



# Content

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## Dear Shareholders,

The Zur Rose Group can look back on a successful first six months of 2017, in which it continued to accelerate sales growth. Following the successful IPO on 6 July 2017, Europe's largest mail-order pharmacy has the necessary funds to continue on its expansion course and to exploit the growth opportunities in the coming years.

Following the launch of its growth initiatives, the Zur Rose Group managed to increase sales by 7.2 per cent to CHF 465.8 million (8.2 per cent in local currency) in the first half of 2017, compared with the same period in the previous year. Second-quarter growth further exceeded the increase in the first quarter of 2017. With regard to its corporate strategy, the Group intends to further cement its market leadership in Germany and to initiate expansion into other European markets.

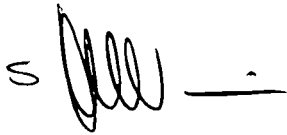
**Continued growth in Germany** — Thanks to intensified marketing efforts, the Zur Rose Group continued to expand its market position in Germany in the first half of 2017. Sales in the operating segment Germany increased by 12.9 per cent to CHF 226.4 million (14.9 per cent to EUR 210.4 million in local currency). This was mainly driven by DocMorris' mail-order business in non-prescription drugs (OTC), exhibiting sales growth of 42.8 per cent in local currency. DocMorris' mail-order business in prescription drugs (Rx) recorded sales growth of 7.2 per cent in local currency, accelerating growth versus the first quarter of 2017 (up 6.1 per cent on the same period of last year). The number of active customers both in OTC and Rx significantly picked up, year-on-year.

**Steady sales performance in Switzerland** — Thanks to positive new customer acquisitions, sales in the doctors' segment (B2B) in Switzerland rose by 5.0 per cent in the first half of 2017. Adjusted for the abandonment of insufficiently profitable sales in the Specialty Care business during 2016, the retail business (B2C) remained essentially stable. Overall sales in the operating segment Switzerland rose by 2.0 per cent to CHF 238.3 million.

**Results as planned** — As expected, the results were affected by growth-related marketing and personnel expenses amounting to around CHF 14 million; costs incurred in the first six months of 2017 in connection with the successful IPO amounted to CHF 5.3 million. Because of these extraordinary expenses, earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to minus CHF 11.6 million (same period of the previous year: CHF 7.8 million); net income/(loss) amounted to minus CHF 18.1 million (same period of the previous year: CHF 0.2 million).

**Cooperation with Medbase and Migros** — In Switzerland, Zur Rose concluded a cooperative venture with Medbase, Switzerland's largest service provider in basic outpatient medical care. In the current year, all Medbase centres will gradually switch to Zur Rose as exclusive supplier. This will enable Zur Rose to further expand its already high market share in the doctors' segment. In July 2017, Zur Rose opened the first shop-in-shop pharmacy in the Migros branch at Bern's Marktgasse. If the pilot phase proves successful, the partnership will be expanded through further in-store pharmacies. As part of the omni-channel strategy, the shop-in-shop concept is intended to promote the cross-channel purchase of drugs and so to further strengthen the retail business.

**Outlook** – The growth in sales achieved in the first six months gives confidence that this positive growth trend is to continue, particularly in Germany. Here, the high brand awareness of DocMorris supports new customer acquisition. In Switzerland, the close cooperation with Medbase and Migros will provide further momentum in the second half of the year. The Group management expects organic sales growth approaching 10 per cent for the full year 2017 and a negative EBITDA as a result of extraordinary expenses in the context of the IPO and the growth initiatives. A target for this year is signing of a contract for the acquisition of the business operation of a German mail-order pharmacy, subject to satisfactory due diligence and the fulfilment of certain other requirements.



