SHOP APOTHEKE
EUROPE

INVESTING IN HEALTHY GROWTH.

ANNUAL REPORT 2018

SHOP APOTHEKE
EUROPE

SHOP APOTHEKE

SHOP PHARMACIE

SHOP FARMACIA

FARMALINE

europa apotheek

nu3

OUR MISSION.

WE ARE COMMITTED TO
GROWTH AND ACHIEVING
A MARKET-LEADING POSITION
IN ALL COUNTRIES IN WHICH
WE OPERATE, THEREBY
CREATING ADDED VALUE
FOR OUR STAKEHOLDERS AND
OUR CUSTOMERS.

OUR KEY FIGURES 2018.

FURTHER INCREASING OUR STRONG GROWTH IN EUROPE.

REVENUES FY 2018:
EUR 540 MILLION (+ 90 %).

REPEAT ORDERS:
81 PERCENT.

ACTIVE CUSTOMERS:
3.5 MILLION (+ 30 %).

AVERAGE SHOPPING BASKET SIZE INCREASED TO:
€ 54 (OTC + BPC ONLY),
€ 187 (RX + OTC GERMANY),
€ 72 (OVERALL AVERAGE).

SITE VISITS GREW BY:
21.6 MILLION TO 93.1 MILLION.

COVERING THE WHOLE RANGE OF PRODUCTS:
OTC, BPC* AND RX.

* FUNCTIONAL NUTRITION.

AVERAGE MONTHLY VISITS:
7.8 MILLION.

LEADING THE WAY IN EUROPE.

PRESENTING EUROPE'S FASTEST GROWING ONLINE PHARMACY.

FROM THE HEART OF EUROPE TO CONTINENTAL EUROPE'S KEY MARKETS.

Choosing Venlo in the Netherlands as operations centre has been a smart move. Located close to the Dutch-German border, it does not only make it efficient to ship orders to Germany. It also acts as a central processing and distribution hub from where we ship to our customers in our different Continental European markets. Furthermore, it is an excellent basis for future expansion.

BRINGING HEALTHY GROWTH TO LIFE.

THE ONLINE PHARMACY FOR EUROPE AT A GLANCE.

MORE THAN 3.5 MILLION ACTIVE CUSTOMERS ACROSS EUROPE.

MORE THAN 100,000 PRODUCTS.
CONVINCING PORTFOLIO OF OTC, BPC AND RX PRODUCTS AS WELL AS FUNCTIONAL NUTRITION.

8 MARKETS.
GERMANY, AUSTRIA, FRANCE, BELGIUM, THE NETHERLANDS, SPAIN, ITALY, SWITZERLAND.

843 EMPLOYEES*
WORKING ACROSS EUROPE.

As Europe's fastest growing online pharmacy SHOP APOTHEKE EUROPE is dedicated to serving the whole family with a special focus on the family's health manager, the person who is in charge of caring for all family members' health needs. In addition to OTC medications, functional foods and pharmacy-related beauty and personal care products we are already offering prescription drugs in Germany – and are prepared to expand this service to other Continental European markets once the legal framework for this is enacted.

Europe' population is steadily getting older and consequently has a greater need for prescription medications and continuous care. With almost 20 years of experience in providing Rx medications to our customers' homes we also focus on older people and patients suffering from chronic diseases. To best serve them and ensure optimal compliance, we established SMART, a special patient programme for chronically ill people.

By acquiring nu3 in July of 2018 we further expanded our product range to a younger target group with functional nutrition products.

This comprehensive offering is being recognized by both the markets and by customers: In addition to being listed in the prestigious SDAX select index, SHOP APOTHEKE was named 'Online Retailer of the Year' in a major consumer survey. This shows that the offer of a broad product portfolio, a wide range of services and high-quality pharmaceutical consulting services is really connecting with consumers.

- **Europe's fastest-growing online pharmacy** for OTC and beauty and personal care (BPC) products.
- **Leading mail-order pharmacy for prescription medications in Germany**, prepared and ready to expand the online Rx business to further Continental European markets.
- **Early mover**, pioneering the online pharmacy market since 2001.
- **Headquartered in the Netherlands** (Venlo) with offices in Germany (Cologne and Berlin) and Belgium (Tongeren).
- **Market leader** in Germany, Austria and Belgium (OTC and BPC products).
- Highest standards of pharmaceutical safety.
- Outstanding customer counselling.

* as of 31 December 2018 (FTE).

