DocMorris

Half-Year Report
2023

Contents

Letter to Shareholders

Dear Shareholders

DocMorris strengthened its basis for sustainable, profitable growth in the first half of the year. Following the consolidation of logistics in the new state-of-the-art distribution centre in Heerlen and the focused brand strategy, productivity and profitability as well as marketing efficiency continued to improve significantly. The gross margin increased by 5.5 percentage points to 21.6 per cent in the first half of the year compared to the same period last year. Adjusted EBITDA improved by CHF 33.9 million to minus CHF 20.8 million and is thus within the target range for the full year.

Inflection point reached: Revenue growth in the second quarter compared to the previous quarter — DocMorris achieved a 2 per cent revenue increase in the second quarter compared to the first quarter of 2023. The company has thus reached the inflection point in the first quarter and created a new starting position for profitable growth. In group currency, external revenue [1] was CHF 252.7 million in the second quarter and CHF 501.4 million in the first half. After completing the focus on potential e-prescription customers in Germany, especially with a chronic medication need, the number of active customers [2] as of the end of June 2023 is 9.0 million.

The revenue and operating result of the Swiss business will no longer be consolidated from the date of sale to Medbase, a subsidiary of Migros. In Germany, the revenue reduction of 11.7 per cent in local currency in the second quarter and 17.4 per cent in the first half of the year reflects the optimisation of marketing expenses and the focus on more profitable revenues. In the Southern European marketplace business, revenue decreased by 14.9 per cent in local currency in the second quarter and by 16.3 per cent in the first half of the year.

Capital structure significantly strengthened and strategy secured — The successful completion of the sale of the Swiss Zur Rose business has provided DocMorris with close to CHF 300 million proceeds to date. The equity ratio increased significantly from 31.9 per cent as of 31 December 2022 to 48.9 per cent as of 30 June 2023. An earn-out component of CHF 47 million due in the second quarter of 2024 and the planned sale of the Swiss land and properties will further strengthen liquidity. At the same time, the implementation of the strategy is secured.

1 External revenue consists of the consolidated revenue of DocMorris plus online revenues of pharmacies supplied by DocMorris, less the consolidated revenue from supplying them.

2 Customers supplied by DocMorris, either directly or through its partners.

E-prescription rollout accelerates strongly – mandatory from January 2024 — On 1 July 2023, the new e-prescription redemption channel using the electronic health card[3] (eGK) was launched on time in Germany, thus starting the nationwide rollout process in the second half of 2023. This additional redemption channel – in addition to print out and app – strengthens the general acceptance of the e-prescription in medical practices and among patients. In July 2023 alone, more than 340,000 e-prescriptions[4] were filled, 38 per cent more than in the previous month.

For a broad use of e-prescriptions, non-discriminatory redemption channels must also be available for online pharmacies as of January 2024. This requires a digital equivalent to the physical eGK solution, which enables the e-prescription to be redeemed via an NFC-ready eGK without a PIN. A corresponding technical solution analogous to the physical eGK solution for local pharmacies is available. Close interactions are taking place with the relevant regulatory bodies and stakeholders so that the digital solution can be introduced in the fourth quarter of 2023.

Significantly improved digital customer experience — In the second quarter of 2023, DocMorris made significant improvements to its web shop and app. As a result, the company expects an increase in customer quality and higher conversion rates. E-prescription medication management was expanded to include reminders and automatic follow-up prescriptions, among other things. In addition, DocMorris expanded its core pharmacy offering. In July 2023, a long-tail assortment, based on its in-house technology, was added to the existing marketplace on the DocMorris healthcare ecosystem.

Outlook — DocMorris continues to focus in particular on its action plan to further strengthen the sustainable basis for profitability and future revenue growth. Regardless of the ramp-up speed of electronic prescriptions, management confirms its 2023 targets communicated in March:

— Return to revenue growth in the second half of the year following the streamlining of the customer base. For the full year, a mid-single-digit percentage decline in external revenue in local currencies.
— Improvement of adjusted EBITDA to between minus CHF 20 million and minus CHF 40 million.
— Capital expenditure of CHF 30 million to CHF 40 million.