**Prof. Stefan Feuerstein**  
Chairman of the Board



**Walter Oberhänsli**  
Executive Director and CEO

# Consolidated income statement

		1.1.– 30.6.2017		1.1.– 30.6.2016	
	Notes	CHF 1,000	%	CHF 1,000	%
<b>Net revenue</b>		<b>465,763</b>	<b>100.0</b>	434,310	100.0
Other operating income		3,755		2,754	
Cost of goods and materials		-396,785		-369,030	
Personnel expenses	9	-37,621		-28,867	
Other operating expenses	4	-46,663		-31,358	
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>-11,551</b>	<b>-2.5</b>	7,809	1.8
Depreciation and amortisation		-5,406		-4,543	
<b>Earnings before interest and taxes (EBIT)</b>		<b>-16,957</b>	<b>-3.6</b>	3,266	0.8
Share of results of associates and joint ventures	5	98		-376	
Finance income		817		54	
Finance expenses		-1,390		-2,051	
<b>Earnings before taxes (EBT)</b>		<b>-17,432</b>	<b>-3.7</b>	893	0.2
Income tax		-660		-739	
<b>Net income / (loss)</b>		<b>-18,092</b>	<b>-3.9</b>	154	0.0
Attributable to Zur Rose Group AG shareholders		-18,078		154	
Attributable to non-controlling interests		-14		0	
		CHF 1		CHF 1	
Net income / (loss) per share		-4.21		0.04	
Dilutive net income / (loss) per share		-4.21		0.04	

# Consolidated statement of comprehensive income

	1.1.–30.6.2017	1.1.–30.6.2016
	CHF 1,000	CHF 1,000
<b>Net income / (loss)</b>	<b>-18,092</b>	154
Exchange differences on translation of foreign operations	503	29
<b>Other comprehensive income to be reclassified in subsequent periods to the income statement</b>	<b>503</b>	29
Remeasurement pensions	-580	-92
Income tax	95	12
Share of other comprehensive income of associates and joint ventures	88	133
<b>Other comprehensive income not to be reclassified in subsequent periods to the income statement</b>	<b>-397</b>	53
<b>Other comprehensive income / (loss)</b>	<b>106</b>	82
<b>Total comprehensive income / (loss)</b>	<b>-17,986</b>	236
Attributable to Zur Rose Group AG shareholders	-17,972	236
Attributable to non-controlling interests	-14	0

# Consolidated balance sheet

		30.06.2017		31.12.2016	
	Notes	CHF 1,000	%	CHF 1,000	%
<b>Assets</b>					
Cash and cash equivalents		15,523		25,225	
Current financial assets		150		160	
Trade receivables		74,346		71,379	
Prepaid expenses		8,692		5,971	
Other receivables		7,581		8,637	
Inventories		44,411		48,277	
<b>Current assets</b>		<b>150,703</b>	<b>58.0</b>	<b>159,649</b>	<b>61.0</b>
Investments in associates and joint ventures	5	960		3,914	
Property, plant and equipment		27,442		26,216	
Intangible assets	7	72,378		63,120	
Non-current financial assets		1,346		1,834	
Deferred tax assets		6,900		6,795	
<b>Non-current assets</b>		<b>109,026</b>	<b>42.0</b>	<b>101,879</b>	<b>39.0</b>
<b>Total assets</b>		<b>259,729</b>	<b>100.0</b>	<b>261,528</b>	<b>100.0</b>

