slightly below the market median. In 2022 the Board of Directors decided to increase the compensation levels with effect from 1 January 2022.

Peer group

Also	Belimo	Bossard	Bucher Industries	Bystronic
Dätwyler	Dormakaba	Emmi	Forbo	Galenica
Inficon	Interroll	Landis+Gyr	LEM	Medacta
OC Oerlikon	Schweiter Technologies	SFS	Siegfried	Stadler Rail
Sulzer	Tecan	Ypsomed		

Following the review of the compensation of the Board of Directors in 2021, the Compensation and Nomination Committee also reviewed compensation at subsidiary BlueCare.

Benchmarking of the Executive Board

Every two to three years the Compensation and Nomination Committee benchmarks the compensation of Executive Board 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 Executive Board was last carried out in 2021, to determine how competitive it is in terms of structure and overall amount. The peer group 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.

Peer group

AO World	APG SGA	Arbonia	Ascom	Bobst
	Burckhardt			
Bossard	Compression	Burkhalter	Bystronic	Comet
Dätwyler	Delticom	Hawesko	Huber+Suhner	Inficon
Interroll	Kardex	Komax	Kudelski	Metall Zug
Rieter	Schweiter Technologies	Siegfried	SRP	u-blox
Zooplus				

The Compensation and Nomination Committee used the peer group data as a basis to analyse the compensation of the CEO and the Executive Board and to set the target compensation of the individual members of the Executive Board for the year under review.

Performance management process

The actual compensation of the individual members of the Executive Board is based on the Company's success and their personal performance. 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.

4 Compensation of the members of the Board of Directors

4.1 Principles of compensation for 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.

4.2 Compensation structure

The compensation system for the Board of Directors is primarily intended to ensure it acts independently in overseeing the Executive Board. Board members therefore receive only a fixed fee for their services for each term of office. The basic compensation (retainer) is paid 70 per cent in cash and 30 per cent in registered shares of the Company with a three-year vesting period. In addition to the basic compensation they receive cash compensation for serving on various committees. The size of the fee reflects the function (chair, vice-chair or member) and memberships and functions in the Board's committees and is not discretionary. Based on the 2021 benchmarking exercise, the compensation for the various functions on the Board was increased with effect from 1 January 2022. Depending on the role, the following compensation is paid:

Compensation for the Board of Directors for 2022

In CHF 1,000 (gross p.a.)	Total compensation	Of which in cash	Of which in shares
Chair	340	238	102
Vice Chair	180	126	54
Director	130	91	39

The following compensation is paid solely in cash for serving on committees (for 2022):

In CHF 1,000 (gross p.a.)	Cash compensation
Committee chair	40
Committee member	20

The compensation up to the end of 2021 amounted to CHF 300,000 for the Chair, CHF 130,000 for the Vice Chair and CHF 100,000 for the members. The compensation for serving on committees was previously CHF 20,000 for the Chair and CHF 10,000 for the members.

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. In all other instances, the shares remain blocked. 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. Individual members are insured with the Zur Rose pension fund, if required by law.

No additional outlays were incurred for individual members of the Board during the year under review.

4.3 Compensation paid to the Board of Directors in 2022

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

For 2022, the members of the Board of Directors received fixed fee of CHF 1,033,000 (2021: CHF 805,000), compensation of CHF 193,000 for serving on committees (2021: CHF 83,000) and social security contributions of CHF 89,000 (2021: CHF 49,000). Of the total compensation of CHF 1,315,000 (2021: CHF 937,000), CHF 316,000 (2021: CHF 224,000) was awarded in the form of shares with a blocking period of three years. The fixed compensation for members of the Board of Directors who had been members for the past three years was higher than in the previous year. The table below shows the compensation paid to members of the Board of Directors in 2022.

Name, function ¹⁾	Fixed gross compensation in cash		Fixed gross compensation in shares		Committee fee in cash		Social security contributions		Total ^{2) 3)}	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
1,000 CHF										
Walter Oberhänsli ⁴⁾ (Chair since 28 April 2022)	159	-	70	-	41	-	13	-	283	-
Prof. Stefan Feuerstein (Vice Chair since 28 April 2022)	163	210	72	81	40	-	27	17	302	308
Dr. Thomas Schneider (Vice Chair until 28 April 2022)	30	91	13	35	13	20	4	8	61	154
Prof. Dr. Volker Amelung ⁴⁾ (Director)	30	70	13	27	18	34	11	10	72	141
Prof. Dr. Andréa Belliger ⁴⁾ (Director)	91	47	40	18	27	9	22	5	180	79
Tobias Hartmann (Director)	-	23	-	9	-	-	-	-	-	32
Rongrong Hu (Director)	61	-	27	-	13	-	13	-	114	-
Dr. Christian Mielsch (Director)	91	70	40	27	20	10	-	-	151	107
Florian Seubert (Director)	91	70	40	27	20	10	-	8	151	115
Board of Directors	716	581	316	224	193	83	89	49	1,315	937

1) As at 31 December 2022, six members of the Board of Directors were in office (31 December 2021: seven members).

Dr Thomas Schneider and Prof. Dr. Volker Amelung stepped down from the Board of Directors at the Annual General Meeting of Shareholders on 28 April 2022. At the same time, Walter Oberhänsli and Rongrong Hu were elected to the Board.

Walter Oberhänsli (former Executive Director and CEO) was elected to the Board of Directors as Chair and as non-executive director. Prof. Stefan Feuerstein served as Chair until 28 April 2022 and then took on the position of Vice Chair.

Tobias Hartmann stepped down from the Board of Directors and Andréa Belliger was elected to the Board at the Annual General Meeting of Shareholders on 29 April 2021.

2) The relevant fair value on the day of allocation of CHF 120.60 (2021: CHF 304.00) per share is the closing share price of that day on the Swiss stock exchange; this may differ slightly from the contractually determined amount of the fee in shares because the number of shares allocated under the share-based fee is set using the volume-weighted average daily closing price for the 20 days prior to the allocation of the shares.

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 fees include a Board of Director's fee for a subsidiary amounting to CHF 14,000 each for Prof. Dr. Volker Amelung (pro rata for 2022) and Prof. Dr. Andréa Belliger (pro rata for 2021), plus CHF 21,500 for Walter Oberhänsli (pro rata for 2022).

At the Annual General Meeting of Shareholders on 28 April 2022, the shareholders approved a maximum total amount of fixed compensation for the Board of Directors for 2022 of CHF 1,330,000. The compensation for 2022 granted to the Board of Directors and as disclosed in the table above is within the maximum authorised total amount.

Compensation to former members of the Board of Directors and loans

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

5 Compensation of the members of the Executive Board

5.1 Principles of compensation for the Executive Board

The value and success of Zur Rose largely depends on the quality and commitment of its employees. Its compensation policy pursues 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' long-term interests.

The compensation system is based on the following principles:



5.2 Compensation structure

The compensation system for the Executive Board 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 Executive Board 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 Executive Board. The individual compensation of the members of the Executive Board consists of an annual base salary and short-term and long-term variable, performance-related compensation, as well as pension and fringe benefits (company car).

The Company may reimburse members of the Executive Board for expenses in the form of reimbursement of actual expenses incurred and/or an expense allowance within the limits permissible for tax purposes. This does not count as compensation.

COMPENSATION STRUCTURE

Element	Purpose	Instrument	Performance criterion	Performance period	Determinants
Annual base salary	Recruitment, retention, motivation	Cash compensation	–	–	Position, qualification, market rates
Short-term variable compensation	Rewarding performance	In cash	Revenue, EBITDA, individual targets	1 year	Financial result and qualitative performance
Long-term variable compensation	Rewarding sustainable value creation, Alignment with shareholders' interests	Shares (2/3 in Performance Share Units and 1/3 in Restricted Stock Units)	Revenue growth, relative Total Shareholder Return	3 years	Success of the Group, share price performance, competitive position
Pension and fringe benefits	Protection against risks	Pension plan, insurance plans, fringe benefits	–	–	Market rates and legal requirements

Annual base salary

Base salaries are determined in line with the scope and responsibilities of a given position and the qualifications required to perform the job, comparison against market and the personal qualifications, experience and performance of each member of the Executive Board. Payment is made monthly in cash. To ensure market competitiveness the base salaries of the Executive Board are reviewed regularly, taking into account the Company's income, the results of the peer group analysis, market performance, the economic environment and personal performance.

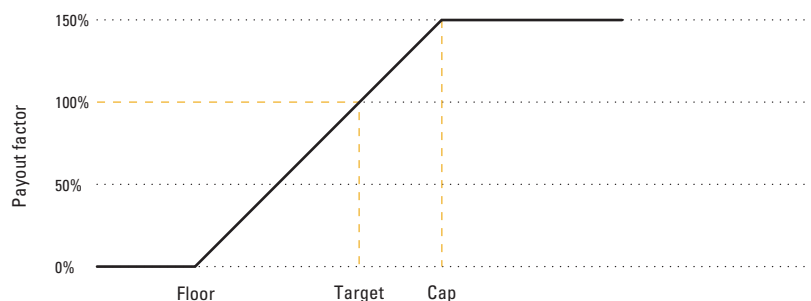
Short-term variable compensation

Short-term variable compensation is a performance bonus that recognises both the Group's financial performance and 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 the annual base salary and is 45 per cent for the CEO and between 27 per cent and 55 per cent for the other members of the Executive Board. The performance bonus can be a total of zero up 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. To measure the short-term variable components, the financial targets of the Group or segments may be between 40 and 60 per cent and individual targets between 40 and 60 per cent.

The financial metrics during the year under review continued to be revenue and earnings targets. These 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. The basis for measuring the short-term variable components was 50 per cent revenue and income targets of the Group and 50 per cent individual targets.

For each target, an expected level of performance (target) is defined based on the budget and strategy. 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 Executive Board.



Targets are not published as disclosure would provide insight into Zur Rose's forward-looking strategy and 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. Details on the payment of short-term variable compensation can be found in the notes to the compensation table.

Long-term variable compensation (performance-based share plan)

The performance-based share plan is intended to enable the members of the Executive Board and selected executives of Zur Rose and its subsidiaries to participate in the Company's sustainable and long-term growth. In the performance-based share plan, the performance criteria are concentrated on the dedicated growth strategy, and entrepreneurial focus directed to the share price and the competition. In addition to revenue growth, relative Total Shareholder Return (TSR), 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 for allocations for the year under review. The changes to the performance-based share plan for 2023 are explained in the "Outlook" section.

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;
- (d) is intended to be an attractive incentive instrument compared with competitors and have a strong impact on retention.

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. 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 Stock Units (RSUs). The PSUs and RSUs are blocked for a period of three years. The total amount in Swiss francs granted to members of the Executive Board 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 PSUs and RSUs are granted. However, the Board of Directors reserves the ability to make a reduced grant of PSUs and RSUs, provided this remains within the limits of what is permitted by law and under the Articles of Association.

Role	CEO	Other members of the Executive Board
Target (nominal amount of grant)	59% of annual base salary	Between 3% ¹⁾ and 63% of annual base salary
Maximum opportunity	166% of target	166% of target

1) The low share is due to former members who only received a pro rata allocation in the year under review.

Conditions of transfer

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 PSUs and RSUs are converted into shares. At that point, the number of shares to be transferred is calculated by multiplying the number of PSUs granted by the target achievement factor. The target achievement factor for the PSUs is based half on the performance achievement of the relative TSR and half on the performance achievement of the revenue objective. The target achievement factor is restricted to a lower limit of 0 and an upper limit of 2. The number of RSUs is not subject to a target achievement factor.

TSR refers to the 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.

Individual peer group

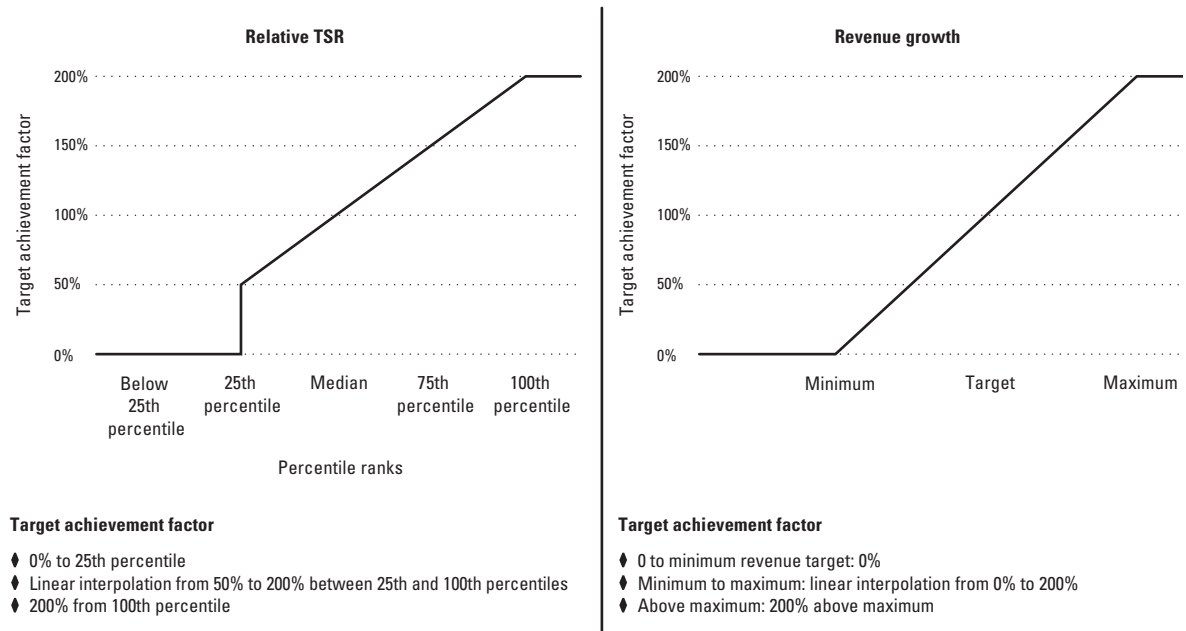
AO World	ASOS	Boohoo	Delivery Hero	Delticom
HolidayCheck	Home24	Just Eat	Ocado	Scout24
Shop Apotheke Europe	Spotify	Trivago	Zalando	Zooplus

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 calculated in this way is ranked for each group. The relative positioning of Zur Rose is determined using the ranking achieved. If the positioning of Zur Rose is at the median (50th percentile), this is equivalent to a target achievement factor of 1.0. If the positioning of Zur Rose is at the 25th percentile, the target achievement factor is 0.5; positioning below the 25th percentile results into an achievement factor of zero. If Zur Rose is positioned at or above the 100th percentile, 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 targets are not disclosed. Disclosure of the targets would provide an insight into the Zur Rose forward-looking strategy and thus lead to a competitive disadvantage for the Group. After transfer, the shares are no longer subject to a vesting period and the members of the Executive Board may freely dispose of them.