3 The e-prescription is not stored on the eGK. The physical card only serves to authorise the pharmacy to retrieve the prescription data stored in the telematics infrastructure. E-prescriptions issued within the framework of video consultations can thus also be redeemed via this procedure.

4 Source: gematik

DocMorris expects to break-even on adjusted EBITDA in 2024, excluding e-prescriptions. In the mid-term, an adjusted EBITDA margin of 8 per cent continues to be targeted.

Walter Oberhänsli
Chairman of the Board

Walter Hess
Chief Executive Officer

Consolidated Financial Statements

Consolidated Income Statement

		1.1. – 30.6.2023		1.1. – 30.6.2022	
	Notes	CHF 1,000	%	CHF 1,000 restated[1]	%
Net revenue	3	**462,957**	**100.0**	494,645	100.0
Other operating income	7	**1,011**		16,024	
Cost of goods		**– 363,021**		–414,864	
Personnel expenses		**– 60,472**		–57,389	
Other operating expenses		**– 68,610**		–87,006	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**– 28,135**	**–6.1**	–48,590	–9.8
Depreciation, amortisation and impairment		**– 20,674**		–18,713	
Earnings before interest and taxes (EBIT)		**– 48,809**	**–10.5**	–67,303	–13.6
Share of results of joint ventures and associates		**– 334**		–820	
Finance income		**6,923**		2,665	
Finance expenses	2.4	**– 16,062**		–18,743	
Earnings before taxes (EBT)		**– 58,282**	**–12.6**	–84,201	–17.0
Income tax income / (expense)		**42**		628	
Net income / (loss) from continuing operations		**– 58,240**	**–12.6**	–83,573	–16.9
Net income / (loss) from discontinued operations	5	**199,845**		–2,514	
Net income / (loss)		**141,605**	**30.6**	–86,087	–17.4
Attributable to Doc Morris AG shareholders		**141,605**		–86,087	

	CHF 1		CHF 1	
Net income / (loss) per share from continuing operations	**– 4.98**		–8.05	
Diluted net income / (loss) per share from continuing operations	**– 4.98**		–8.05	
Net income / (loss) per share	**12.12**		–8.29	
Diluted net income / (loss) per share	**12.12**		–8.29	

1) See Note 5 Discontinued Operations

Consolidated Statement of Comprehensive Income

	Notes	1.1. – 30.6.2023	1.1. – 30.6.2022
		CHF 1,000	CHF 1,000
Net income / (loss)		**141,605**	–86,087
Exchange differences on translation of foreign operations	2.4	**–1,999**	–11,366
Other comprehensive income to be reclassified in subsequent periods to the income statement		**–1,999**	–11,366
Remeasurement pensions	2.3	**890**	12,093
Income tax		**–115**	–1,898
Share of other comprehensive income of joint ventures and associates		**0**	295
Other comprehensive income not to be reclassified in subsequent periods to the income statement		**775**	10,490
Other comprehensive income / (loss)		**–1,224**	–876
Total comprehensive income / (loss)		**140,381**	–86,963
Attributable to DocMorris AG shareholders		**140,381**	–86,963

Consolidated Balance Sheet

ASSETS		30.06.2023		31.12.2022	
	Notes	CHF 1,000	%	CHF 1,000	%
Cash and cash equivalents		**199,712**		126,042	
Current financial assets	7	**82,366**		30,360	
Trade receivables		**44,177**		129,351	
Prepaid expenses		**15,085**		11,021	
Other receivables		**8,785**		15,930	
Inventories		**43,657**		83,180	
Non-current assets held for sale	6	**11,482**		0	
Current assets		**405,263**	**40.1**	395,884	36.0
Investments in joint ventures and associates		**1,502**		1,645	
Property, plant and equipment		**39,086**		60,275	
Right-of-use assets		**32,010**		36,533	
Intangible assets		**519,809**		571,906	
Non-current financial assets		**11,650**		28,410	
Deferred tax assets		**1,201**		4,792	
Non-current assets		**605,258**	**59.9**	703,561	64.0
Total assets		**1,010,521**	**100.0**	1,099,445	100.0