# Consolidated balance sheet

	30.06.2017		31.12.2016	
	CHF 1,000	%	CHF 1,000	%
<b>Liabilities and equity</b>				
Current financial liabilities	<b>4,100</b>		100	
Bonds	<b>49,912</b>		49,861	
Trade payables	<b>72,193</b>		70,708	
Other liabilities	<b>642</b>		3,615	
Tax liabilities	<b>212</b>		212	
Accrued expenses	<b>17,917</b>		13,590	
Short-term provisions	<b>235</b>		131	
<b>Short term liabilities</b>	<b>145,211</b>	<b>55.9</b>	<b>138,217</b>	<b>52.8</b>
Non-current financial liabilities	<b>11,635</b>		9,123	
Pension obligations	<b>12,683</b>		8,875	
Deferred tax liabilities	<b>1,718</b>		1,507	
<b>Long term liabilities</b>	<b>26,036</b>	<b>10.0</b>	<b>19,505</b>	<b>7.5</b>
<b>Total liabilities</b>	<b>171,247</b>	<b>65.9</b>	<b>157,722</b>	<b>60.3</b>
Share capital	<b>24,948</b>		24,885	
Capital reserves	<b>59,585</b>		59,219	
Treasury shares	<b>-1,285</b>		-903	
Retained earnings	<b>17,595</b>		33,597	
Exchange differences	<b>-12,489</b>		-12,992	
<b>Equity attributable to Zur Rose Group AG shareholders</b>	<b>88,354</b>	<b>34.0</b>	<b>103,806</b>	<b>39.7</b>
Non-controlling interests	<b>128</b>		0	
<b>Total equity</b>	<b>88,482</b>	<b>34.1</b>	<b>103,806</b>	<b>39.7</b>
<b>Total liabilities and equity</b>	<b>259,729</b>	<b>100.0</b>	<b>261,528</b>	<b>100.0</b>



# Consolidated cash flow statement

	1.1.–30.6.2017	1.1.–30.6.2016
	CHF 1,000	CHF 1,000
<b>Net income / (loss)</b>	<b>-18,092</b>	<b>154</b>
Depreciation and amortisation	5,406	4,543
Finance costs (net)	189	1,139
Income tax	660	739
Non-cash income and expenses	2,535	1,130
Taxes paid	-196	-96
Interest paid	-128	-335
Interest received	11	11
Change in trade receivables, other receivables and advance payments made	-1,259	-2,659
Change in inventories	4,348	-3,889
Change in trade payables and other liabilities	1,280	974
Increase / (decrease) in provisions	104	-41
<b>Cash flow from operating activities</b>	<b>-5,142</b>	<b>1,670</b>
Acquisition / increase in interest in joint ventures	-589	-2,151
Purchase of property, plant and equipment	-2,033	-471
Acquisition of intangible assets	-8,214	-8,561
Repayment of current financial assets	10	0
Investments in non-current financial assets	-487	-1,068
Cash flow on obtaining control of BlueCare AG	489	0
<b>Cash flow from investing activities</b>	<b>-10,824</b>	<b>-12,251</b>
Proceeds from capital increases	507	2,071
Increase in financial liabilities	6,450	7,850
Repayment of financial liabilities	-388	-443
Transaction cost of anticipated capital increase	-66	0
Purchase of treasury shares	-382	0
Dividends paid	0	-1,638
<b>Cash flow from financing activities</b>	<b>6,121</b>	<b>7,840</b>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>-9,845</b>	<b>-2,741</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>25,225</b>	<b>25,089</b>
<b>Foreign currency differences</b>	<b>144</b>	<b>26</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>15,524</b>	<b>22,374</b>