SHOP APOTHEKE

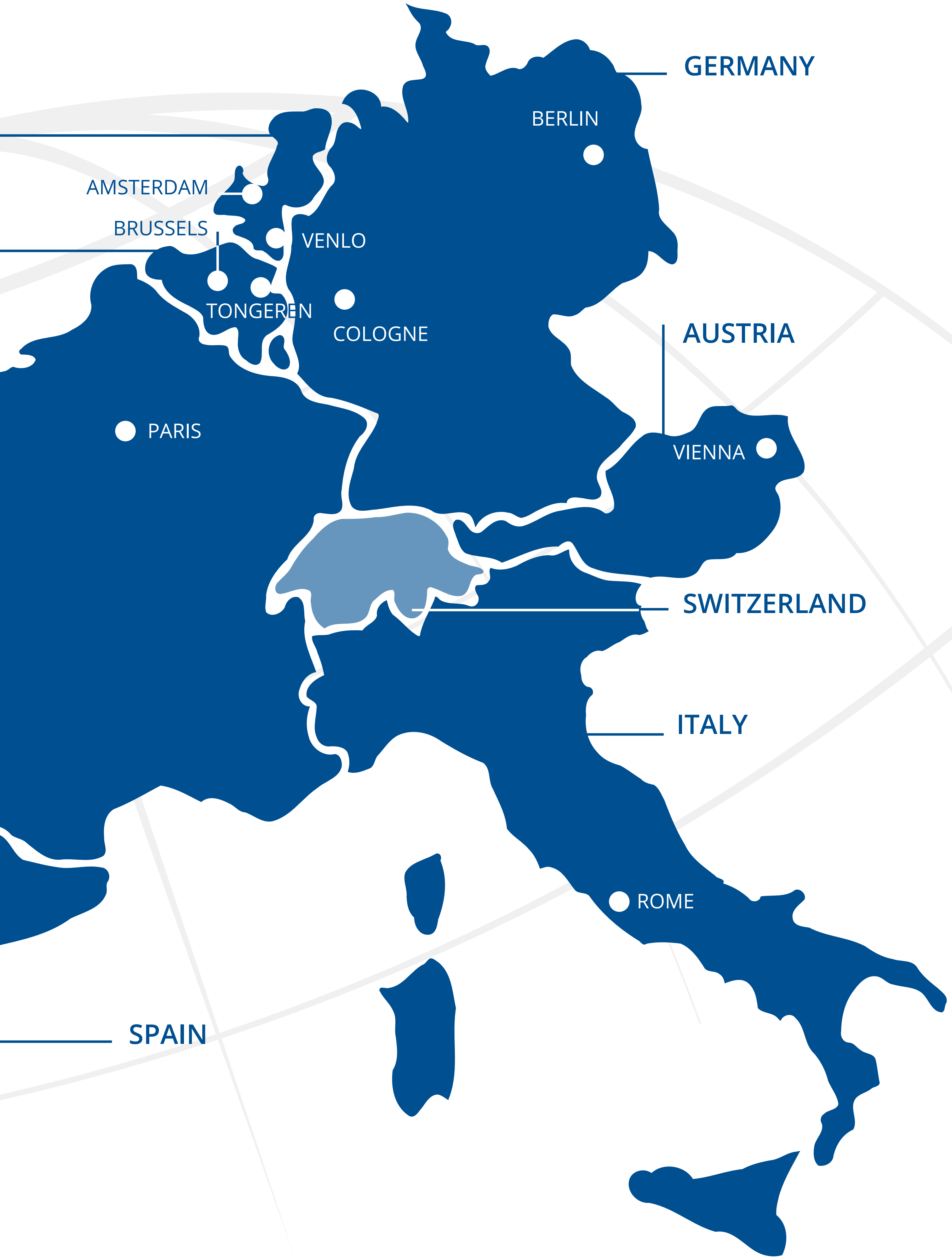
LOCALLY AVAILABLE FOR OUR EUROPEAN CUSTOMERS: OUR WEBSHOPS IN EIGHT CONTINENTAL EUROPEAN COUNTRIES.

In addition to our headquarters in the Dutch city of VENLO, we also have a marketing & sales office in COLOGNE, Germany, and the European Service Centre in TONGEREN, Belgium.

The newly acquired company nu3 is located in Germany's capital BERLIN.

RedTecLab, part of the SHOP APOTHEKE Group and responsible for all of our IT services, is located in COLOGNE.