Instrument	Performance Share Units 2/3 of allocation		Restricted Share Units 1/3 of allocation
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 based on growth	Not subject to any target and hence amount remains unchanged
Weighting	50% of 2/3 of the grant	50% of 2/3 of the grant	1/3 of the grant
Performance condition	Relative TSR	Revenue growth	None
Other condition	Employment relationship without notice during the vesting period		

Payout arrangements

At the time of transfer, the performance of the relative TSR and the percentage revenue growth are measured and set in line with the two payout factors as follows:



In the event of a delisting, acquisition of the majority of the shares or winding up of Zur Rose, for whatever reason, the plan will be terminated early by the Board of Directors and all PSUs and RSUs granted will be converted and transferred, on a pro rata temporis basis of the grant year.

In the event of termination of employment due to the disability or death of the participant, the PSUs and RSUs granted will be converted within one month of notification and transferred as shares, provided the grant thereof has already been approved by the General Meeting of Shareholders. Granted PSUs and RSUs that have not yet been approved by the General Meeting of Shareholders will not be converted and transferred as shares until the General Meeting of Shareholders has approved. Granted PSUs and RSUs are adjusted on a pro rata temporis basis to the starting year and multiplied by a target achievement factor of 1.0.

If employment is terminated by Zur Rose or a subsidiary without the participant having given any grounds for termination by their performance or conduct or due to retirement age, the standard provisions regarding the conversion date and target achievement factor remain unchanged. However, the granted PSUs and RSUs are adjusted on a pro rata temporis basis to the starting year. The same applies in the event of termination of the participant’s employment for cause.

If employment is terminated by Zur Rose or a subsidiary because the participant has given grounds for termination by their performance or conduct or for cause or is terminated by the participant without cause, the PSUs and RSUs are forfeit without compensation.

Anti-hedging and anti-pledging provisions

PSUs and RSUs granted under the plan are not tradable and may not be assigned, pledged or transferred. Hedging against price risks is also forbidden.

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 Executive Board 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. Members of the Executive Board with a Swiss employment contract are members of the Zur Rose pension plans open to all employees in Switzerland. These comprise a basic pension from the ALSA PK collective foundation, which insures salaries up to CHF 129,060 per year, plus a supplementary pension (1e pension) from the PensFlex collective foundation, which insures basic salaries above this limit up to the legally permitted maximum. Members of the Executive Board with a foreign employment contract receive pension insurance commensurate with the market and their position.

Fringe benefits

Members of the Executive Board also receive expenses in line with the expenses regulations and a company car as a fringe benefit. Other benefits may be provided as part of international assignments (including tax compensation). The 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 Executive Board are employed under permanent employment contracts with individual notice periods up to a maximum of 12 months. The members of the Executive Board are not entitled to any contractual sign-on or severance payments or special change of control provisions, except for the accelerated vesting of the long-term compensation plan as explained above. Under the Articles of Association of Zur Rose, employment contracts may contain competition and poaching bans up to a maximum of one year and specify compensation up to one year's salary.

5.3 Compensation paid to the members of the Executive Board in 2022

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

In 2022 the members of the Executive Board received total compensation of CHF 7,431,000 (2021: CHF 6,131,000). This amount includes annual base salaries of CHF 3,469,000 (2021: CHF 2,982,000), short-term variable compensation of CHF 1,446,000 (2021: CHF 747,000), long-term compensation of CHF 1,496,000 (2021: CHF 1,393,000), fringe benefits of CHF 138,000 (2021: CHF 190,000) and pension benefits of CHF 883,000 (2021: CHF 819,000).

The table below shows the fixed and variable compensation and the total compensation allocated to the members of the Executive Board for 2022 and 2021. The former CEO Walter Oberhänsli stepped down from his position at the end of April 2022 and Walter Hess took over as CEO as of May 2022.

Executive Board ¹⁾	Variable compensation												Total	
	Annual base salary in cash		Short-term in cash		Long-term in shares ²⁾				Fringe benefits ³⁾		Pension benefits ⁴⁾			
	2022	2021	2022	2021	PSU		RSU		2022	2021	2022	2021		
CHF 1,000	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Total compensation of the Executive Board														
	3,469	2,982	1,446	747	953	829	543	564	138	190	883	819	7,431	6,131
Of which: CEO ⁵⁾														
	617	650	277	184	199	187	166	93	13	34	173	191	1,445	1,339

- 1) On 31 December 2022, seven members of the Executive Board were in office. Of these, two new members joined or were promoted to the Executive Board during the year, and one member was promoted within the Executive Board. The total compensation of the three members of the Executive Board who stepped down in the year under review includes contractual obligations during their notice period. On 31 December 2021, eight members of the Executive Board were in office, one of whom had joined during the course of the year.
- 2) The nominal target value of the performance-based share plan granted in 2022 for the performance period 2022 to 2024 and in 2021 for the performance period 2021 to 2023. Including additional PSUs and RSUs for a member of the Executive Board depending on qualitative target achievement in 2021, due to expansion of the role within the Executive Board.
- 3) Including all other compensation and benefits such as company cars, expenses in connection with assignments and Board of Directors fees from subsidiaries.
- 4) Includes social security contributions where they result in a pension entitlement. Additional amounts that do not result in an increased pension entitlement are not included (additional amounts not included in the above amount in 2022: CHF 364,769, of which CHF 88,356 relates to the CEO; in 2021: CHF 323,141, of which CHF 79,809 relates to the CEO).
- 5) Highest total compensation 2022: Walter Hess, CEO. Highest total compensation 2021: Walter Oberhänsli, CEO

EFFECTIVE COMPENSATION OF THE EXECUTIVE BOARD (EXCLUDING THE HIGHEST-PAID MEMBER) ¹⁾

In per cent



■ Fixed annual base salary
■ Short-term variable compensation
■ Long-term variable compensation

EFFECTIVE COMPENSATION OF THE HIGHEST-PAID MEMBER OF THE EXECUTIVE BOARD ¹⁾

In per cent



■ Fixed annual base salary
■ Short-term variable compensation
■ Long-term variable compensation

1) The compensation of the highest-paid member of the Executive Board includes pro-rated compensation as CEO and Head Germany

Notes to the compensation table

- **Changes to the Executive Board:** At 31 December 2022 the Executive Board consisted of seven members, five of whom had been members for the whole year. Walter Hess was promoted to CEO within the Executive Board and Walter Oberhänsli simultaneously stepped down as CEO and was elected as Chair of the Board of Directors of Zur Rose. In the previous year, there were eight members of the Executive Board, seven of whom had been members for the entire year.
- **Annual base salary:** The annual base salary in 2022 was higher than in the previous year due to the changes to the Executive Board.
- **Payment of short-term variable compensation:** The short-term variable compensation in 2022 was higher than in the previous year. Further information is provided below. No discretion was applied in determining the effective short-term variable compensation for 2022.
- **Grant of long-term variable compensation:** The grant value of long-term variable compensation increased by 7.4 per cent compared to the previous year due to the changes to the Executive Board mentioned above.
- Total variable compensation amounted to 85 per cent of the average annual base salary or 66 per cent of average total fixed compensation (annual base salary plus amounts from fringe benefits and pension benefits). For the new CEO Walter Hess, total variable compensation amounted to 104 per cent of the annual base salary and 80 per cent of total fixed compensation.
- **Fringe and pension benefits:** Fringe benefits and pension benefits were one percentage point higher than in the previous year.
- **Change in total compensation:** Total compensation paid to the Executive Board for 2022 amounted to CHF 7,431,000. This equates to a year-on-year increase of 21 per cent.

Payment of short-term variable compensation

The measurement of short-term variable bonus payments is largely based on the performance of revenue and EBITDA at Group level compared to budget and qualitative factors. Consequently, the achievement of targets for short-term variable compensation for 2022 resulted in an effective payment of 80 to 111 per cent (2021: 41 to 100 per cent) for the Executive Board, and 108 per cent (2021: 61 per cent) for the CEO.

The short-term variable compensation increased compared to the previous year, which is primarily due to the improvement in EBITDA in 2022 compared to 2021 and the more precise achievement of budget.

Expressed as a percentage of fixed compensation for the year, the short-term variable compensation is equivalent to 27 to 55 per cent for the Executive Board and 45 per cent for the CEO. The degree of target achievement for short-term variable compensation for 2022 increased year on year and amounted to 103 per cent in the year under review (previous year: 65 per cent). The effective short-term variable compensation per person for 2022 was increased accordingly.

Overview of short-term variable compensation payments

Variable	Weighting	Target payout (100%)
Group financial targets	40% – 60%	
Group / segment revenue		33% – 127%
Group / segment EBITDA		66% – 150%
Individual targets	40% – 60%	
Net working capital, cash flow, strategic initiatives, etc.		50% – 150%
Total	100%	The total payout for the Executive Board amounts to 103% (2021: 65%)

Conversion of long-term variable compensation

In 2022, the members of the Executive Board are granted a performance based share plan in the amount of CHF 1,496,000 in total. This is equivalent to 26,907 PSUs and 14,016 RSUs. The performance period for the PSUs will end on 31 December 2024, based on the trend in relative TSR and revenue growth between 2022 and 2024. The number of RSUs remains unchanged.

Transfer of PSUs and RSUs granted in previous years

Under the performance-based share plan for the performance period 2020 to 2022, a revenue target achievement factor of 36.6 per cent was achieved. The TSR target achievement factor was zero per cent. A total of 5,105 shares will be paid out to the members of the Executive Board (including the CEO). Overall, the value of these shares as at 31 December 2022 was significantly below the value at grant.

The final amount of the PSUs and RSUs granted under the performance-based share plan 2020 (performance period 2020 to 2022) in shares to be transferred at the end of 2022, based on the TSR ranking of Zur Rose compared to the peer group and the revenue target achieved was 45.5 per cent. No discretion was applied in determining the final amount.

Year of grant	Year of vesting	Allocation amount in per cent ¹⁾
2019	2021	156%
2020	2022	45.5%
2021	2023	Outstanding ²⁾
2022	2024	Outstanding ²⁾

1) Allocation amount of the PSUs granted. Members of the Executive Board who join after the corresponding performance-based share plans have been granted are not entitled to take part in these allocations.

2) The performance period is not yet completed. The final amount to be allocated of the PSUs granted is available once the performance period is completed.

At the Annual General Meeting of Shareholders on 29 April 2021, the shareholders approved a maximum total amount of fixed compensation for the Executive Board for 2022 of CHF 3.90 million. This amount consists of the annual base salary, fringe benefits and pension benefits. The total compensation of CHF 4.26 million paid to the Executive Board in 2022 exceeds the maximum total amount of CHF 3.90 million approved for 2022 by the shareholders at the Annual General Meeting of Shareholders in 2021 for seven members. In 2022, two new members were appointed to the Executive Board and one member was promoted to CEO from within the Executive Board. At the same time, contractual payments due to two members of the Executive Board who stepped down were paid during their notice period. As a result, the fixed basic compensation increased, so that, as stipulated in the Articles of Association, the Board of Directors granted a supplementary amount of up to a maximum of 50 per cent of the most recently approved total compensation of the members of the Executive Board to newly appointed members and members promoted within the Executive Board.

This supplementary amount under the Articles of Association for new members equates to CHF 1.95 million. Matthias Peuckert, Head Germany, was appointed to the Executive Board as of 1 April 2022 and Kaspar Niklaus, Chief Operations Officer, as of 1 November 2022. Initially, the amount of CHF 74,000 was allocated until the maximum approved amount of CHF 3,900,000 was exhausted, and then a total amount of CHF 364,000 was allocated, of which CHF 301,000 was paid to Matthias Peuckert and CHF 63,000 to Kaspar Niklaus.

The variable compensation awarded to the Executive Board for 2022 disclosed in the table above will be submitted to the 2023 Annual General Meeting of Shareholders for approval.

Loans and compensation to former members of the Executive Board and related parties

During the year under review, a non-compete compensation for one year in the amount of CHF 175,000 was paid to a former member of the Executive Board. No compensation was paid to related parties to the members of the Executive Board. No loans were granted to members of the Executive Board in the course of the financial year. The total amount of loans outstanding on market terms to members of the Executive Board as at 31 December 2022 amounts to CHF 172,196 and was granted to Emanuel Lorini in his role as Head Switzerland. There were no loans outstanding to related parties to members of the Executive Board or former members of the Executive Board that were not on market terms.

Information on the shares held by members of the Board of Directors and the Executive Board can be found in the Financial Report on page 139.

6 Outlook for 2023

Following an in-depth analysis of the compensation system applicable to the Executive Board, the Compensation and Nomination Committee proposed a number of changes. These have been approved by the Board of Directors and will be implemented for 2023.

6.1 Restricted Stock Units

The RSUs, which previously counted one-third of the long-term variable compensation will be discontinued in 2023 and be replaced by PSUs in the LTI. Long-term variable compensation will therefore be based entirely on the future performance of Zur Rose over a period of three years. The performance conditions are weighted equally, 50% based on the relative TSR and 50% based on the ambitious share price targets. This approach is in line with the company's performance-based compensation philosophy and standard market practice.