## Consolidated statement of changes in equity

	Share capital	Capital reserves	Treasury shares	Retained earnings	Exchange differences	Total shareholders of the parent	Non-controlling interests	Total equity
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>1 January 2016</b>	<b>18,716</b>	<b>22,652</b>	<b>-1,030</b>	<b>44,943</b>	<b>-12,505</b>	<b>72,776</b>	<b>0</b>	<b>72,776</b>
Net income/(loss)				154		154		154
Other comprehensive income				53	29	82		82
Total comprehensive income				207	29	236		236
Share-based payments				680		680		680
Issue of new shares (employees)	666	1,293				1,959		1,959
Allocation of treasury shares			325	-325		0		0
Dividends paid		-1,638				-1,638		-1,638
<b>30 June 2016</b>	<b>19,382</b>	<b>22,307</b>	<b>-705</b>	<b>45,505</b>	<b>-12,476</b>	<b>74,013</b>	<b>0</b>	<b>74,013</b>
<b>1 January 2017</b>	<b>24,885</b>	<b>59,219</b>	<b>-903</b>	<b>33,597</b>	<b>-12,992</b>	<b>103,806</b>	<b>0</b>	<b>103,806</b>
Net income/(loss)				-18,078		-18,078	-14	-18,092
Other comprehensive income				-397	503	106		106
Total comprehensive income				-18,475	503	-17,972	-14	-17,986
Share-based payments				2,473		2,473		2,473
Issue of new shares (employees)	63	621				684		684
Purchase of treasury shares			-382			-382		-382
Additions from obtaining control of BlueCare AG						0	142	142
Transaction cost of anticipated capital increase		-255				-255		-255
<b>30 June 2017</b>	<b>24,948</b>	<b>59,585</b>	<b>-1,285</b>	<b>17,595</b>	<b>-12,489</b>	<b>88,354</b>	<b>128</b>	<b>88,482</b>

# Notes to the interim consolidated financial statements

## 1 General information

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Zur Rose Group provides medicine, pharmaceutical products and medicine management services. Sales are made directly to physicians who prescribe medicine, as well as to mail-order pharmacies and private individuals.

Zur Rose Group AG, a stock corporation under Swiss law based at Seestrasse 119, 8266 Steckborn (Switzerland), acts as the parent entity. The registered office of Group management and the headquarters of business activities are based at Walzmühlestrasse 60, 8500 Frauenfeld (Switzerland).

The interim consolidated financial statements were released by the Board of Directors on 21 August 2017.

The values 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

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### 2.1 Basis of preparation

The unaudited interim consolidated financial statements of the Zur Rose Group for the first half year 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial statements are presented in Swiss francs, and all values were rounded to the nearest thousand (CHF 1,000), unless specified otherwise.

The accounting policies are consistent with those applied in the preparation of the consolidated financial statements 2016, except as noted below. These interim consolidated financial statements provide an update on previously reported information and should be read in conjunction with the annual financial statements 2016.

### 2.2 Change in accounting policies

Zur Rose Group has adopted a number of minor changes in IFRS that became effective on 1 January 2017. They do not have a material impact on the interim consolidated financial statements of the Group.

### 2.3 Estimation uncertainty and assumptions

The preparation of the interim consolidated financial statements of Zur Rose Group requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and the disclosure of contingent liabilities as at the reporting date. Although these estimates and assumptions are made on the basis of all available information, the actual results may differ. Any adjustments resulting from changes in estimates and assumptions are made during the reporting period in which the original estimates and assumptions changed.

Refer to note 9 on how the share-based payment expense recognised in the first six months ended 30 June 2017 has been affected by changes in estimates.

### Seasonal influences on operations

The sales of Zur Rose Group are not significantly influenced by seasonal or cyclical fluctuations.

### Income tax

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

### 2.4 Principal exchange rates

The following exchange rates were used:

Currency	1.1.– 30.6.2017		1.1.– 30.6.2016		2016
	Period-end rate	Average rate for the period	Period-end rate	Average rate for the period	Year-end rate
EUR 1	<b>1.0937</b>	<b>1.0763</b>	1.0863	1.0957	1.0715
CZK 100	<b>4.1726</b>	<b>4.0186</b>	4.0050	4.0535	3.9736

### 3 Operating segments

Zur Rose Group changed its organisational und management structure in the first quarter 2017 to geographic markets as Zur Rose Group's priority is to increase sales and further develop the market position in each country in which the Group is active, regardless of the brands used, to operate more efficiently and to better align the organisational and management structure to the regulatory environment in each country. Switzerland and Germany have been identified as the new operating segments (previously brands Zur Rose and DocMorris). The prior segment information has been restated. The operating results of these organisations are individually monitored by Group management in order to reach decisions on the allocation of resources and assess the performance of these organisations. Financing is managed centrally by the Group and not allocated to the operating segments. The newly consolidated subsidiary BlueCare AG is included in «Corporate».