843 EMPLOYEES.
4 LOCATIONS.
ONE ENTREPRENEURIAL SPIRIT.


GERMANY
BERLIN
AMSTERDAM
BRUSSELS
VENLO
TONGEREN
COLOGNE
AUSTRIA
PARIS
VIENNA
SWITZERLAND
ITALY
ROME
SPAIN

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01

MESSAGE TO OUR SHAREHOLDERS.

LETTER FROM THE MANAGEMENT BOARD.

DEAR SHAREHOLDERS. LADIES AND GENTLEMEN.

Venlo, 27 February 2019

During the 2018 financial year, SHOP APOTHEKE EUROPE seized business opportunities and significantly drove growth in Germany and its now seven additional European countries. We reached our ambitious growth target with a revenue increase of 90 % to EUR 540 million. This dynamic revenue growth is based on successfully increasing the number of active customers across Europe from 2.7 million at the end of 2017 to around 3.5 million at the end of 2018. International revenues rose by almost 70 % during the year under review. At the same time, Europea Apotheek's prescription drug business was further expanded in our German core market.

The acquisition of nu3 GmbH was another key element of our growth strategy. By taking over the specialist for functional nutrition products we were able to broaden our portfolio to include nu3's complementary attractive high-margin products, expand our customer base, and add new growth prospects in several European markets. Since nu3's high-margin and high-value nutritional products already had an existing customer basis in Switzerland, acquiring the company in July 2018 did more than just further enhance our penetration rate in our existing markets: It also helped us lay the foundation for entering the Swiss market, which is particularly attractive in the beauty and personal care (BPC) products segment.

In 2018, SHOP APOTHEKE EUROPE has solidified and extended its position as an integrated online pharmacy with operations in eight European countries with a broad product portfolio that includes prescription drugs (Rx), over-the-counter (OTC) medications, pharmacy-related beauty and personal care (BPC) products as well as superfoods and functional nutrition products. We further extended the company's reach across the different product category and age groups, transforming the SHOP APOTHEKE EUROPE Group into a one-stop-shop for the whole family. It remains our goal to build Continental Europe's biggest and most rapidly growing integrated online pharmacy. In order to achieve this, we have continuously invested in the expansion and automation of our warehousing, logistics, IT and webshop infrastructures.

In response to the ongoing market consolidation in Germany over the reporting period – during which some competitors temporarily aimed to grow market share by offering lower prices – as well as a later-than-usual start to the cold and flu season due to unusually mild weather, we decided in November to lower our 2018 earnings target to more strongly focus on promoting organic growth. Due to the resulting increase in marketing spending, we ended the year with a margin of – 2.2 % rather than the initially forecast – 0.5 % based on EBITDA adjusted for one-offs. We believe this is a worthwhile investment in solidifying our strong market position as well as our future growth.

That's because a look at future business opportunities shows that SHOP APOTHEKE EUROPE will benefit greatly from its strong market position when it comes to reaping the benefits of two trends that will substantially shape the online pharmacy market in the coming years: On the one hand, the shift from offline to online and market consolidation will continue. On the other, the introduction of electronic prescriptions and the growing popularity of telemedicine will open new market opportunities with significant growth potential. This will initially impact the German market and the Benelux countries, with other European countries likely to follow suit down the line.

>>

DEAR SHAREHOLDERS. LADIES AND GENTLEMEN.

SHOP APOTHEKE EUROPE plans to play an active role in the ongoing consolidation of the online pharmacy market. We want to further strengthen our position in the OTC/BPC product area in Germany. Outside Germany, we are looking for companies that would help us improve our market position while also further increasing market penetration. After all, SHOP APOTHEKE EUROPE has demonstrated in recent years that it can both successfully acquire and rapidly integrate other companies and achieve strong organic growth at a rate of 25 % to 30 % in Germany and even more internationally.

These skills will be leveraged in the coming years to seize the market opportunities presented to us by the introduction of electronic prescriptions in Germany. What are the factors that will impact SHOP APOTHEKE EUROPE's business model following the launch of electronic prescriptions?

- The addressable market will grow substantially
- New customer target groups for prescription medications
- Lower acquisition costs for these customers, better customer retention
- Elimination of time-consuming and costly processing of paper prescriptions
- Faster delivery of prescriptions to customers
- Cross-selling potential between the three cornerstones of prescription medications – non-prescription medications/ beauty and personal care products – healthy functional nutritional products
- Greater value of average shopping basket

While the share of OTC/BPC products sold online is going close to approx. 20 % of the overall market in Germany, the online share of the prescription medication market is currently just around 1.5 % of an estimated market volume of EUR 36 billion. In countries such as Sweden, Switzerland or the USA where the mail order of prescription medications has been possible for a while, the online share of the market has often grown to c. 10 % over just a few years. You can see the enormous potential of this market when you apply these numbers to the ca. 500 million prescriptions written in Germany each year: Industry surveys predict market growth of almost 50 % annually for Germany. Thanks to its already strong market position, SHOP APOTHEKE EUROPE could benefit disproportionately from this growth. As a result of the integration of prescription drug experts EUROPA APOTHEEK, the whole Group has further deepened the necessary know-how. This includes having trained pharmaceutical staff as well as the technology and process expertise required for an area that is both sensitive and important for building customer loyalty. This includes our proprietary SMART programme, which provides special consulting services and support for patients suffering from chronic diseases.