Consolidated Balance Sheet

LIABILITIES AND EQUITY		30.06.2023		31.12.2022	
	Notes	CHF 1,000	%	CHF 1,000	%
Current bonds	7	30,251		30,229	
Current lease liabilities		4,419		5,278	
Other current financial liabilities	7	7,979		25,714	
Trade payables		55,667		112,781	
Other payables		5,327		15,920	
Tax liabilities		4,309		1,999	
Accrued expenses		31,399		39,691	
Short-term provisions		7,783		9,737	
Short-term liabilities		**147,134**	**14.6**	241,349	22.0
Non-current bonds	7	322,336		460,203	
Non-current lease liabilities		27,764		32,926	
Other non-current financial liabilities	7	11,849		0	
Pension obligations		1,454		7,323	
Deferred tax liabilities		5,920		6,865	
Long-term liabilities		**369,323**	**36.5**	507,317	46.1
Total liabilities		**516,457**	**51.1**	748,666	68.1
Share capital		409,873		404,728	
Capital reserves		659,278		659,294	
Treasury shares		– 62,393		–60,670	
Retained earnings		– 442,034		–583,912	
Exchange differences		– 70,660		–68,661	
Equity attributable to DocMorris AG shareholders		**494,064**	**48.9**	350,779	31.9
Total equity		**494,064**	**48.9**	350,779	31.9
Total liabilities and equity		**1,010,521**	**100.0**	1,099,445	100.0

Consolidated Cash Flow Statement

	Notes	1.1. – 30.6.2023	1.1. – 30.6.2022
		CHF 1,000	CHF 1,000
			restated[1]
Net income / (loss) from continuing operations		– 58,240	– 83,573
Depreciation, amortisation and impairment		20,674	18,713
Finance expenses (net)		8,449	15,605
Share of results of joint ventures and associates		334	820
Income tax		– 42	– 628
Non-cash income and expenses		4,733	– 10,687
Income tax paid		– 1,030	– 643
Interest paid		– 7,293	– 3,133
Interest received		498	146
Change in trade receivables, other receivables and prepaid expenses		9,794	11,764
Change in inventories		6,559	19,803
Change in trade payables, other liabilities and accrued expenses		– 17,098	– 23,875
Change in provisions		– 2,064	216
Contingent consideration paid	7	– 3,995	0
Operating cash flow from discontinued operations		2,492	15,236
Cash flow from operating activities		– 36,229	– 40,236
Acquisition of subsidiaries, net of cash acquired	7	– 6,815	– 108
Purchase of property, plant and equipment		– 1,333	– 6,983
Disposal of property, plant and equipment		142	0
Acquisition of intangible assets		– 7,599	– 16,554
Investments in non-current financial assets		– 300	0
Repayment of financial assets		32	3,174
Disposal of interest in joint ventures and associates		0	2,706
Investments in joint ventures and associates		0	– 533
Dividends received		139	0
Net proceeds from disposal of Swiss business	5	282,657	0
Investing cash flow from discontinued operations		– 8,260	– 11,363
Cash flow from investing activities		258,663	– 29,661
Net proceeds from capital increases		95	899
Transaction costs of capital increases[2]		0	– 3,741
Repayment of financial liabilities	7	– 148,349	– 2,414
Financing cash flow from discontinued operations		– 368	– 442
Cash flow from financing activities		– 148,622	– 5,698
Increase / (decrease) in cash and cash equivalents		73,812	– 75,595
Cash and cash equivalents at the beginning of the year		126,042	277,742
Foreign currency differences		– 142	– 2,962
Cash and cash equivalents at the end of the period		199,712	199,185