<b>Reporting as per 30 June 2017</b>	Switzerland	Germany	Corporate	Group
	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Income statement</b>				
Net revenue with external customers	238,267	226,422	1,074	465,763
<b>Total net revenue</b>	<b>238,267</b>	<b>226,422</b>	<b>1,074</b>	<b>465,763</b>
<b>EBITDA</b>	<b>5,402</b>	<b>-10,198</b>	<b>-6,755</b>	<b>-11,551</b>
Depreciation and amortisation	-1,564	-3,134	-708	-5,406
<b>EBIT</b>	<b>3,838</b>	<b>-13,332</b>	<b>-7,463</b>	<b>-16,957</b>
<b>Reporting as per 30 June 2016</b>				
Restated	CHF 1,000	CHF 1,000	CHF 1,000	CHF 1,000
<b>Income statement</b>				
Net revenue with external customers	233,687	200,623	0	434,310
<b>Total net revenue</b>	<b>233,687</b>	<b>200,623</b>	<b>0</b>	<b>434,310</b>
<b>EBITDA</b>	<b>6,579</b>	<b>2,620</b>	<b>-1,390</b>	<b>7,809</b>
Depreciation and amortisation	-883	-3,137	-523	-4,543
<b>EBIT</b>	<b>5,696</b>	<b>-517</b>	<b>-1,913</b>	<b>3,266</b>

#### 4 Other operating expenses

The increase in the reporting period in other operating expenses is mainly attributable to marketing costs (HY 2017: CHF 16.3 million; HY 2016 CHF 7.1 million), whereas the main part is marketing campaign in Germany.

Further increase of the other operating expenses is resulting from the growth of variable costs due to the volume of the business.

#### 5 Change in consolidation scope

On 5 May 2017 Zur Rose Group obtained control over BlueCare AG following a change in the contractual agreements with another shareholder of BlueCare AG. Zur Rose Group has owned 78.9% of BlueCare AG since 2015 and has accounted for the investment as a joint venture since then. The transaction represents a business combination achieved in stages and has resulted in the remeasurement of the previously held equity interests to fair value and the effective settlement of pre-existing loan receivables from BlueCare AG of CHF 1.5 million.

No additional ownership interests have been acquired and the cash inflow on obtaining control of BlueCare AG results from the consolidation of BlueCare's cash balances at acquisition date.

Considering own shares held by BlueCare AG Zur Rose Group effectively owns an economic interest of 81.68% in BlueCare's net assets. The following provisional acquisition date fair values have been recognised on 5 May 2017:

	CHF 1,000
Cash and cash equivalents	489
Other current assets	1,491
Non-current financial assets	541
Property, plant and equipment	328
Intangible assets	2,493
Deferred tax assets	515
<b>Total assets</b>	<b>5,857</b>
Short-term liabilities	1,170
Non-current financial liabilities	550
Pension obligations	3,004
Deferred tax liabilities	234
Provisions	123
<b>Total liabilities</b>	<b>5,081</b>
<b>Net assets acquired</b>	<b>776</b>
Fair value of previously held interest	2,910
Effective settlement of pre-existing relationships	1,500
Non-controlling interests 18.32%	142
<b>Total consideration deemed</b>	<b>4,552</b>
<b>Goodwill</b>	<b>3,776</b>

Goodwill reflects the skills of the workforce in software development as well as expected synergies. The goodwill remains provisional and has not been allocated to cash-generating units yet.

The carrying amount of BlueCare AG amounted to CHF 2.7 million at 5 May 2017, and the remeasurement gain of CHF 0.2 million to its acquisition date fair value of CHF 2.9 million has been included in the line «share of results of associates and joint ventures» in the consolidated income statement.