6.2 LTI clawback provisions

The current forfeiture provisions of the long-term variable compensation plan will be supplemented by clawback provisions. Where failure to comply with accounting standards or fraud and/or breaches of the law or internal regulations result in restatement of the accounts, or in cases of individual misconduct, the Board of Directors may claw back shares allocated within three years of the year in which the restatement occurred or the fraudulent conduct took place.

The provisions already apply to the long-term variable compensation granted in 2023.

6.3 ESG (environmental, social and governance) criteria for the compensation of members of the Executive Board

In 2020 Zur Rose began to develop a systematic approach to sustainability applicable to the entire Group, taking into account economic, social and environmental objectives. In order to integrate ESG criteria into variable compensation, specific, measurable and realistic targets must be derived and formulated. This requires that the sustainability approach is embedded in the Zur Rose business model and certain experience gained with the objectives. Zur Rose has since gone through this development process and ESG criteria will be included in the short-term variable compensation from 2023 onwards.

6.4 Shareholding guidelines for the members of the Executive Board and the Board of Directors

Zur Rose introduces shareholding guidelines for the members of the Board of Directors and the Executive Board from 1 January 2023, to align them with the long-term interests of shareholders and further strengthen Corporate Governance.

Shareholding guidelines for the members of the Executive Board

Members of the Executive Board are obliged to build up and maintain a minimum amount of Zur Rose shares within five years of their appointment to the Executive Board (or the introduction of the guidelines):

Role	Minimum shareholding
CEO	200% of annual base salary
Member	100% of annual base salary

In the event of a significant change in the share price, the Board of Directors may change the above period at its own discretion.

All shares are taken into account when calculating whether the minimum shareholding is satisfied, regardless of whether they are blocked or not. However, PSUs and RSUs that have not yet been transferred are not included. The CNC checks compliance with the shareholding guidelines on an annual basis.

Shareholding guidelines for members of the Board of Directors

Members of the Board of Directors are obliged to build up and maintain a minimum amount of Zur Rose shares within five years of their appointment to the Board (or implementation of the new guidelines).

Role	Minimum shareholding
Chair and director	100% of total annual compensation

In the event of a significant change in the share price, the Board of Directors may change the above period at its own discretion.

All shares are taken into account when calculating whether the minimum shareholding is satisfied, regardless of whether they are blocked or not. The CNC checks compliance with the shareholding guidelines on an annual basis.



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To the General Meeting of
Zur Rose Group AG, Steckborn

Zurich, 22 March 2023

Report of the statutory auditor on the audit of the remuneration report



Opinion

We have audited the remuneration report of Zur Rose Group AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked "audited" on page 62 and page 69 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report complies with Swiss law and Art. 14-16 VegüV.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the remuneration report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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.



Other information

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

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report 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.



Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is 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 and SA-CH 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 this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

/s/ Jolanda Dolente

Jolanda Dolente
Licensed audit expert
(Auditor in charge)

/s/ Michael Britt

Michael Britt
Licensed audit expert

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Consolidated Financial Statements of Zur Rose Group

Consolidated Income Statement

		2022		2021	
	Notes	CHF 1,000	%	CHF 1,000	%
Net revenue	5	1,608,222	100.0	1,726,503	100.0
Other operating income	7	23,130		6,747	
Cost of goods	8	-1,362,595		-1,466,457	
Personnel expenses	9	-155,595		-148,350	
Other operating expenses	10	-190,819		-261,077	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		-77,657	-4.8	-142,634	-8.3
Depreciation, amortisation and impairment	19-21	-62,630		-51,143	
Earnings before interest and taxes (EBIT)		-140,287	-8.7	-193,777	-11.2
Share of results of joint ventures and associates	18	-1,487		-8,548	
Finance income	11	3,116		579	
Finance expenses	11	-31,211		-24,938	
Earnings before taxes (EBT)		-169,869	-10.6	-226,684	-13.1
Income tax income / (expense)	12	-1,246		949	
Net income / (loss)		-171,115	-10.6	-225,735	-13.1
Attributable to Zur Rose Group AG shareholders		-171,115		-225,735	
		CHF 1		CHF 1	
Net income / (loss) per share	29	-15.88		-23.40	
Diluted net income / (loss) per share	29	-15.88		-23.40	

Consolidated Statement of Comprehensive Income

		2022	2021
	Notes	CHF 1,000	CHF 1,000
Net income / (loss)		-171,115	-225,735
Exchange differences on translation of foreign operations		-14,224	-17,832
Other comprehensive income to be reclassified in subsequent periods to the income statement		-14,224	-17,832
Remeasurement pensions	28	4,861	5,642
Income tax	23	-834	-888
Share of other comprehensive income of joint ventures and associates		211	0
Other comprehensive income not to be reclassified in subsequent periods to the income statement		4,238	4,754
Other comprehensive income / (loss)		-9,986	-13,078
Total comprehensive income / (loss)		-181,101	-238,813
Attributable to Zur Rose Group AG shareholders		-181,101	-238,813

Consolidated Balance Sheet

ASSETS	Notes	31.12.2022		31.12.2021	
		CHF 1,000	%	CHF 1,000	%
Cash and cash equivalents	13	126,042		277,742	
Current financial assets	31	30,360		460	
Trade receivables	14	129,351		131,962	
Prepaid expenses	15	11,021		21,505	
Other receivables	16	15,930		13,007	
Inventories	17	83,180		92,464	
Current assets		395,884	36.0	537,140	42.3
Investments in joint ventures and associates	18	1,645		1,996	
Property, plant and equipment	19	60,275		59,628	
Right-of-use assets	20	36,533		39,075	
Intangible assets	21	571,906		595,362	
Non-current financial assets	22	28,410		29,361	
Deferred tax assets	23	4,792		6,652	
Non-current assets		703,561	64.0	732,074	57.7
Total assets		1,099,445	100.0	1,269,214	100.0

Consolidated Balance Sheet

LIABILITIES AND EQUITY		31.12.2022		31.12.2021	
	Notes	CHF 1,000	%	CHF 1,000	%
Current bonds	24	30,229		0	
Current lease liabilities	24	5,278		5,182	
Other current financial liabilities	24	25,714		11,247	
Trade payables		112,781		132,173	
Other payables	25	15,920		14,229	
Tax liabilities		1,999		1,969	
Accrued expenses	26	39,691		43,548	
Short-term provisions	27	9,737		4,189	
Short-term liabilities		241,349	22.0	212,537	16.7
Non-current bonds	24	460,203		485,407	
Non-current lease liabilities	24	32,926		34,563	
Other non-current financial liabilities	24	0		32,766	
Pension obligations	28	7,323		11,371	
Deferred tax liabilities	23	6,865		7,647	
Long-term liabilities		507,317	46.1	571,754	45.1
Total liabilities		748,666	68.1	784,291	61.8
Share capital	29	404,728		335,839	
Capital reserves		659,294		651,048	
Treasury shares	29	-60,670		-31,308	
Retained earnings		-583,912		-416,219	
Exchange differences		-68,661		-54,437	
Equity attributable to Zur Rose Group AG shareholders		350,779	31.9	484,923	38.2
Total equity		350,779	31.9	484,923	38.2
Total liabilities and equity		1,099,445	100.0	1,269,214	100.0

Consolidated Cash Flow Statement

		2022	2021
	Notes	CHF 1,000	CHF 1,000
Net income / (loss)		-171,115	-225,735
Depreciation, amortisation and impairment	19-21	62,630	51,143
Finance expenses (net)		26,964	23,107
Share of results of joint ventures and associates		1,487	8,548
Income tax		1,246	-949
Non-cash income and expenses		-11,683	9,439
Income tax paid		-2,184	-31
Interest paid		-15,989	-14,438
Interest received		485	532
Change in trade receivables, other receivables and prepaid expenses		8,892	-29,043
Change in inventories		6,855	-3,037
Change in trade payables, other liabilities and accrued expenses		-10,700	52,275
Change in provisions		5,825	-2,442
Cash flow from operating activities		-97,287	-130,631
Acquisition of subsidiaries, net of cash acquired	6/24	-2,769	4,144
Disposal of interest in joint ventures and associates	18	2,706	0
Purchase of property, plant and equipment	19	-15,469	-14,621
Disposal of property, plant and equipment	19	271	0
Acquisition of intangible assets	21	-43,820	-48,856
Disposal of intangible assets	21	302	0
Investment in current financial assets	31	-30,000	0
Investments in non-current financial assets	22	-4,141	-2,495
Investments in joint ventures and associates	18	-533	-6,734
Repayment of financial assets	22	3,682	1,233
Cash flow from investing activities		-89,771	-67,329
Net proceeds from capital increases	29	42,055	187,305
Transaction costs of capital increases ¹⁾		-3,454	0
Increase in financial liabilities (net after transaction costs)	24	90,718	0
Repayment of financial liabilities	24	-90,212	-7,580
Purchase of treasury shares		0	-4
Cash flow from financing activities		39,107	179,721
Increase / (decrease) in cash and cash equivalents		-147,951	-18,239
Cash and cash equivalents at the beginning of the year		277,742	300,614
Foreign currency differences		-3,749	-4,633
Cash and cash equivalents at the end of the year		126,042	277,742

1) Includes transaction costs paid related to the authorised capital increase in December 2021

Consolidated Statement of Changes in Equity

	Share capital	Capital reserves	Treasury shares	Retained earnings	Exchange difference	Attributable to Group shareholders	Total equity
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
1 January 2021	315,791	486,807	-31,927	-202,325	-36,605	531,741	531,741
Net income / (loss)				-225,735		-225,735	-225,735
Other comprehensive income				4,754	-17,832	-13,078	-13,078
Total comprehensive income				-220,981	-17,832	-238,813	-238,813
Share-based payments				8,596		8,596	8,596
Issue of new shares for authorised capital increase	19,500	169,000				188,500	188,500
Transaction costs of capital increase		-5,473				-5,473	-5,473
Purchase of treasury shares			-4			-4	-4
Allocation of treasury shares			774	-637		137	137
Issue of new shares for employees	548	714	-151	-872		239	239
31 December 2021	335,839	651,048	-31,308	-416,219	-54,437	484,923	484,923
Net income / (loss)				-171,115		-171,115	-171,115
Other comprehensive income				4,238	-14,224	-9,986	-9,986
Total comprehensive income				-166,877	-14,224	-181,101	-181,101
Share-based payments				4,201		4,201	4,201
Issue of new shares for contingent capital increase	30,000		-30,000			0	0
Issue of new shares for authorised capital increase	33,584	10,075				43,659	43,659
Transaction costs of capital increase		-2,504				-2,504	-2,504
Equity component for issued convertible bond				2,223		2,223	2,223
Allocation of treasury shares			638	-2,158		-1,520	-1,520
Issue of new shares for employees	5,305	675		-5,082		898	898
31 December 2022	404,728	659,294	-60,670	-583,912	-68,661	350,779	350,779

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 22 March 2023 and are subject to approval of the Annual General Meeting on 4 May 2023.

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 the Zur Rose Group AG and its subsidiaries as at 31 December 2022.

An entity is included in the consolidation from the date on which control over the company is transferred to the Zur Rose Group. An entity is removed from the scope of consolidation as of the date on which control over the company ceases.

The following companies were included in the group of consolidated companies of Zur Rose Group AG:

	Share capital		Share of capital	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	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)	27	27	100.0	100.0
Aerztemedika AG, Liestal (CH) ¹⁾	500	n/a	100.0	n/a
apo-rot Service GmbH, Hamburg (DE)	29	29	100.0	100.0
Bluecare AG, Winterthur (CH)	1,288	1,288	100.0	100.0
Centropharm GmbH, Aachen (DE)	30	30	100.0	100.0
Clustertec AG, Baar (CH)	100	100	100.0	100.0
Comventure GmbH, Forst (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)	28	28	100.0	100.0
DocMorris Holding GmbH, Berlin (DE)	6,085	6,085	100.0	100.0
DocMorris Kommanditist B.V., Heerlen (NL) ²⁾	n/a	22	n/a	100.0
DocMorris N.V., Heerlen (NL)	60	60	100.0	100.0
DocMorris Services B.V., Heerlen (NL)	22	22	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
Eurapon B.V., Heerlen (NL) ³⁾	0	0	100.0	100.0
Eurapon Pharmahandel GmbH, Bremen (DE)	28	28	100.0	100.0
Helena Abreu, Unipessoal, Lda, Montemor-o-Novo (PRT)	108	108	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 AG, Frauenfeld (CH)	100	100	100.0	100.0
TeleClinic GmbH, München (DE)	857	857	100.0	100.0
Ultra Pharm Medicalprodukte GmbH, Bad Rothenfelde (DE)	29	29	100.0	100.0
Visionrunner GmbH, Mannheim (DE)	28	28	100.0	100.0
Zur Rose Dutch B.V., Heerlen (NL) ³⁾	0	0	100.0	100.0
Zur Rose Finance B.V., Heerlen (NL) ³⁾	0	0	100.0	100.0
Zur Rose Pharma GmbH, Halle (DE)	8,479	8,479	100.0	100.0
Zur Rose Suisse AG, Frauenfeld (CH)	7,650	7,650	100.0	100.0

1) Acquired in year 2022, see Note 6

2) Merger into DocMorris N.V. in year 2022

3) Share capital of less than EUR 500.00

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

2.3 Summary of significant accounting policies

Business combinations and goodwill

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

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

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

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

Investments in associates and joint ventures

The Group's investments in associates and joint ventures are accounted for using the equity method. An associate is an entity over which the Group has significant influence (generally a share of voting rights of 20 per cent to 49.9 per cent). 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 in some 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:

Currency	2022		2021	
	Year-end rate	Average rate for the year	Year-end rate	Average rate for the year
EUR 1	0.9893	1.0049	1.0353	1.0811

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

Revenue is 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 customer returns 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 are 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 and expenses are recognised net of VAT. The amount of VAT recoverable from or payable to taxation authorities is recognised in other receivables or in 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 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 balance of the liability is constant for each period. Determining the lease term with options involves the use of judgement. 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 lease term 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 commencement date of the lease, the carrying amount of right-of-use assets comprises the following:

- 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. 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	5 – 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 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, term deposits, 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 at fair value 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, term deposits, other liabilities and public bonds.
- *At fair value through profit or loss.* This includes 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 as 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 the lower of cost or net realisable value.