1) See Note 5 Discontinued Operations
2) 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 2022	**335,839**	**651,048**	**– 31,308**	**– 416,219**	**– 54,437**	**484,923**	**484,923**
Net income / (loss)				–86,087		–86,087	–86,087
Other comprehensive income				10,490	–11,366	–876	–876
Total comprehensive income				–75,597	–11,366	–86,963	–86,963
Share-based payments				2,052		2,052	2,052
Transaction costs of capital increase		–327				–327	–327
Allocation of treasury shares			619	–2,138		–1,519	–1,519
Issue of new shares for employees	5,126	675		–4,903		898	898
30 June 2022	**340,965**	**651,396**	**– 30,689**	**– 496,805**	**– 65,803**	**399,064**	**399,064**
1 January 2023	**404,728**	**659,294**	**– 60,670**	**– 583,912**	**– 68,661**	**350,779**	**350,779**
Net income / (loss)				141,605		141,605	141,605
Other comprehensive income				775	–1,999	–1,224	–1,224
Total comprehensive income				142,380	–1,999	140,381	140,381
Share-based payments				2,848		2,848	2,848
Issue of new shares from capital band	1,723		–1,723			0	0
Transaction costs of capital increase		–38				–38	–38
Issue of new shares for employees	3,422	22		–3,350		94	94
30 June 2023	**409,873**	**659,278**	**– 62,393**	**– 442,034**	**– 70,660**	**494,064**	**494,064**

Notes to the Interim Consolidated Financial Statements

1 Operating activities

The DocMorris Group operates several e-commerce pharmacies for medical and pharmaceutical products. In addition, it offers services in the field of professional health care. Sales are made to mail-order pharmacies and directly to private individuals.

The parent company of DocMorris Group (the "Group") is DocMorris AG (the "Company"), a stock corporation under Swiss law with its registered office at Walzmühlestrasse 49, 8500 Frauenfeld (Switzerland). The name change to DocMorris AG (formerly Zur Rose Group AG) took place on 10 May 2023 (SOGC publication).

The interim consolidated financial statements cover the period from 1 January to 30 June 2023 (hereinafter the "reporting period") and were approved by the Board of Directors on 16 August 2023.

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

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

2 Accounting policies

2.1 Basis of preparation
The unaudited interim consolidated financial statements for the first half year 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting.

Since the interim consolidated financial statements do not include all disclosures as contained in the consolidated financial statements, they should be read in conjunction with the consolidated financial statements as at 31 December 2022. Changes in or new accounting policies from those for the consolidated financial statements for 2022 are shown in Note 2.2.

2.2 New standards, interpretations and changes for the DocMorris Group
The accounting policies for the interim financial statements are consistent with those applied in the preparation of the consolidated financial statements for the financial year ending on 31 December 2022. The changes to existing standards and interpretations to be applied for the first time from 1 January 2023 have no material impact on the net assets, financial position or results of operations of the Group as well as the disclosures in these half-year financial statements.

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

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

The remeasurement of pension obligations of CHF 0.9 million recognised in other comprehensive income is mainly due to actuarial gains on the plan assets of discontinued operations (see Note 5). The discount rate applied as of 4 May 2023 was 2.19% (31 December 2022: 2.20%). For the remeasurement of the pension obligations of continuing operations, a discount rate of 1.90% was applied as of 30 June 2023 (31 December 2022: 2.20%).

Influences on operations

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

Income tax

Current income tax is based on an estimate of the expected income tax rate for the full year 2023.