## 6 Financial instruments

Zur Rose Group does not have any financial instruments measured at fair value. The fair value of the listed bond maturing on 7 December 2017 and measured at amortised cost amounted to CHF 49.9 million at 30 June 2017 (31 December 2016: CHF 49.7 million).

## 7 Intangible assets

The increase of intangible assets to CHF 72.4 million is mainly due to the goodwill through the business combination of BlueCare AG and investments in IT software.

The goodwill has increased from CHF 10.4 million as per 31 December 2016 to CHF 14.5 million as per 30 June 2017 mainly due to full consolidation of BlueCare AG as per 5 May 2017 and currency translation effects.

	CHF 1,000
Goodwill as per 1.1.2017	10,404
+ Acquisition / business combination	3,776
+ Currency translation effects	304
<b>Goodwill as per 30.6.2017</b>	<b>14,484</b>

## 8 Equity

The share capital was increased in the reporting period by 10,942 shares (CHF 0.1 million) out of conditional capital (30 June 2016: 115,873 shares; CHF 0.7 million).

Incremental transaction costs of CHF 0.3 million incurred until 30 June 2017 that are directly attributable to the share issuance that took place on 6 July 2017 (refer to note 10) were deducted from the share premium. CHF 0.1 million were paid until 30 June 2017, which are considered in the consolidated cash flow statement (refer to page 9).

## 9 Personnel expenses

### General

Since 30 June 2016 Zur Rose Group increased the number of full time equivalents from 705 to 864, which has a direct impact on the personnel expenses per 30 June 2017.

### Share-based payments

Zur Rose Group introduced a stock option plan in the third quarter of 2016. The fair value of the options granted at 1 September 2016 amounted to CHF 2.2 million. The vesting period is variable and depends on the achievement of defined targets including a potential initial public offering (IPO) of Zur Rose Group AG.

In the first half-year 2017 management reassessed these targets. Given the likelihood and timing of the planned IPO and the fact that the other targets were also met at 30 June 2017 the reassessment has led to an accelerated recognition of the full remaining expense until 30 June 2017. The expense recognised from 1 January to 30 June 2017 amounts to CHF 2.0 million (2016: nil for 1<sup>st</sup> HY 2016 and CHF 0.2 million for the full year).

## **10 Events after the end of the reporting period**

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The total of new shares of Zur Rose Group AG were listed at SIX Swiss Exchange in Zurich (ticker symbol «ROSE») on 6 July 2017. Including the shares placed in connection with the over-allotment option (Greenshoe), a total of 1,664,908 shares were placed in the IPO. In connection with the share offering Zur Rose Group acquired 124,400 shares from members of key management personnel for total proceeds of CHF 17.4 million. These shares were also placed in the IPO. The final gross proceeds to the Group were CHF 233 million. CHF 5.6 million IPO costs had been incurred until 30 June 2017, CHF 5.3 million have been expensed within profit and loss statement and CHF 0.3 million have been deducted from equity (refer to page 10).

Members of key management personnel and other employees exercised stock options resulting in a capital increase of 215,701 shares out of conditional capital on 5 July 2017 (refer to note 9).

— **Contacts**

**Investor and analyst contact**

Marcel Ziwica  
Chief Financial Officer  
T +41 52 724 00 64  
[marcel.ziwica@zurrose.com](mailto:marcel.ziwica@zurrose.com)

**Media contact**

Lisa Lüthi  
Head of Corporate Communications  
T +41 52 724 08 14  
[lisa.luethi@zurrose.com](mailto:lisa.luethi@zurrose.com)

**Zur Rose Group AG**  
Walzmühlestrasse 60  
8500 Frauenfeld  
Switzerland

**T +41 52 724 00 20**  
**[info@zurrose.com](mailto:info@zurrose.com)**  
**[zurrosegroup.com](http://zurrosegroup.com)**

**Zur Rose Group**