The lower net realisable value corresponds to the expected selling price within normal business activities less expected costs of disposal.

Payments to suppliers that are not payments for distinct goods or services are recognised as a reduction in the purchase cost of goods held in inventory respectively deducted from the cost of goods.

Goods that can no longer be sold 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. The pension benefits and years of services of the employees up to the balance sheet date are taken into account, and assumptions are made regarding discount factors and further salary development, withdrawal and mortality probabilities, 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) in personnel expenses in profit or loss,
- Net interest on net pension liability or asset in finance expenses in profit or loss, and
- 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, with the exception of the following revised standards which the Group has applied since 1 January 2022. However, they have no material impact on the net assets, financial income and results of operations of the Group.

- IFRS 3 – Reference to the Conceptual Framework
- IFRS 9 – Fees in the “10 per cent” Test for Derecognition of Financial Liabilities
- IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use
- IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

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 very rarely correspond to the 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 400.8 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 earn-out arrangements that will result in payments to be made. The Zur Rose Group has to determine the fair value of the contingent consideration liabilities using estimates of future revenues, costs, results and discount rates. Additional information can be found in Note 31.

Pension obligations

Pension assets and liabilities are calculated in accordance with IAS 19 on the basis of assumptions, such as the discount rate, salary increases and pension adjustments. These assumptions are assessed and adjusted on an annual basis. Changes in assumptions can have a significant impact on the amount of pension assets and liabilities and amounts recognised in other comprehensive income, which are to be reported in future periods. See Note 28.

Deferred tax assets

Deferred tax assets are recognised for all tax loss carryforwards that can be utilised to the extent that it is probable that taxable profit will be available against which the tax loss carryforwards can be utilised. Significant management judgement is required to determine the amount of deferred tax assets, based on the expected timing and amount of future taxable profits and future tax planning strategies. Further information can be found in Note 23.

4 Standards issued but not yet effective

The IASB has published new standards and interpretations as well as amendments to standards and interpretations before the publication date of these consolidated financial statements. The Group intends to adopt the following amendments when they become effective. The following changes potentially relevant for the Group are:

- IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies and accounting estimates (comes into effect on 1 January 2023)
- IAS 8 – Defining Accounting Estimates (comes into effect on 1 January 2023)
- IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (comes into effect on 1 January 2023)
- IAS 1 – Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (comes into effect on 1 January 2024)
- IFRS 16 – Lease Liability in a Sale and Leaseback transaction (comes into effect on 1 January 2024)
- IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate/joint venture (effective date is still open)

The impact of these changes on the Zur Rose Group's accounting policies has been assessed. The Zur Rose Group does not currently anticipate any material effects on the consolidated financial statements.

5 Operating segments

The Zur Rose Group manages its activities by geographical regions. The heads of the segments are members of the Group Executive Board. The Group Executive Board is the highest operational management body that measures the success of the operating segments and allocates resources. Due to a stronger focus on profitability instead of growth, the profitability of the segments is newly determined at the level of EBITDA adjusted. The disclosure for the financial year 2021 has been adjusted. 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 expenses and income related to acquisition, restructuring, integration and litigation. In the calculation, the EBITDA is increased by special expenses and reduced by special income. The allocation to the segments is determined on the basis of the information reported in the internal financial reporting. Assets and liabilities are not allocated to the operating segments in the management reports. Corporate includes mainly group-wide areas of Zur Rose Group AG such as strategic management, technology development and financing.

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

Reporting as per 31 December 2022	Switzerland	Germany	Europe	Corporate	Eliminations	Group
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Income statement						
Net revenue with external customers	679,240	858,533	70,449	0	0	1,608,222
Revenue with other segments	7,522	0	0	0	-7,522	0
Total net revenue	686,762	858,533	70,449	0	-7,522	1,608,222
EBITDA adjusted	22,141	-47,951	-9,738	-31,782	-2,362	-69,692
Adjustments ¹⁾						-7,965
Earnings before interest, taxes, depreciation and amortisation (EBITDA)						-77,657
Depreciation and amortisation						-62,630
Earnings before interest and taxes (EBIT)						-140,287
Finance result, net						-29,582
Earnings before taxes (EBT)						-169,869

1) Includes expenses and income related to acquisition of CHF +13,873 thousand, restructuring and integration of CHF -17,489 thousand, litigation of CHF -3,517 thousand and other special effects in terms of their nature and magnitude for Group management of CHF -832 thousand

Reporting as per 31 December 2021 (restated)	Switzerland	Germany	Europe	Corporate	Eliminations	Group
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Income statement						
Net revenue with external customers	620,183	1,024,435	81,885	0	0	1,726,503
Revenue with other segments	6,944	0	50	0	-6,994	0
Total net revenue	627,127	1,024,435	81,935	0	-6,994	1,726,503
EBITDA adjusted	21,709	-95,784	-23,161	-30,640	-1,030	-128,906
Adjustments ¹⁾						-13,729
Earnings before interest, taxes, depreciation and amortisation (EBITDA)						-142,634
Depreciation and amortisation						-51,143
Earnings before interest and taxes (EBIT)						-193,777
Finance result, net						-32,907
Earnings before taxes (EBT)						-226,684

1) Includes expenses and income related to acquisition of CHF -9,642 thousand, restructuring and integration of CHF -2,169 thousand and other special effects in terms of their nature and magnitude for Group management of CHF -1,918 thousand

Net revenue by customer location	Switzerland	Germany	Other	Group
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
2022	679,240	858,533	70,449	1,608,222
2021	620,183	1,024,435	81,885	1,726,503

Non-current 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
2022	132,602	358,164	172,073	5,875	668,714
2021	127,753	265,692	294,742	5,878	694,065

1) Non-current assets excluding investments in joint ventures and associates, non-current financial assets and deferred taxes

The Switzerland segment consists of the two business units B2C and Professional Services. The Professional Services business unit, which supplies affiliated physicians and provides them with drug management services, generates around three quarters of the segment's sales. The B2C business unit 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, through which pharmacy-type products in health, cosmetics and personal care are traded.

The breakdown of revenue from contracts with customers by segment is shown in the following tables:

Segment Switzerland	2022	2021
Type of goods or service	CHF 1,000	CHF 1,000
Professional Services	527,642	469,524
Retail Business (B2C)	151,598	150,659
Total revenue from contracts with customers	679,240	620,183

Segment Germany	2022	2021
Type of goods or service	CHF 1,000	CHF 1,000
Retail Business (B2C)	858,533	1,024,435
Total revenue from contracts with customers	858,533	1,024,435

Segment Europe	2022	2021
Type of goods or service	CHF 1,000	CHF 1,000
Marketplace	70,449	81,885
Total revenue from contracts with customers	70,449	81,885

6 Changes in consolidation scope

The scope of consolidation has changed in 2022 as a result of the following transaction:

Aerztemedika AG

On 29 April 2022 Zur Rose Group AG acquired Aerztemedika AG, which is domiciled in Liestal. Aerztemedika AG supplies regional physicians with medical products. The purchase price was CHF 3.9 million and consisted of a cash payment of CHF 3.5 million and a deferred purchase price payment of CHF 0.4 million. The settlement of the deferred purchase price payment is planned in the first half of 2023. The acquired net assets of CHF 3.7 million (provisional values) consist mainly of cash and cash equivalents (CHF 1.4 million), other short-term receivables (CHF 1.4 million), acquired customers (CHF 1.6 million) and short-term liabilities (CHF 0.7 million). The goodwill of CHF 0.2 million was allocated to the Switzerland segment and represents the added value of the expected buyer-specific synergies and the increasing regional market share. Transaction costs of CHF 0.1 million were recognised in other operating expenses. Since acquisition, Aerztemedika AG has contributed CHF 1.6 million to revenues and -CHF 0.1 million to net income.

Up to twelve months from the effective date of acquisition, fair value adjustments can be made to the identifiable assets acquired and liabilities assumed, as well as to the purchase price consideration, in order to reflect new information or circumstances that existed at the acquisition date.

The purchase price allocation for the following company was finalised in 2022 and no adjustments were made.

Helena Abreu

On 1 October 2021, Zur Rose Group AG acquired 100 per cent of Helena Abreu, Unipessoal, Lda, located in Montemor-o-Novo (Portugal). The purchase price was CHF 176 thousand (EUR 165 thousand) and consisted of a cash payment of CHF 16 thousand (EUR 15 thousand) and a deferred purchase price payment of CHF 159 thousand (EUR 150 thousand), which was paid in 2022. The goodwill was allocated to the Europe segment.

The change in goodwill from CHF 418.4 million as at 31 December 2021 to CHF 400.8 million as at 31 December 2022 is due to the acquisition of Aerztemedika AG (CHF 0.2 million) and foreign currency effects (-CHF 17.8 million).

7 Other operating income	2022	2021
	CHF 1,000	CHF 1,000
Rental income from third parties	596	556
Rental income of joint ventures and associates	67	70
Income from partnerships	1,331	2,824
Fair value adjustment on contingent consideration ¹⁾	17,507	0
Other income	3,629	3,297
	23,130	6,747

1) Includes the fair value adjustment of the contingent consideration Apotal (see Note 31 Financial instruments)

8 Cost of goods	2022	2021
	CHF 1,000	CHF 1,000
Goods purchased and held for resale (net)	-1,358,827	-1,463,144
Packaging materials / waste	-3,768	-3,313
	-1,362,595	-1,466,457

9 Personnel expenses	2022	2021
	CHF 1,000	CHF 1,000
Wages and salaries	-107,362	-107,343
Pension expenses	-5,437	-2,977
Other social security expenses	-21,936	-20,798
Other personnel expenses	-20,860	-17,232
	-155,595	-148,350

The increase in pension costs is mainly due to plan changes in the previous year (see Note 28). The increase in other personnel expenses is mainly due to more external logistics employees at the Heerlen site.

10 Other operating expenses	2022	2021
	CHF 1,000	CHF 1,000
Distribution expenses	-47,847	-54,556
Office and administrative expenses	-59,177	-52,894
Marketing and acquisition expenses	-58,365	-118,829
Expenditure on premises	-6,890	-4,884
Fair value adjustment of contingent consideration	-832	-1,700
Other operating expenses	-17,708	-28,214
	-190,819	-261,077

The decrease in other operating expenses is mainly due to lower marketing expenses and cost reductions in connection with integrations.

11 Financial result	2022	2021
	CHF 1,000	CHF 1,000
Finance income		
Interest income	219	241
Interest income from joint ventures and associates	319	266
Gain on disposal from joint ventures and associates ¹⁾	2,510	0
Income from securities	14	46
Interest income on leases	54	26
	3,116	579
Finance expenses		
Interest expenses	-16,575	-14,939
Bank charges and fees	-1,131	-1,252
Losses from securities	0	-15
Foreign exchange losses, net	-12,354	-7,485
Interest expenses on leases	-1,151	-1,247
	-31,211	-24,938
Financial result (net)	-28,095	-24,359

1) See Note 18 Investments in joint ventures and associates

12 Income tax income / (expense)	2022	2021
	CHF 1,000	CHF 1,000
Current income tax of the current period	-1,940	-727
Deferred income tax	694	1,676
	-1,246	949

Analysis of tax expenses	2022	2021
	CHF 1,000	CHF 1,000
Earnings before taxes (EBT)	-169,869	-226,684
Tax rate of the operating Swiss company	13.2%	13.4%
Expected income / expenses from income tax	22,440	30,285
Effect of unrecognised tax losses	-51,120	-52,959
Effect of tax losses not recognised in previous periods	955	790
Effect of non-deductible expenses and income ¹⁾	12,855	1,128
Effect of differing tax rates at foreign subsidiaries	14,730	21,675
Effect of valuation adjustment on deferred tax assets	-1,419	-402
Effect of tax rate changes	0	-18
Other effects	313	450
	-1,246	949

1) Mainly due to impairments on investments

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

13 Cash and cash equivalents	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
CHF	71,817	226,116
EUR	54,225	51,626
	126,042	277,742

Cash at financial institutions bears variable interest rates for balances callable on demand. Short-term deposits are made for varying 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	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
From third parties	133,614	132,485
From joint ventures and associates	2,647	5,634
Bad debt allowance	-6,910	-6,157
	129,351	131,962

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 aging schedule of trade receivables is as follows:

	31.12.2022			31.12.2021		
CHF 1,000	Gross	Expected credit losses	Net	Gross	Expected credit losses	Net
Total receivables	136,261	6,910	129,351	138,119	6,157	131,962
not due	90,480	133	90,347	96,888	90	96,798
less than 30 days overdue	31,420	711	30,709	24,179	371	23,808
31 – 60 days overdue	8,274	1,517	6,757	8,641	246	8,395
61 – 90 days overdue	1,462	343	1,119	1,708	136	1,572
91 – 180 days overdue	683	420	263	1,140	120	1,020
181 – 360 days overdue	688	592	96	431	317	114
> 360 days overdue	3,254	3,194	60	5,132	4,877	255

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

Bad debt allowance	2022	2021
	CHF 1,000	CHF 1,000
1 January	-6,157	-5,497
Additions	-3,635	-1,505
Utilisation	2,725	721
Reversals	37	138
Exchange differences	120	-14
31 December	-6,910	-6,157

15 Prepaid expenses	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Unbilled receivables	601	469
Prepaid expenses	10,420	21,036
	11,021	21,505

16 Other receivables	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Payments on account and creditors with debit balances	6,340	3,023
VAT	7,233	8,342
Tax receivables	274	0
Security deposits	953	968
Other	1,130	674
	15,930	13,007

17 Inventories	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Goods purchased and held for resale	84,754	103,261
Inventory allowance	-1,574	-10,797
	83,180	92,464

The decrease in the inventory allowance is due to the utilisation of valuation allowances on sold pandemic products.