2.4 Principal exchange rates

The following exchange rates were used:

	1.1. – 30.6.2023		**1.1. – 30.6.2022**		**31.12.2022**
Currency	End of period	Average rate of period	End of period	Average rate of period	End of period
EUR	**0.9769**	**0.9855**	0.9983	1.0319	0.9893
RON	**0.1967**	**0.1995**	–	–	–

Due to exchange rate developments in the first half year of 2023, the earnings before taxes were negatively impacted by CHF 4.5 million (previous year: CHF 10.4 million) and exchange rate losses of CHF 2.0 million (previous year CHF 11.4 million) on translation of foreign operations were recognised in other comprehensive income.

3 Operating segments

The DocMorris Group manages its activities by geographical regions. With the disposal of the Swiss business on 4 May 2023 (see Note 5), the DocMorris Group reports its continuing operations in the Germany and Europe segments. 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 has been determined at the level of adjusted EBITDA starting with the 2022 financial statements (the prior-year figures as of 30 June 2022 have been restated accordingly). The adjusted EBITDA shows the development of the operating result adjusted for special items, i.e. effects that are special in their nature and magnitude for the management of the Group. This includes, in particular, expenses and income related to acquisitions, restructuring, integration and legal cases. For the calculation, the EBITDA is increased or reduced by such expenses and income from special effects. 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, in particular, Group-wide functions of DocMorris AG such as strategic management, technology development and financing.

The following tables show the operating segments of the DocMorris Group (continuing operations) for the first six months as at 30 June 2023 and the previous year as at 30 June 2022.

1.1. – 30.6.2023	Germany	Europe	Corporate	Group (continuing operations)
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Income statement				
Net revenue with external customers	430,040	31,425	1,492	**462,957**
Revenue with other segments	0	0	0	**0**
Total net revenue	**430,040**	**31,425**	**1,492**	**462,957**
EBITDA adjusted	–6,148	–1,130	–13,553	**–20,831**
Adjustments [1]				**–7,304**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)				**–28,135**
Depreciation and amortisation				**–20,674**
Earnings before interest and taxes (EBIT)				**–48,809**
Finance result, net				**–9,473**
Earnings before taxes (EBT)				**–58,282**

1) Includes expenses and income related to acquisition of CHF –4,722 thousand as well as restructuring and integration of CHF –2,582 thousand

1.1. – 30.6.2022 (restated)	Germany	Europe	Corporate	Group (continuing operations)
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
Income statement				
Net revenue with external customers	454,403	39,183	1,059	**494,645**
Revenue with other segments	0	0	0	**0**
Total net revenue	**454,403**	**39,183**	**1,059**	**494,645**
EBITDA adjusted	–33,739	–6,436	–14,511	**–54,686**
Adjustments [1]				**6,096**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)				**–48,590**
Depreciation and amortisation				**–18,713**
Earnings before interest and taxes (EBIT)				**–67,303**
Finance result, net				**–16,898**
Earnings before taxes (EBT)				**–84,201**

1) Includes expenses and income related to acquisitions of CHF 12,000 thousand, restructuring and integration of CHF –5,046 thousand and other special effects of a nature and magnitude relevant to Group management of CHF –858 thousand

The Germany segment consists of the B2C business unit.

The Europe segment contains the Marketplace business unit, through which pharmacy-type products in health, cosmetics and personal care are traded.

Corporate includes income from the Platform business.

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

Net revenue		**1.1. – 30.6.2023**	**1.1. – 30.6.2022**
Segment	Type of goods or service	CHF 1,000	CHF 1,000
Germany	Retail Business (B2C)	**430,040**	454,403
Europe	Marketplace	**31,425**	39,183
Corporate	Platform	**1,492**	1,059
Total revenue from contracts with customers		**462,957**	494,645

4 Business combinations

The purchase price allocation of the following company was finalised in 2023, with no adjustments being made.

Aerztemedika AG
On 29 April 2022, DocMorris AG acquired Aerztemedika AG located in Liestal. The purchase price of CHF 3.9 million consisted of a cash payment of CHF 3.5 million and a deferred purchase price payment of CHF 0.4 million, of which CHF 0.3 million was paid in the first half of 2023. The goodwill was allocated to the Switzerland segment. Aerztemedika was sold to Medbase AG on 4 May 2023 as part of the disposal of the Swiss business (see Note 5).

The change in goodwill from CHF 400.8 million as at 31 December 2022 to CHF 379.1 million as at 30 June 2023 is due to the disposal of the Swiss business to Medbase AG (CHF –16.9 million, see Note 5) and to foreign currency effects (CHF –4.8 million).

5 Discontinued operations

On 4 May 2023, the DocMorris Group announced the disposal of the Swiss business (Switzerland segment) with all operating units (Zur Rose Suisse AG, Bluecare AG, Clustertec AG, Specialty Care Therapiezentrum AG, Aerztemedika AG) and the investments in joint ventures (ZRMB Marketplace AG, MB-ZR Apotheken AG, PolyRose AG) to the healthcare provider and Migros subsidiary Medbase AG, headquartered in Winterthur.

The cash inflow from the disposal consists of CHF 181.6 million for shares sold and CHF 115.9 million for outstanding loans settled. The outstanding loans settled include loans to the former subsidiaries (CHF 105.6 million) and the former joint ventures (CHF 10.3 million). After deducting CHF 12.5 million of cash and cash equivalents sold and CHF 2.3 million of transaction costs already paid, the disposal of the Swiss business resulted in a net cash inflow of CHF 282.7 million.

	04.05.2023
	CHF 1,000
Cash received	297,494
Fair value earn-out consideration	44,650
Total Consideration	**342,144**
Net assets disposed	21,822
Loans disposed	115,879
Gross gain on disposal	**204,443**
Total transaction costs (recognised in current and previous year)	9,331
Gain on disposal before income taxes	**195,112**
Income taxes	0
Gain on disposal after income taxes	**195,112**
Plus transaction costs already recognised in previous year	817
Gain on disposal after income taxes recognised in the fiscal year	**195,929**

The gain on disposal after income taxes recognised in the 2023 fiscal year amounts to CHF 195.9 million. Of the total transaction costs of CHF 9.3 million, CHF 0.8 million were already recognised in the previous year, and were accordingly adjusted to calculate the gain on disposal recognised in the 2023 fiscal year.

The following table shows the income statement for the Switzerland segment (discontinued operations). The resulting earnings per share (basic and diluted) for period 2023 are CHF 17.10 (previous year: CHF –0.24). As at 30 June 2023, potential shares were excluded from the weighted average number of shares outstanding for the calculation of diluted earnings per share, as they are antidilutive due to the loss from continuing operations.

	1.1. – 04.05.2023		1.1. – 30.6.2022	
	CHF 1,000	%	CHF 1,000	%
Net revenue	**236,238**	**100.0**	329,319	100.0
Other operating income	**196**		343	
Operating expenses	**– 231,121**		–324,148	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**5,313**	**2.2**	5,515	1.7
Depreciation, amortisation and impairment	**– 1,297**		–7,662	
Earnings before interest and taxes (EBIT)	**4,016**	**1.7**	–2,148	-0.7
Financial result	**– 59**		–480	
Earnings before taxes (EBT)	**3,957**	**1.7**	–2,628	-0.8
Income tax income / (expense)	**– 41**		114	
Net income / (loss)	**3,916**	**1.7**	–2,514	-0.8
Gain on disposal after income taxes recognised in the financial year	**195,929**		0	
Net income / (loss) from discontinued operations	**199,845**	**84.6**	–2,514	-0.8

The following table shows the balance sheet for the Switzerland segment at the time of disposal.