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:

	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000	%	%
Joint Ventures and associates				
WELL Gesundheit AG, Zürich (CH)	0	233	18.6	29.7
König Gesellschaft für Image- und Dokumentenverarbeitung mbH, Gottmadingen (DE)	930	840	50.0	50.0
König IT-Systeme GmbH, Gottmadingen (DE)	377	391	50.0	50.0
PolyRose AG, Frauenfeld (CH)	134	134	50.0	50.0
DatamedIQ GmbH, Köln (DE) ¹⁾	204	0	37.5	37.5
ZRMB Marketplace AG, Frauenfeld (CH) ²⁾	0	398	49.9	49.9
MBZR Apotheken AG, Frauenfeld (CH) ³⁾	0	0	49.9	49.9
Total investments	1,645	1,996		

1) Unrecognised share of losses CHF 0 thousand (previous year: 41)

2) Unrecognised share of losses CHF 1,163 thousand (previous year: 0)

3) Unrecognised share of losses CHF 3,560 thousand (previous year: 1,379)

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.

DatamedIQ GmbH 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 founded in 2020 with three other Swiss partners from different areas of the healthcare sector to jointly run a company operating an integrated digital healthcare platform. Despite holding less than 20 per cent of the voting rights, Zur Rose Group AG has significant influence due to contractual agreements, therefore WELL Gesundheit AG qualifies as an associate. In 2022, the Zur Rose Group made a contribution in the amount of CHF 533 thousand. In addition, the existing shareholders sold their shares on a pro rata basis to two new investors. Zur Rose Group's disposal proceeds of CHF 2,706 thousand led to a gain on disposal of CHF 2,510 thousand. The Group's share of losses of CHF 566 thousand not recognised using the equity method were recognised as accrued expenses due to financing obligations, because the carrying amount is zero (see Note 26). In addition, there are unrecognised financing liabilities of CHF 743 thousand.

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 2021	25,175	56,685	30,493	1,261	113,614
Additions	483	13,308	2,233	4	16,028
Disposals	-4,921	-772	-3,569	-118	-9,380
Exchange differences	-348	-1,953	-464	-5	-2,770
31 December 2021	20,389	67,268	28,693	1,142	117,492
Additions	504	¹⁾ 10,285	²⁾ 2,261	109	13,159
Additions from acquisition of subsidiaries	0	0	2	16	18
Disposals	0	-251	-1,095	-344	-1,690
Other movements	0	-792	792	0	0
Exchange differences	-341	-1,999	-429	-2	-2,771
31 December 2022	20,552	74,511	30,224	921	126,208
Accumulated depreciation and impairment					
1 January 2021	10,926	27,495	20,436	965	59,822
Additions	580	4,942	2,308	88	7,918
Disposals	-4,921	-248	-3,559	-117	-8,845
Exchange differences	-100	-545	-381	-5	-1,031
31 December 2021	6,485	31,644	18,804	931	57,864
Additions	592	7,290	2,321	71	10,274
Disposals	0	-248	-1,065	-215	-1,528
Impairment losses	0	³⁾ 341	³⁾ 4	0	345
Other movements	0	-393	393	0	0
Exchange differences	-101	-571	-348	-2	-1,022
31 December 2022	6,976	38,063	20,109	785	65,933
Net carrying amount as at					
31 December 2021	13,904	35,624	9,889	211	59,628
31 December 2022	13,576	36,448	10,115	136	60,275

1) Of which CHF 641 thousand of additions yet to be paid

2) Of which CHF 248 thousand of additions yet to be paid

3) Includes impairment losses on leasehold and equipment and Office furnishings and IT systems in the Germany segment in connection with integrations

As of 31 December 2022, no property, plant and equipment is pledged except for the properties in Frauenfeld and Steckborn with a carrying amount of CHF 6,163 thousand (previous year: CHF 6,121 thousand).

20 Right-of-use assets and leases

The Zur Rose Group mainly leases various office and warehouse buildings, equipment and vehicles. The terms of lease agreements are negotiated individually and include a range of varying conditions. Leases are generally entered into for a fixed period, but may include renewal options.

In the Consolidated Cash Flow Statement, principal payments on lease liabilities are shown under cash flow from financing activities. Cash flow from operating activities includes interest payments on lease liabilities, reported under interest paid. During the year under review, the total cash outflow relating to lease activities of the Zur Rose Group was CHF 7.8 million (previous year: CHF 8.6 million).

The following expenses relating to the leasing activities of the Zur Rose Group were charged through the income statement:

Leasing activities	2022	2021
	CHF 1,000	CHF 1,000
Expense for short-term lease contracts	1,101	883
Expense for equipment of low value	53	86
Expense recognised in other operating expenses	1,154	969
Depreciation of right-of-use assets	5,941	6,302
Interest expense on lease liabilities	1,151	1,247
Total expense recognised in the income statement	8,246	8,518

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 2021					
1 January 2021	38,909	3,279	24	575	42,787
Additions	2,019	0	97	346	2,462
Additions from acquisition of subsidiaries	18	0	0	0	18
Reassessments	1,643	0	0	30	1,673
Depreciations	-5,337	-573	-42	-350	-6,302
Exchange differences	-1,451	-108	-2	-2	-1,563
31 December 2021	35,801	2,598	77	599	39,075
Net book values 2022					
1 January 2022	35,801	2,598	77	599	39,075
Additions	932	0	0	363	1,295
Reassessments	3,637	0	0	-8	3,629
Depreciations	-5,012	-530	-37	-362	-5,941
Exchange differences	-1,417	-97	-2	-9	-1,525
31 December 2022	33,941	1,971	38	583	36,533

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 2021	452,523	189,359	99,290	741,172
Additions	0	48,734	0	48,734
Additions from acquisition of subsidiaries	1,331	0	0	1,331
Disposals	0	-14,903	-319	-15,222
Exchange differences	-18,041	-4,793	-3,130	-25,964
31 December 2021	435,813	218,397	95,841	750,051
Additions	0	^{1) 3)} 42,904	0	42,904
Additions from acquisition of subsidiaries	211	0	1,618	1,829
Disposals	0	-9,861	0	-9,861
Exchange differences	-18,132	-5,027	-3,204	-26,363
31 December 2022	417,892	246,413	94,255	758,560
Accumulated amortisation and impairment				
1 January 2021	17,247	101,811	17,577	136,635
Additions	0	27,851	8,366	36,217
Disposals	0	-14,882	-319	-15,201
Impairment losses	0	⁴⁾ 706	0	706
Exchange differences	155	-2,975	-848	-3,668
31 December 2021	17,402	112,511	24,776	154,689
Additions	0	30,932	7,735	38,667
Disposals	0	-9,559	0	-9,559
Impairment losses	0	⁴⁾ 7,156	⁴⁾ 247	7,403
Exchange differences	-290	-3,138	-1,118	-4,546
31 December 2022	17,112	137,902	31,640	186,654
Net carrying amount as at				
31 December 2021	418,411	105,886	71,065	595,362
31 December 2022	400,780	108,511	²⁾ 62,615	571,906

1) Of which CHF 1,399 thousand of additions yet to be paid

2) Of which CHF 20,323 thousand (previous year CHF 20,323 thousand) for the DocMorris trademark (strategic trademark with high trademark awareness) with an indefinite useful life and CHF 543 thousand (previous year CHF 543 thousand) for the BlueCare trademark with an indefinite useful life, and in particular for the Apotal trademark over CHF 2.5 million (previous year CHF 3.6 million) and for the Apotal customers over CHF 13.4 million (previous year CHF 15.9 million) with a remaining term of 2.5 years respectively 7.5 years as well as for the medpex trademark over CHF 5.4 million (previous year CHF 6.6 million) and for the medpex customers over CHF 9.5 million (previous year CHF 11.5 million) with a remaining term of 6 years.

3) Of which CHF 23,379 thousand own work capitalised (previous year CHF 21,947 thousand)

4) Includes an impairment loss on software and trademark of CHF 6,086 thousand in the Germany segment and an impairment loss on development costs of CHF 1,317 thousand in Corporate in connection with integrations

Impairment testing of intangible assets with indefinite useful lives

The Zur Rose Group performed its annual impairment test in December 2022 and 2021. For impairment testing, the intangible assets and goodwill acquired through business combinations and trademarks with indefinite useful lives are allocated to the following cash-generating units (CGUs) Switzerland, Germany and Europe, which are the operating and reportable segments of the Zur Rose Group. The goodwill from the acquisition of Aertzemedika AG was allocated to the CGU Switzerland in 2022. The impairment test of the DocMorris trademark was made at the level of CGU trademark DocMorris, which is included in the CGU Germany.

Cash-generating units and intangibles

	Switzerland		Germany ¹⁾		Europe	
	2022	2021	2022	2021	2022	2021
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Goodwill	16,884	16,673	380,909	398,612	2,987	3,126
Trademarks	543	543	20,323	20,323	0	0
	17,427	17,216	401,232	418,935	2,987	3,126

1) The CGU Germany comprises the CGU trademark DocMorris, at the level of which the impairment test for the DocMorris trademark is performed.

The recoverable amount used for the asset impairment test of the Switzerland segment per December 2022 is based on fair value less costs of disposal (see Note 35). To determine the recoverable amount of all other assets, Zur Rose applies the value-in-use method based on cash flow projections from the financial and business plan.

The following table illustrates the pre-tax discount rates, the growth rate used for cash flows arising after the five-year period and the EBITDA margin for residual value.

Discount rates	2022	2021
	%	%
Switzerland	-	5.2
Germany	12.0	8.0
Europe	12.6	10.5
Trademark DocMorris	11.3	7.5

The growth rates for the residual values are 1.0 per cent each for Switzerland, Germany, Europe and the trademark DocMorris in 2022, as in the previous year.

EBITDA margins for residual value	2022	2021
	%	%
Switzerland	-	3.6
Germany	7.0	9.9
Europe	6.4	5.8
Trademark DocMorris	7.4	8.1

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 business plans of the segments for the budgeted year. On this basis, projections were used by management while taking into account market forecasts and the competitive situation. The underlying revenue and EBITDA margin development is based on multi-year planning approved by the Board of Directors.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rates for the individual CGUs are derived from the Group's weighted average cost of capital (WACC).

Growth rate estimates – Growth rates are based on published industry-related market research and management's estimates.

Sensitivity of the assumptions – Management has performed a sensitivity analysis and considers that no reasonably possible changes in one of the underlying assumptions for the CGU Switzerland, the CGU Germany (including the CGU DocMorris) and the CGU Europe would result in the carrying amount significantly exceeding the recoverable amount.

22 Non-current financial assets	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Equity securities	46	46
Loans granted	26,486	25,025
Escrow account for TeleClinic	0	2,899
Receivables sub leasing	1,878	1,391
	28,410	29,361

The position Loans granted include loans to MBZR Apotheken AG and ZRMB Marketplace AG of CHF 14,829 thousand (previous year: CHF 12,085 thousand), a loan to WELL Gesundheit AG of CHF 1,396 thousand (previous year: CHF 0 thousand), a loan to PolyRose AG of CHF 100 thousand (previous year: CHF 100 thousand), loans to employees of CHF 1 thousand (previous year: CHF 1,852 thousand), whereby in 2022 the loan granted to the sellers of TeleClinic of CHF 1,510 thousand was offset against the allocation of treasury shares, and other loans to third parties of CHF 10,160 thousand (previous year: CHF 10,647 thousand), of which CHF 10,010 thousand (previous year: CHF 10,424 thousand) relates to the loan granted to the sellers of the Apotal Group.

Due to the settlement of the deferred purchase price payment TeleClinic in 2022, the security deposit made on the escrow account was repaid.

23 Deferred tax

Net carrying amounts	Balance sheet		Income statement	
	31.12.2022	31.12.2021	2022	2021
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Deferred tax due to temporary differences				
<i>Deferred tax assets</i>				
Non-current assets	1,652	3,536	-1,812	82
Pension obligations	1,015	1,673	79	-113
Tax loss carryforwards	13,031	7,856	5,175	6,786
	15,698	13,065	3,442	6,755
<i>Deferred tax liabilities</i>				
Intangible assets	-9,589	-7,523	-1,987	1,296
Provisions	-7,364	-6,413	-855	-6,413
Convertible bond	-818	-124	94	38
	-17,771	-14,060	-2,748	-5,079
Net deferred tax liabilities	-2,073	-995		
Deferred tax expense (income)			694	1,676

Deferred tax reported on the balance sheet	31.12.2022		31.12.2021	
	CHF 1,000		CHF 1,000	
Deferred tax assets	4,792		6,652	
Deferred tax liabilities	-6,865		-7,647	
	-2,073		-995	

Movement of deferred tax	2022		2021	
	CHF 1,000		CHF 1,000	
1 January	-995		-1,846	
Recognition / reversal of deferred tax in income statement	694		1,676	
Recognition / reversal of deferred tax in other comprehensive income	-834		-888	
Recognition / reversal of deferred tax in retained earnings ¹⁾	-788		0	
Additions from acquisition of subsidiaries	-254		0	
Exchange differences	104		63	
31 December	-2,073		-995	

1) Deferred tax on the equity component of the convertible bond issued in 2022 (see Note 24 Financial liabilities)

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	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Total tax loss carryforwards	733,881	563,231
Of which loss carryforwards recognised in deferred income tax	85,413	58,001
Unrecognised tax loss carryforwards (total)	648,468	505,230

Deferred tax assets from loss carryforwards changed as follows:

Movement in tax assets from loss carryforwards	2022	2021
	CHF 1,000	CHF 1,000
1 January	7,856	1,070
Recognition of deferred tax assets from loss carryforwards	5,388	6,984
Use of deferred tax assets from loss carryforwards	-213	-198
31 December	13,031	7,856

	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Unrecognised loss carryforwards expire as follows:		
Within a year	0	0
In two to five years	20,875	26,796
In more than five years	200,564	84,804
Unlimited	427,029	393,630
	648,468	505,230
Tax effect on unrecognised tax loss carryforwards	145,829	121,119

In addition to the unrecognised loss carryforwards, the Zur Rose Group has further unrecognised deferred tax assets of CHF 2.3 million as of 31 December 2022, which expire pro rata each year until 2029.