	04.05.2023
	CHF 1,000
Cash and cash equivalents	12,497
Trade receivables	69,424
Inventories	33,631
Other current assets	13,196
Property, plant and equipment	8,080
Right-of-use assets	3,107
Intangible assets	61,253
Deferred tax assets	3,500
Total assets	**204,688**
Current liabilities	67,649
Non-current lease liabilities	4,094
Other non-current financial liabilities	105,600
Pension obligations	5,094
Deferred tax liabilities	429
Total liabilities	**182,866**
Net assets	**21,822**

6 Non-current assets held for sale

Due to the disposal of the Swiss business, the Board of Directors of DocMorris AG decided at the end of March 2023 to initiate the sales process for the administration and logistics building, including the land, that is used by the Swiss business. The sale is expected within the next 12 months. Therefore, in the consolidated balance sheet as of 30 June 2023, the building and the land are reported separately as non-current assets held for sale (book value as of 30 June 2023: CHF 11.5 million). No depreciation has been made on the building since the end of March 2023.

7 Financial instruments

Current financial assets
Current financial assets of CHF 82.4 million as at 30 June 2023 (31 December 2022: CHF 30.4 million) include fixed-term deposits of CHF 30.0 million (31 December 2022: CHF 30.0 million) and a short term loan of CHF 7.7 million. In addition, the disposal of the Swiss business resulted in a contingent purchase price consideration (earn-out) with a fair value of CHF 44.7 million as at 30 June 2023. The earn-out component covers the period 2023 and is dependent on certain EBITDA targets (normalised) of the divested Swiss business. The earn-out is capped at a maximum of CHF 47 million and is anticipated to be due in the first half of 2024.

The fair value is based on the estimate of the expected achievement of the targeted EBITDA (normalised). The change in this input factor can lead to significant adjustments to the recognised financial receivable in 2023 and thus to the payment to the DocMorris Group. A change in the estimate as of

30 June 2023 of +5 percent or −3 percent would, ceteris paribus, result in an increase or reduction in the receiveable of CHF 2.2 million or CHF −1.3 million, which would change the earnings accordingly. The DocMorris Group assumes that the agreed EBITDA target (normalised) will be achieved.

Contingent consideration liabilities
The consolidated balance sheet as at 30 June 2023 includes contingent consideration arrangements of CHF 4.6 million (EUR 4.7 million) resulting from the acquisition of Apotal.

Details on the determination of fair value measurements are presented below:

Contingent consideration liabilities	**30.06.2023**	**30.06.2022**
	CHF 1,000	CHF 1,000
As at 1 January	**14,183**	32,522
Cash flow	**−10,809**	0
Change in fair value (through profit or loss)	**1,353**	−12,683
Exchange differences	**−102**	−737
Total contingent consideration liabilities	**4,625**	19,102

Apotal
The fair value of the contingent consideration as at 30 June 2023 is CHF 4.6 million (EUR 4.7 million), compared to CHF 3.6 million (EUR 3.6 million) as at 31 December 2022. The change in the fair value of CHF 1.0 million (EUR 1.1 million) compared to the estimate as at 31 December 2022 is mainly due to the compounding component and exchange rate fluctuations due to the share price development of DocMorris AG (Level 1), as the number of shares to be delivered has an upper limit due to a threshold mechanism regarding the share price. This led to a fair value adjustment for the two earn-outs to be settled in shares totaling CHF 1.3 million (EUR 1.3 million) recognised in profit or loss. As the effective applicable share price relates to a defined period before settlement, the number of shares and the fair value may still change. An isolated change in the share price valid as of 30 June 2023 of minus or plus 20 percent, ceteris paribus, would result in a reduction or increase in the earn-outs to be settled in shares of CHF −0.8 million and CHF 0.8 million, respectively. The assessment of the sales growth and EBITDA targets has not changed compared to the financial statements as at 31 December 2022. In addition, the first cash earn-out component of CHF 0.2 million (EUR 0.2 million) was settled in June 2023.

The still outstanding contingent consideration of CHF 4.6 million (EUR 4.7 million) is classified as current as of 30 June 2023, whereby the settlement will largely be executed by issuing shares in DocMorris AG, which will take place in the second half of 2023. The obligation is essentially only subject to fluctuations in share prices and exchange rates (level 2).

Eurapon
The remaining contingent consideration of CHF 10.6 million (EUR 10.7 million) was paid in February 2023 together with the deferred consideration of CHF 11.2 million (EUR 11.3 million). The portion of the paid contingent consideration that exceeds the obligation recognised as part of the acquisition (fair value) (CHF 4.0 million or EUR 4.1 million) is recognised in cash flow from operating activities and CHF 6.6 million (EUR 6.7 million) reported in cash flow from investing activities. The deferred purchase price consideration of CHF 11.1 million (EUR 11.3 million) is recognised as a repayment of financial liabilities in cash flow from financing activities.

Other financial liabilities
Due to obligations and rights arising from multi-year technology agreements, CHF 15.2 million (of which CHF 3.3 million is current) is reported in other financial liabilities and CHF 15.0 million in intangible assets.

Bonds

The fair value (Level 1) of the listed bonds was CHF 118.0 million as at 30 June 2023 (31 December 2022: CHF 169.8 million) and the carrying amount was CHF 120.8 million as at 30 June 2023 (31 December 2022: CHF 229.4 million). The fair value (Level 1) of the listed convertible bonds amounted to CHF 231.8 million as at 30 June 2023 (31 December 2022: CHF 188.6 million) and the carrying amount as at 30 June 2023 was CHF 231.8 million (31 December 2022: CHF 261.1 million).

With a value date of 1 June 2023, the DocMorris Group repurchased 55% of the 2.5% 2019–2024 bonds (nominal CHF 200 million) at a buyback price of CHF 4,900 per bond (nominal CHF 5,000) or 98% of the nominal value, plus accrued and unpaid interest of CHF 65.97 (1.32%). The resulting payment including interest was CHF 107.9 million. In addition, the Group acquired approximately 18% of the 2.75% 2020 – 2025 convertible bonds (nominal CHF 175 million) in the first half of 2023, resulting in payments including interest totaling CHF 27.5 million.

8 Events after the end of the reporting period

On 19 July 2023, the DocMorris Group repaid in full the remaining debt of CHF 30.3 million on the bond 2.5% 2018 – 2023 (original nominal CHF 115 million) included in the current financial assets as of 30 June 2023.

Alternative Performance Measures

The financial statements of the DocMorris Group are prepared in accordance with International Financial Reporting Standards (IFRS). In addition to the disclosures required by the IFRS, DocMorris publishes alternative performance measures (APM), which are not subject to the IFRS provisions and for which there is no generally accepted reporting standard. DocMorris 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. DocMorris calculates the following APM:

— External revenue
— Growth in local currency
— Gross margin in percent of net revenue
— EBIT
— EBITDA
— EBITDA adjusted
— EBITDA margin
— Net financial debt

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

Growth in local currency shows the percentage change of a performance measure compared with the previous year without the impact of exchange rate effects (conversion is at the previous year's rate).

The **gross margin in percent of 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 DocMorris 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 the DocMorris 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)

June 2023	IFRS	Acquisition	Restructuring, Integration	Other [1]	adjusted
Net revenue	**462,957**	–	–	–	**462,957**
Operating income	1,011		–	–	1,011
Operating expense	–492,103	4,722	2,582	–	–484,799
EBITDA	**–28,135**	–	–	–	**–20,831**

1) Including influence of special items, i.e. special effects in terms of their nature and magnitude for the management of DocMorris.

June 2022 (restated)	IFRS	Acquisition	Restructuring, Integration	Other [1]	adjusted
Net revenue	**494,645**	–	–	–	**494,645**
Operating income	16,024	–13,075			2,949
Operating expense	–559,259	1,075	5,046	858	–552,280
EBITDA	**–48,590**	–	–	–	**–54,687**

1) Including influence of special items, i.e. special effects in terms of their nature and magnitude for the management of DocMorris.

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