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

24 Financial liabilities	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Current financial liabilities and bonds	61,221	16,429
Non-current financial liabilities and bonds	493,129	552,736
	554,350	569,165
Current financial liabilities and bonds		
Current lease liabilities	5,278	5,182
Bond 2.5% 2018 – 2023, nominal CHF 115 million	30,229	0
Deferred consideration liabilities	11,531	159
Contingent consideration liabilities	14,183	11,088
	61,221	16,429
Non-current financial liabilities and bonds		
	CHF 1,000	CHF 1,000
Bond 2.5% 2018 – 2023, nominal CHF 115 million	0	114,688
Bond 2.5% 2019 – 2024, nominal CHF 200 million	199,126	198,670
Convertible Bond 2.75% 2020 – 2025, nominal CHF 175 million	172,924	172,049
Convertible Bond 6.875% 2022–2026, nominal CHF 95 million	88,153	0
Non-current lease liabilities	32,926	34,563
Deferred consideration liabilities	0	11,332
Contingent consideration liabilities	0	21,434
	493,129	552,736

On 26 March 2020 the Zur Rose Group placed a senior unsecured convertible bond in the amount of CHF 175 million maturing in 2025. The convertible bond has a coupon of 2.75 per cent per annum and a conversion price of CHF 142.39. The shares to be delivered upon conversion will be provided by existing shares or by issuing new shares from authorised capital. If not previously converted, redeemed or repurchased and cancelled, the bond will be redeemed at 100 per cent at maturity, scheduled for 31 March 2025. No rights were converted during the reporting period.

On 1 September 2022 the Zur Rose Group placed a senior unsecured convertible bond in the amount of CHF 95 million maturing in 2026. The issue price on the settlement date of 15 September 2022 was 100 per cent. The convertible bond has a coupon of 6.875 per cent per annum and a conversion price of CHF 49.73. The shares to be delivered upon conversion will be delivered from existing treasury shares or by issuing new shares from authorised capital. If not previously converted, redeemed or repurchased and cancelled, the bond will be redeemed at 100 per cent at maturity, expected on 15 September 2026. The convertible bond is split into a debt and an equity component for accounting purposes. The debt component corresponds to the fair value of a comparable bond without conversion rights and is recognised at amortised cost. The equity component is calculated as the difference to the amount of the issue proceeds and less the deferred tax to be recognised on the equity component. The equity component is no longer remeasured. Transaction costs have been allocated proportionately to the debt and equity components. The net cash inflow of CHF 90.7 million is composed of the debt and equity components (excluding deferred taxes).

	CHF 1,000
Liability component upon issue at fair value	91,819
Proportionate issue costs	-4,113
Net liability component upon issue	87,706
Carrying amount of equity component	3,153
Proportionate issue costs	-141
Deferred taxes	-788
Net equity component upon issue	2,224

No rights were converted in the reporting period. In connection with the issuance of the convertible bond, Zur Rose Group AG created 1,000,000 new shares and a share lending agreement (“Securities Lending”) was concluded with a financial institution. As the risks and rewards of the shares remain with Zur Rose Group, the shares lent continue to be treated as treasury shares. The purpose of this agreement is to facilitate the hedging activities of the investors. As consideration for this arrangement, Zur Rose receives a lending fee, which is recognised in profit or loss.

On 23 September 2022 the Zur Rose Group made a repurchase offer to its bondholders for the 2.50 per cent bond due on 19 July 2023. The repurchase price was CHF 5,000.00 per bond or 100.00 per cent of the nominal value, plus accrued and unpaid interest of CHF 33.68 (0.67 per cent). The bonds in the total amount of CHF 84.8 million tendered until 20 October 2022 and accepted for purchase by the Zur Rose Group were paid and returned step-by-step on 26 October 2022. The remaining outstanding amount of the 2.50 per cent bond due on 19 July 2023 amounts to CHF 30.3 million.

Changes in liabilities arising from financing activities	Mortgages and loans from banks	Bonds	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 2021	154	483,917	42,516	44,028	570,614
Proceeds from financial liabilities	0	0	0	0	0
Repayment of financial liabilities	-1,246	0	-6,334	0	-7,580
Change in financial liabilities (non-financing cash flow, non-cash movements)	0	1,490	3,397	1,989	6,876
Changes in fair values and other changes	0	0	1,673	0	1,673
Additions from acquisition of subsidiaries	1,092	0	18	159	1,269
Payment of purchase price	0	0	0	-200	-200
Currency translation effects	0	0	-1,525	-1,963	-3,488
31 December 2021	0	485,407	39,745	44,013	569,164
1 January 2022	0	485,407	39,745	44,013	569,164
Proceeds from financial liabilities	0	87,706	0	0	87,706
Repayment of financial liabilities	0	-84,745	-5,467	0	-90,212
Change in financial liabilities (non-financing cash flow, non-cash movements)	0	2,064	1,797	-16,338	-12,477
Changes in fair values and other changes	0	0	3,629	0	3,629
Additions from acquisition of subsidiaries	0	0	0	369	369
Payment of purchase price	0	0	0	-654	-654
Currency translation effects	0	0	-1,500	-1,676	-3,176
31 December 2022	0	490,432	38,204	25,714	554,350

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

Average interest	2022	2021
	%	%
Bonds	2.75	2.72
Convertible Bonds	5.37	3.30
	4.16	2.93

25 Other payables	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Social security	4,434	5,262
Debtors with credit balances	2,368	2,521
VAT	7,625	4,896
Other	1,493	1,550
	15,920	14,229

26 Accrued expenses	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Goods purchased	5,137	5,336
Personnel expenses	12,856	13,183
Marketing expenses	2,042	5,945
Other operating expenses	19,090	19,084
Share of results of joint ventures and associates	566	0
	39,691	43,548

27 Provisions	Other	Restructuring	Total
	CHF 1,000	CHF 1,000	CHF 1,000
1 January 2022	4,189	0	4,189
Recognition	5,744	966	6,710
Utilisation	-894	0	-894
Reversal	-8	0	-8
Foreign currency differences	-245	-15	-260
31 December 2022	8,786	951	9,737
of which short-term	8,786	951	9,737
of which long-term	0	0	0

Other provisions include mainly a risk position from a VAT case of approximately CHF 3.1 million related to bonuses granted on prescriptions, a provision in connection with insolvency proceedings against a former customer of approximately CHF 3.5 million and an item of approximately CHF 1.8 million for onerous contracts due to integration activities in the Germany segment. The restructuring provision is also related to integrations in the Germany segment.

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 part of 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 Disability Pension Plans (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge – BVG). The board of trustees of the fund is responsible for its management, the preparation of plan rules, the determination of the investment strategy and the financing of benefits. This board is made up of employee and employer representatives.

The pension fund's significant risks include investment risk, interest rate risk, disability risk, death risk and longevity risk. 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 an underfunding of 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 per cent.

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	2022	2021
	CHF 1,000	CHF 1,000
Present value of obligations (DBO)	66,609	69,253
Plan assets at fair value	59,286	57,882
Net pension liabilities	7,323	11,371
of which Switzerland	6,966	10,745
of which Germany	357	626

Net pension obligations developed as follows:	2022	2021
	CHF 1,000	CHF 1,000
Net pension obligations as at 1 January	11,371	17,961
Pension expense recognised in profit or loss	4,365	2,166
Pension expense recognised in other comprehensive income	-4,861	-5,642
Employer contributions	-3,528	-3,087
Foreign exchange differences	-24	-27
Net pension obligations as at 31 December	7,323	11,371

Present value of obligations (DBO)	2022	2021
	CHF 1,000	CHF 1,000
Present value of obligations as at 1 January	69,253	69,037
Interest cost	264	105
Current service cost	4,502	4,466
Employee contributions	2,514	2,101
Benefits paid / transferred	1,771	426
Past service cost ²	-219	-2,367
Settlement ¹	0	-2,436
Administrative costs	34	34
Actuarial (gains)/losses ^{3) 4)}	-11,486	-2,087
Foreign exchange differences	-24	-27
Present value of obligations as at 31 December	66,609	69,253
of which Switzerland	66,252	68,627
of which Germany	357	626
of which active	66,325	68,909
of which pensioners	284	344
Average duration	13.6 years	17.1 years

Development of fair value of plan assets	2022	2021
	CHF 1,000	CHF 1,000
Fair value of plan assets as at 1 January	57,882	51,077
Interest income from plan assets	216	72
Employer contributions	3,528	3,087
Employee contributions	2,514	2,101
Benefits paid / transferred	1,771	426
Settlement ¹	0	-2,436
Actuarial gain (loss)	-6,625	3,555
Fair value of plan assets as at 31 December	59,286	57,882

1) The settlement of the defined benefit plan in the year 2021 results from the retention of plan assets and liabilities in the same amount by the retirees remaining with the previous pension plan.

In the period under review, Zur Rose recognised the following costs for defined benefit plans in profit or loss:	2022	2021
	CHF 1,000	CHF 1,000
Current service cost (employer)	4,502	4,466
Past service cost ²	-219	-2,367
Administrative costs	34	34
Net interest expense	48	33
Total pension expense	4,365	2,166
of which personnel expense	4,317	2,133
of which finance expense	48	33

2) The past service cost in the years 2022 and 2021 includes a plan change resulting from a reduction in conversion rates.

The remeasurement of pensions recognised**in other comprehensive income is made up of the following:**

	2022	2021
	CHF 1,000	CHF 1,000
Changes in financial assumptions ³	15,370	-196
Changes in demographic assumptions ⁴	0	2,960
Experience adjustments	-3,884	-677
Subtotal remeasurement pension obligations gain / (loss)	11,486	2,087
Actuarial gain / (loss) on the asset	-6,625	3,555
Total remeasurement pensions	4,861	5,642

3) The change in financial assumptions for the year 2022 was based in particular on an adjustment of the discount rate (increase from 0.35% to 2.20%).

4) The change in demographic assumptions for the year 2021 was based in particular on an adjustment of mortality tables (change from BVG 2015 GT to BVG 2020 GT).

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

Assumptions	2022	2021
	%	%
Discount rate in Switzerland	2.20	0.35
Salary increases	1.5	1.5
Mortality tables	BVG 2020 GT, CMI (1.5%)	BVG 2020 GT, CMI (1.5%)

Changes to these key actuarial assumptions would have the following estimated impact on the present value of the defined pension obligation:

An increase / decrease in the discount rate by 0.25 per cent would lead to a decrease / increase in DBO of 3.4 per cent. An increase / decrease in the salary growth rate by 0.25 per cent would lead to an increase / decrease in DBO of 0.6 per cent.

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.

For the fiscal year 2023, the Zur Rose Group anticipates employer contributions to defined benefit plans of CHF 1,530 thousand (Switzerland), whereby the expected employer contributions for the companies of the Switzerland segment are only taken into account until the planned date of disposal (see Note 35).

The weighted average duration of defined benefit obligation in 2022 amounts to 13.6 years (previous year: 17.1 years).

29 Share capital

		31.12.2022	31.12.2021
Issued and paid share capital	Value in CHF 1,000	404,728	335,839
	Number of shares	13,490,940	11,194,637
Authorised capital	Value in CHF 1,000	67,168	12,079
	Number of shares	2,238,928	402,636
Contingent capital	Value in CHF 1,000	41,853	36,236
	Number of shares	1,395,086	1,207,868

The increase in the number of issued and paid share capital by 2,296,303 shares includes: 1,000,000 shares in connection with the conditional capital increase and the placement of the convertible bond in September 2022, 1,119,463 shares in connection with the authorised capital increase in September 2022, as well as 176,840 shares created for participation programs. Furthermore, the position includes 1,900,000 treasury shares from the stock lending facility (SLF) offered to the investores of the convertible bonds (see note 24).

Treasury shares / amount	2022	2021
	CHF 1,000	CHF 1,000
1 January	31,308	31,927
Purchases	0	4
Issue of new shares	30,000	151
Allocations	-638	-774
31 December	60,670	31,308

Allocations mainly relate to shares granted to participants under the Group's share-based payment plans.

Treasury shares / number	2022	2021
	Number	Number
1 January	947,713	954,625
Purchases	3	11
Issue of new shares	1,000,000	1,669
Allocations	-7,073	-8,592
31 December	1,940,643	947,713

Net income / (loss) per share		31.12.2022	31.12.2021
Net income / (loss) per share attributable to Zur Rose Group AG shareholders	CHF 1,000	-171,115	-225,735
Net income / (loss) per share	CHF 1	-15.88	-23.40
Diluted net income / (loss) per share	CHF 1	-15.88	-23.40
Average number of outstanding shares - basic	Number	10,775,224	9,645,376
Average number of theoretically outstanding shares - diluted	Number	10,775,224	9,645,376
Proposed dividend per share	CHF 1	0.00	0.00

30 Commitments and contingent liabilities

In connection with legal disputes, there are contingent liabilities totaling approximately CHF 6.9 million (previous year: CHF 7.2 million). Based on current estimates, no provisions had to be recorded either.

31 Financial instruments

Carrying amount of financial instruments	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Financial assets		
Cash and cash equivalents	126,042	277,742
Trade receivables	129,351	131,962
Prepaid expenses (financial instruments) ¹⁾	601	469
Other receivables (financial instruments) ²⁾	2,083	1,642
Current financial assets ³⁾	30,360	460
Non-current financial assets	28,410	29,361
	316,847	441,636

1) Total amount of prepaid expenses as per balance sheet: CHF 11,021 thousand (previous year: CHF 21,505 thousand)

2) Total amount of other receivables as per balance sheet: CHF 15,930 thousand (previous year: CHF 13,007 thousand)

3) Includes a term deposit of CHF 30,000 thousand

The non-current financial assets include equity securities of CHF 46 thousand (previous year: CHF 46 thousand) and the current financial assets include securities of CHF 146 thousand (previous year: CHF 309 thousand), which are measured at fair value through profit or loss. All other financial assets are measured at amortised cost.

Carrying amount of financial instruments	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Financial liabilities		
Current financial liabilities	30,992	16,429
Trade payables	112,781	132,173
Other payables (financial instruments) ¹⁾	3,861	4,071
Accrued expenses ²⁾	26,835	30,365
Non-current financial liabilities	32,926	67,329
Bond 2.5% 2018 – 2023, nominal CHF 115 million ³⁾	30,229	114,688
Bond 2.5% 2019 – 2024, nominal CHF 200 million	199,126	198,670
Convertible Bond 2.75% 2020 – 2025, nominal CHF 175 million	172,924	172,049
Convertible Bond 6.875% 2022 – 2026, nominal CHF 95 million	88,153	0
	697,827	735,774

1) Total amount of other payables as per balance sheet: CHF 15,920 thousand (previous year: CHF 14,229 thousand)

2) Total amount of accrued expenses as per balance sheet: CHF 39,691 thousand (previous year: CHF 43,548 thousand)

3) In 2022, CHF 84,745 thousand were settled as part of a tender offer (see Note 24 Financial liabilities)

Financial liabilities include contingent consideration liabilities of CHF 14,183 thousand (previous year: CHF 11,088 thousand) and CHF 0 thousand (previous year: CHF 21,434 thousand) and deferred consideration liabilities of CHF 11,531 thousand (previous year: CHF 159 thousand) and CHF 0 thousand (previous year: CHF 11,332 thousand) under current financial liabilities and non-current financial liabilities respectively. All other financial liabilities are measured at amortised cost.

For cash and cash equivalents as well as the other financial assets and liabilities (except bonds) 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		31.12.2022	31.12.2022	31.12.2021	31.12.2021
		Fair value	Carrying amount	Fair value	Carrying amount
		CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Current financial assets	Level 1	30,360	30,360	460	460
Equity securities	Level 3	46	46	46	46
Loans granted	Level 2	26,486	26,486	25,025	25,025
Bonds	Level 1	169,801	229,355	321,713	313,358
Convertible Bond	Level 1	188,595	261,077	320,775	172,049
Deferred consideration liabilities	Level 2	11,531	11,531	11,491	11,491
Contingent consideration liabilities	Level 2/3	14,183	14,183	32,522	32,522

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

Contingent consideration liability	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
As per 1 January	32,522	32,472
Investing cash flow	-500	-200
Change in fair value (through profit or loss)	-16,676	1,700
Exchange differences	-1,163	-1,450
Total contingent consideration liability	14,183	32,522

Apotal

The fair value of the contingent consideration as at 31 December 2022 is CHF 3.6 million (EUR 3.6 million), compared to CHF 21.5 million (EUR 20.7 million) as at 31 December 2021. The change in fair value of CHF 17.9 million (EUR 17.1 million) compared to the fair value as of 31 December 2021 is, in addition to the accretion of interest and exchange rate fluctuations, mainly due to the share price development of Zur Rose Group AG (Level 1), as the number of shares to be delivered is capped due to a threshold mechanism regarding share price. This has led to a fair value adjustment of the two earn-outs to be settled in shares totaling CHF 17.3 million (EUR 17.3 million) recognised in profit or loss. As the effective applicable share price relates to a defined period prior to servicing, the number of shares and the fair value may still change. An isolated change in the share price applicable as of 31 December 2022 of minus or plus 20 per cent, all other factors being equal, would result in a reduction or increase of the earn-outs to be settled in shares of CHF -0.5 million and CHF 0.5 million, respectively, which would be recognised in profit or loss. In addition, the assessment of the revenue growth and EBITDA targets compared to the financial statements as of 31 December 2021 resulted in an immaterial fair value adjustment of CHF 0.2 million (EUR 0.2 million) recognised in profit or loss.

The total contingent consideration of CHF 3.6 million (EUR 3.6 million) is classified as current as at 31 December 2022, and will be settled mainly through the delivery of shares of Zur Rose Group AG. The obligation is essentially only subject to share price, exchange rate and interest rate fluctuations.

Eurapon

The payment of the remaining obligation of CHF 10.6 million (EUR 10.7 million) is due in 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 169.8 million as at 31 December 2022 (31 December 2021: CHF 321.7 million) and the carrying amount was CHF 229.4 million as at 31 December 2022 (31 December 2021: CHF 313.4 million). The fair value (Level 1) of the listed convertible bond amounted to CHF 188.6 million as at 31 December 2022 (31 December 2021: CHF 320.8 million) and the carrying amount as at 31 December 2022 was CHF 261.1 million (31 December 2021: CHF 172.0 million).

32 Financial risk management

Foreign currency effects

The Zur Rose Group operates mainly in Switzerland and in some countries of the European Union. In Switzerland the Zur Rose Group is not exposed to any significant exchange risks from its commercial activities 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 from its commercial activities. 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
2022		
EUR	+ / - 10	+ / - 31,842
2021		
EUR	+ / - 10	+ / - 17,055

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 risks 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 or 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 per cent and a term of five years. The convertible bonds issued on 26 March 2020 and 1 September 2022 have a fixed interest rate of 2.75 per cent and 6.875 per cent, respectively, and a maturity of five years and four years, respectively.

The following table shows the sensitivity of consolidated earnings 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
2022		
Increase / decrease in market interest rate	+ / - 1	+ / - 621
2021		
Increase / decrease in market interest rate	+ / - 1	+ / - 1,940

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 interest rate risks.

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 2022	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	6,403	5,503	5,094	9,252	17,343
Trade payables	112,781	0	0	0	0
Other current payables	3,861	0	0	0	0
Accrued expenses	26,835	0	0	0	0
Bonds	36,011	205,000	0	0	0
Convertible Bond	11,342	11,342	183,936	99,869	0
Deferred consideration liabilities	11,531	0	0	0	0
Contingent considerations liabilities ¹⁾	11,675	0	0	0	0
	220,439	221,845	189,030	109,121	17,343

1) Part of the contingent consideration for Apotal will be redeemed in shares and does not result in a cash outflow (fair value as of 31.12.2022: CHF 3,565 thousand).

Cash flows 2021	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	6,279	5,554	4,647	8,617	20,535
Trade payables	132,173	0	0	0	0
Other current payables	4,071	0	0	0	0
Accrued expenses	30,365	0	0	0	0
Bonds	7,875	122,875	205,000	0	0
Convertible Bond	4,813	4,813	4,813	177,406	0
Deferred consideration liabilities	159	11,906	0	0	0
Contingent considerations liabilities ¹⁾	895	12,043	0	0	0
	186,630	157,191	214,460	186,023	20,535

1) Part of the contingent consideration for Apotal will be redeemed in shares and does not result in a cash outflow (fair value as of 31.12.2021: CHF 21,468 thousand).

Capital management

Capital 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 / total assets), which was 31.9 per cent (previous year: 38.2 per cent).

33 Share-based payments

	2022	2021
	CHF 1,000	CHF 1,000
Stock ownership plans	49	74
Discount Share Plan	251	233
Restricted Stock Unit Plan	1,332	1,356
Restricted Stock Unit Plan medpex	0	2,206
Long term performance-based remunerations	901	1,694
Promofarma	1,473	1,785
TeleClinic	- 266	930
Board of Directors compensation	316	224
Service Provider	145	63
Total share-based payments expense	4,201	8,565

Stock ownership plans

The members of the Board of Directors, the Executive Board 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, the 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: zero).

Discount Share Plan

In 2019, 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 per cent 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 per cent of the employee's annual base salary. Total shares sold: 9,018 (previous year: 3,320). The fair value of the discount is CHF 27.83 per share (previous year: CHF 70.16).

Restricted Stock Unit Plan

Selected employees are offered an additional incentive instrument with the Restricted Stock Unit Plan introduced in 2019. Individually selected employees are allocated virtual shares, paid out after a two-year vesting period either in Zur Rose shares or in cash; Zur Rose has the right to choose the settlement option and intends to settle by issuing shares. The corresponding expense is being distributed on a straight-line basis over the next two years. Total Restricted Stock Units allocated: 35,416 (previous year: 4,346). The fair value per entitlement is CHF 37.75 (previous year: CHF 325.22).

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 at end of year 2019 (the fair value per unit was CHF 105.60). In 2022, the Zur Rose Group delivered the vested shares after the expiry of the two-year vesting period at the end of 2021.

Long-term performance-based remunerations

Since 2017, the members of the Executive Board of the Zur Rose Group participate in the performance share plan. All participants are awarded a monetary amount annually, which is converted into a certain number of vested rights at the beginning of the respective performance period. Although these awards are not legally granted to members of the Group Management until the compensation is approved at the following Annual General Meeting, the expense is nevertheless recognised over a service period beginning on January 1 of the reporting year, as the plan participants render services from that date. At the end of a three-year vesting period, the vested awards are settled either in Zur Rose shares or in cash. Zur Rose has the right to choose settlement option and intends to settle by issuing shares.

Vesting is subject to service conditions and performance targets. The final number of vested shares remains unchanged at the level of the vested awards for 1/3 and depends on sales growth and share price performance for 2/3, where the target achievement can range from 0 to 200 per cent. The fair value of the awards is based on the monetary amount awarded to the plan participants. In the reporting year, 78,713 entitlements were allocated (previous year: 6,920). The fair value per entitlement is CHF 30.61 (previous year: CHF 327.00).

Promofarma

Some employees of the subsidiary Promofarma Ecom. S.L. which was acquired in 2018, participate in a plan for performance-related share-based compensation. 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 to choose the settlement option and intends to settle the plan by issuing shares. Vesting is subject to service conditions and performance targets. The final number of shares to be delivered depends on revenue targets, qualitative targets and share price development, and can range from 0 to 133 per cent. Half of the compensation is subject to a market condition with the share price development of Zur Rose Group AG and this was taken into account in the 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 recognised on a straight-line basis over the vesting period ending 31 December 2022. The other half of the compensation is subject to performance targets, which are not market conditions and are 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 granted to plan participants of CHF 4,384 thousand. This portion of the compensation vests in four annual tranches, and the expense is recognised on a straight-line basis over the respective period ending 31 December 2022.

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 to choose the settlement option and intends to settle 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 per cent. The fair value of the awards is based on the monetary amount communicated to plan participants of CHF 2,125 thousand. The expense is recognised on a straight-line basis over the four-year performance period.

Board of Directors compensation

In 2022, board members received 30 per cent of their compensation in shares with a vesting period of three years.

34 Related party transactions

The outstanding shares in the Zur Rose Group AG are owned by 15,946 shareholders (previous year: 10,063 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 and associates	Sales	Purchase	Accounts receivable	Liabilities	Loans
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
2022	3,507	6,977	2,752	653	16,326
2021	8,345	7,373	5,729	558	12,526

Compensation paid to the Board of Directors and the Executive Board

Part of compensation was paid in the form of the Zur Rose Group AG shares in the year under review. These share-based payments are aimed at aligning the interests of the Executive Board and the Board of Directors to the interests of shareholders.

Board of Directors	2022	2021
	CHF 1,000	CHF 1,000
Short-term benefits to the Board of Directors	999	713
Share-based payments	316	224
	1,315	937

Executive Board	2022	2021
	CHF 1,000	CHF 1,000
Short-term benefits to the Executive Board	5,410	4,220
Retirement benefits	800	750
Share-based payments	903	1,206
	7,113	6,176

35 Events after the end of the reporting period

Disposal of the Zur Rose Switzerland business

With an agreement dated 2 February 2023, the Zur Rose Group announced on 3 February 2023 the disposal of the Swiss business (Switzerland segment) with all operating units to the healthcare provider and Migros subsidiary Medbase, based in Winterthur. Upon signing of the agreement, the assets and liabilities that form part of the agreement have been treated as a disposal group within the scope of IFRS 5. The expected cash inflow from the disposal transaction amounts to approximately CHF 360 million. The closing of the transaction is expected in Q2 2023.



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To the General Meeting of
Zur Rose Group AG, Steckborn

Zurich, 22 March 2023

Report of the statutory auditor

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 balance sheet as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity 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 77 to 127) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of 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 (ISA) and Swiss Standards on Auditing (SA-CH). 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, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (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 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 life

Area of focus As at 31 December 2022, the Zur Rose Group records goodwill of CHF 400.8 million and trademarks with indefinite useful lives of CHF 20.9 million. Under IFRS, the Group is required to test the amount of goodwill and trademarks with indefinite useful lives for impairment, both annually and as soon as there is an indicator for impairment.

The annual 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 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 valuation experts to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to the pre-tax discount rate and the valuation models. In addition, we tested the cash flow projections for each CGU (cash generating unit), respectively the fair value less costs of disposal for the CGU Switzerland, taking into account the relevant internal processes and controls of the Zur Rose Group. Furthermore, we assessed the historical accuracy of management’s estimates and 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 life.



Other information

The Board of Directors is responsible for the other information. The other information comprises the 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 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 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.



Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which 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, ISA and SA-CH 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 on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the 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

/s/ Jolanda Dolente

Jolanda Dolente
Licensed audit expert
(Auditor in charge)

/s/ Michael Britt

Michael Britt
Licensed audit expert

Zur Rose Group AG Financial Statements

Income Statement

	Notes	2022	2021
		CHF 1,000	CHF 1,000
Net revenue		8,034	9,949
Other operating income	2.1	7,904	4,471
Total net income		15,938	14,420
Personnel expenses		-17,068	-16,197
Other operating expenses		-24,137	-24,350
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		-25,267	-26,127
Depreciation and amortisation	2.2	-70,240	-6,310
Earnings before interest and taxes (EBIT)		-95,507	-32,437
Finance income	2.3	21,673	19,313
Finance expenses	2.3	-51,820	-46,216
Earnings before taxes (EBT)		-125,654	-59,340
Tax expenses		-191	120
Net income / (loss)		-125,845	-59,220

Balance Sheet

ASSETS		31.12.2022	31.12.2021
	Notes	CHF 1,000	CHF 1,000
Cash and cash equivalents and short-term assets at market prices	2.4	50,181	226,772
Current financial assets		30,000	0
Receivables from investments		21,553	11,979
Other short-term receivables from third parties		2,030	2,820
Prepaid expenses from third parties		1,410	1,843
Prepaid expenses from investments		4,367	3,207
Current assets		109,541	246,621
Loans to investments		652,696	512,607
Long-term loans granted to related parties	2.5	0	1,852
Loans to third parties	2.5	10,010	10,424
Other non-current financial assets	2.5	50	2,949
Investments	2.6	664,386	638,170
Impairment of investments	2.2	-119,829	-60,829
Property, plant and equipment		5,528	5,187
Real estate	2.7	15,962	15,953
Intangible assets		27,228	31,653
Right-of-use	2.11	1,091	1,238
Non-current assets		1,257,122	1,159,204
Assets		1,366,663	1,405,825

Balance Sheet

LIABILITIES		31.12.2022	31.12.2021
	Notes	CHF 1,000	CHF 1,000
Current liabilities to third parties		2,733	2,611
Current liabilities to investments		4,074	2,787
Other current liabilities to third parties	2.5	1,260	2,594
Current interest-bearing liabilities	2.8	30,255	0
Current lease liabilities	2.11	154	148
Accrued expenses to third parties		3,959	7,202
Accrued expenses to investments		9,503	9,963
Short-term provisions		507	1,080
Short-term liabilities		52,445	26,385
Non-current interest-bearing liabilities	2.8	200,000	315,000
Non-current lease liabilities	2.11	967	1,109
Other non-current liabilities	2.5	0	1,409
Loan from investments		203,085	142,385
Long-term provisions		248	1,299
Long-term liabilities		404,300	461,202
Liabilities		456,745	487,587
Share capital		404,728	335,839
Legal capital reserve	2.9	660,316	624,582
General reserve from equity contribution		630,316	624,582
General reserve from equity contribution for treasury shares in the Group	2.10	30,000	0
Legal retained earnings		28,340	28,340
General legal retained earnings		1,340	1,340
Reserve for treasury shares in the Group		27,000	27,000
Accumulated loss		-183,466	-57,621
Retained earnings brought forward		-57,621	1,599
Net income / (loss)		-125,845	-59,220
Treasury shares	2.10	0	-12,902
Equity		909,918	918,238
Liabilities and equity		1,366,663	1,405,825

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).

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 expense. Treasury shares are measured using the weighted average method. Where shares are held indirectly through subsidiaries, a corresponding reserve is recognised in the parent company's equity.

1.5 Share-based payments

The personnel expenses for share-based payments result from the difference between the acquisition cost and any payment made by the beneficiaries. The estimated personnel expenses are distributed over the vesting period.

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 Other operating income

Other operating income includes extraordinary income of CHF 4.7 million from the sale of intangible assets.

2.2 Depreciation and amortisation

The position includes impairments of CHF 24 million and CHF 35 million on the investments in Promofarma Ecom, S.L and TeleClinic GmbH, respectively, and of CHF 1.3 million on intangible assets.

2.3 Financial result

Finance income includes mainly interest income from loans to investments. Finance expenses include unrealised foreign exchange losses of CHF 23.7 million, interest expenses of CHF 16.8 million and a realised loss of CHF 9.5 million on the sale of treasury shares.

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

	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Cash and cash equivalents	50,128	226,556
Securities (at market prices)	53	216
Total cash and cash equivalents and short-term assets at market prices	50,181	226,772

2.5 Loans and non-current financial assets

Due to the settlement of the deferred purchase price payment for TeleClinic GmbH in 2022, the security deposit (escrow) of CHF 2.9 million was repaid. In the previous year the deferred purchase price of CHF 3.2 million was included in other current liabilities to third parties and other non-current liabilities and the security deposit (escrow) was included in other non-current financial assets. Furthermore, the loan of CHF 1.5 million to the seller of TeleClinic GmbH, which was included in long-term loans granted to related parties in the previous year, was offset against the deferred purchase price payment.

A loan of CHF 9.9 million was granted to the sellers in connection with the acquisition of the Apotal Group on 17 August 2020.

2.6 Investments	2022	2021	2022	2021
	Capital CHF 1,000	Capital CHF 1,000	Equity interest and ordinary shares %	Equity interest and ordinary shares %
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	100.0
Zur Rose Finance B.V., Heerlen (NL)	0	0	100.0	100.0
TeleClinic GmbH, München (DE)	857	857	100.0	100.0
Specialty Care Therapiezentren AG, Frauenfeld (CH)	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	100.0
Aerztemedika AG, Liestal (CH)	500	n/a	100.0	n/a
Helena Abreu, Unipessoal, Lda Montemor-o-Novo (PRT)	108	108	100.0	100.0
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	37.5
WELL Gesundheit AG, Schlieren (CH)	100	100	18.62	29.7
Material Indirect Investments				
DocMorris Holding GmbH, Berlin (DE)	6,085	6,085	100.0	100.0
Eurapon Pharmahandel GmbH, Bremen (DE)	28	28	100.0	100.0
DocMorris N.V., Heerlen (NL)	60	60	100.0	100.0
medpex wholesale GmbH, Ludwigshafen (DE)	28	28	100.0	100.0
AdBest Werbeagentur GmbH, Hilter am Teutoburger Wald (DE)	27	27	100.0	100.0

2.7 Assets pledged	31.12.2022	31.12.2021
	CHF 1,000	CHF 1,000
Real estate pledged as collateral	15,962	15,953
Total assets pledged	15,962	15,953

2.8 Bonds	Amount CHF	Interest rate %	Maturity
Bond	30,255,000	2.500	19.07.2023
Bond	200,000,000	2.500	21.11.2024

2.9 Legal capital reserve

The balance of CHF 660'315'527 is still to be confirmed by the Federal Tax Administration. The transaction and the balance of CHF 624'581'426 as at 31 December 2021 were confirmed.

2.10 Treasury shares

	Number of transactions	Average price CHF	Number
Number of registered shares			
As at 1 January 2021			54,625
Acquisitions	11	368	11
Issue of new shares	1	333	1,669
Allocation	6	268	-8,592
As at 31 December 2021			47,713
Acquisitions	3	121	3
Sales	1	41	-40,642
Allocation	8	253	-7,073
As at 31 December 2022			1

On 1 September 2022, Zur Rose Finance B.V. placed a senior unsecured convertible bond in the amount of CHF 95 million, which is guaranteed by Zur Rose Group AG. In this context, 1,000,000 new shares were created which will be used under the existing securities lending agreement ("securities lending"). 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 has recognised an additional CHF 30 million reserve for treasury shares for this purpose. The reserve was formed via the general reserve from equity contribution.

2.11 Financial Leasing

	Useful life	31.12.2022	31.12.2021
		CHF 1,000	CHF 1,000
Right-of-use real estate	5 – 10 years	1,091	1,238
Lease liabilities		1,121	1,257
Depreciation right-of use assets		171	129
Interest expenses lease liabilities		30	26

3 Other disclosures

The following participation rights were allocated under share-based payments programs:

3.1 Allocated equity instruments	31.12.2022	31.12.2021
	Number	Number
Board of Directors	2,623	737
Executive Board	26,177	3,582
Employees	14,783	1,151
Total allocated equity instruments	43,583	5,470

The final cost of servicing the plans depends on the fulfillment of the service period, the share price performance and certain performance targets. The fair value of the Zur Rose share as of 31 December 2022 amounts to CHF 25.6 (previous year: CHF 235.5).

3.2 Significant shareholders	2022	2021
	%	%
Patrick Schmitz-Morkamer, Patrick Bierbaum	-	>3
Invesco Ltd.	-	>3
FMR LLC	-	>3
The Capital Group Companies, Inc.	-	>3
Frank M. Sands	>3	-
Reade Griffith	>3	-
UBS Group AG	>3	-
JPMorgan Chase & Co	>3	-
Bank of America Corporation	>3	-

3.3 Shareholdings Board of Directors and Executive Board	31.12.2022	31.12.2021
	Number of shares	Number of shares
Board of Directors		
Walter Oberhänsli, Chairman	112,870	104,262
Prof. Stefan Feuerstein, Vice Chairman	52,865	52,266
Prof. Dr. Andréa Belliger, Director	2,078	445
Rongrong Hu, Director	222	-
Dr. Christian Mielsch, Director	10,000	3,833
Florian Seubert, Director	2,916	483
Executive Board		
Walter Hess, Chief Executive Officer	35,919	28,173
Emanuel Lorini, Head Switzerland	4,747	4,041
David Maso, Head Europe	7,601	5,124
Kaspar Niklaus, Chief Operations Officer	530	-
Madhu Nutakki, Chief Technology Officer	0	0
Matthias Peuckert, Head Germany	0	-
Marcel Ziwica, Chief Financial Officer	44,830	42,751

As of 31 December 2022, the members of the Board of Directors and the Executive Board held the shares listed above. Around 2 per cent of the shares held by members of the Board of Directors have a remaining blocking period of up to three years. Shares held by the members of the Executive Board are not subject to a blocking period. No cash was paid for the allocated shares in the reporting year.

3.4 Employees

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

3.5 Unrecognised commitments	31.12.2022	31.12.2021
Nature	CHF 1,000	CHF 1,000
Other Guarantees	44,177	44,564

3.6 Contingent and authorised capital	31.12.2022	31.12.2021
	CHF	CHF
Contingent capital	41,852,580	36,236,040
Authorised capital	67,167,840	12,079,080

3.7 Significant events after the end of the reporting period

With an agreement dated 2 February 2023, the Zur Rose Group announced on 3 February 2023 the disposal of the Swiss business with all operating units (Zur Rose Suisse AG, Bluecare AG, Clustertec AG, Specialty Care Therapiezentren AG, Aertzemedika AG, ZRMB Marketplace AG, MBZR Apotheken AG, PolyRose AG) to the healthcare provider and Migros subsidiary Medbase, based in Winterthur. The expected cash inflow from the disposal transaction amounts to approximately CHF 360 million. The closing of the transaction is expected in Q2 2023.

Proposal to carry forward the accumulated loss to new account
(Proposal of the Board of Directors)

	31.12.2022	31.12.2021
	CHF	CHF
Retained earnings brought forward	<u>-57,621,092</u>	<u>1,599,000</u>
Net income / (loss)	<u>-125,845,303</u>	<u>-59,220,092</u>
Accumulated loss	<u>-183,466,395</u>	<u>-57,621,092</u>
Distribution to shareholders	<u>-</u>	<u>-</u>
Carried forward to new account	<u>-183,466,395</u>	<u>-57,621,092</u>



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To the General Meeting of
Zur Rose Group AG, Steckborn

Zurich, 22 March 2023

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of Zur Rose Group AG (the Company), which comprise the balance sheet as at 31 December 2022 and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 131 to 141) comply with Swiss law and the Company's articles of incorporation.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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 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 for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the 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 and loans to investments

Area of focus As of 31 December 2022, the Zur Rose Group holds investments of CHF 544.6 million and loans to investments of CHF 652.7 million corresponding to 88% of total assets. As disclosed in note 2.2, the annual impairment test for the investments in Promofarma Ecom, S.L and TeleClinic GmbH resulted in the recognition of an impairment charge of CHF 59 million.

We consider the valuation of investments and loans to investments to be a key audit matter due to the significance of the balance of the investments and loans to investments compared to the balance of total assets and because the impairment test performed by management is complex and involves significant assumptions.

Our audit response We assessed the impairment testing process of the Company and corroborated the determination of the key assumptions applied using internal and external available evidence. We involved our valuation experts.

Our audit procedures did not lead to any reservation regarding the valuation of investments and loans to investments.



Other information

The Board of Directors is responsible for the other information. The other information comprises the 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 financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.



Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 and SA-CH 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed carry forward of the accumulated losses 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

/s/ Jolanda Dolente

Jolanda Dolente

Licensed audit expert
(Auditor in charge)

/s/ Michael Britt

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:

- External revenue
- Growth in local currency
- Gross margin in per cent of net revenue
- EBIT
- EBITDA
- EBITDA adjusted
- 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 per cent of net revenue** corresponds to the division of consolidated revenue less cost of goods by consolidated 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 expenses and income related to acquisition, restructuring, integration and litigation. In the calculation, the EBITDA is increased by special expenses and reduced by special income.

The **EBITDA margin** is calculated by dividing EBITDA by consolidated revenue.

The **net financial debt** is a performance 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

(condensed)

2022	IFRS	Acquisition	Restructuring, Integration	Other ¹⁾	adjusted
Net revenue	1,608,222	-	-	-	1,608,222
Operating income	23,130	-17,685	-	-	5,445
Operating expense	-1,709,009	3,812	17,489	4,349	-1,683,359
EBITDA	-77,657	-	-	-	-69,692

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.

2021	IFRS	Acquisition	Restructuring, Integration	Other ¹⁾	adjusted
Net revenue	1,726,503	-	-	-	1,726,503
Operating income	6,747	-	-	-1,080	5,667
Operating expense	-1,875,884	9,642	2,169	2,998	-1,861,075
EBITDA	-142,634	-	-	-	-128,905

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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The 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 Annual Report is published online in German and English. The German report is the authoritative version. A printed summary report is also available in German.

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