The legal framework for implementing electronic prescriptions in Germany should be in place in 2020. SHOP APOTHEKE EUROPE will continue to prepare for the opening of this new market over the next two years and further expand its customer basis, logistics and network of suppliers based on its already established business. The initial focus will be on new customer acquisition and further improving customer retention in the OTC, BPC and functional foods segments. We strongly believe that the most cost-effective way to secure customers is at the moment when they switch to buying OTC and prescription medications online. As this process takes place, we benefit from our proprietary technology and our employees' know-how – two things we have continuously invested in over the years. In addition to targeted marketing and our Red Points bonus programme, our corporate brand also will enhance both our recognition value and our customer retention. The bigger our customer base and the stronger our customers' brand loyalty, the more rapidly our marketing costs will decrease in the electronic prescription era.

Our mid-range goal is to reach revenues of EUR 1 billion because that will enable us to realize further economies of scale – e. g. in procurement – and to reap the benefits of even greater efficiency in logistics and automation. In combination with rising customer numbers these are important building blocks towards successively improving our company's profitability. As Management Board members and entrepreneurs with many years of expertise and experience in the pharmaceuticals, logistics and e-commerce sectors we will continue to develop our organization towards reaching these goals.

In this competitive phase, we will invest in growth, because SHOP APOTHEKE EUROPE's business model is convincing and credible: We start from a strong competitive position to generate further dynamic growth, which will be unleashed with the introduction of electronic prescriptions. SHOP APOTHEKE will use its first mover advantage to secure and expand its market share.

We have set ourselves clear goals on this path: We have further strengthened the company's stable foundation as a result of the milestones reached in 2018 and a broad geographic footprint across Europe. We have created the optimal conditions to consistently expand our position as Continental Europe's leading online pharmacy following the introduction of electronic prescriptions.

Our strength in online marketing and Internet technology as well as our ability to organically grow faster than the overall market and to rapidly integrate newly acquired companies makes us look towards the future optimistically.

SHOP APOTHEKE EUROPE N. V.
The Management Board

Signed
Dr. Ulrich Wandel Theresa Holler Marc Fischer Stephan Weber

In accordance with the Dutch Financial Supervision Act, section 5.25c, the Management Board declares that, to the best its knowledge:

- The financial statements for 2018 provide, in accordance with IFRS as endorsed by the EU, a true and fair view of the consolidated assets, liabilities and financial position as at 31 December 2018, and of the 2018 consolidated statement of profit and loss of SHOP APOTHEKE EUROPE N. V.
- The annual report provides a true and fair view of the situation as at 31 December 2018 and the state of affairs during the financial year 2018, together with a description of the principal risks faced by the Group.

02

E-SCRIPT.

A HUGE OPPORTUNITY FOR HEALTHY GROWTH.

NEXT GENERATION
E-SCRIPT
GAME CHANGER

EMPOWERING CONSUMERS TO BETTER MANAGE THEIR HEALTH.

ACHIEVING HEALTHY GROWTH BY BRINGING BETTER HEALTHCARE TO MORE PEOPLE.

SHOP APOTHEKE EUROPE'S business proposition is a win-win situation for all stakeholders: Consumers gain better access to healthcare while shareholders reap the rewards of the company's healthy growth strategy, which is projected to get a major boost by the introduction of electronic prescriptions or e-Scripts in Germany over the coming years.

Consumers benefit from SHOP APOTHEKE EUROPE'S constantly expanding portfolio of products and services, which gives our customers the broadest possible choice in the digital era. From a strong foundation of non-prescription medication (OTC) and pharmcy-related beauty and personal care (BPC) products, the company successfully expanded its Rx business. The expert pharmaceutical team provides comprehensive services such as the SMART programme that helps make the lives of chronically ill patients a bit easier. This expertise will lead to further healthy growth in the future as we are prepared to roll out our Rx business and related services to other European markets, once the required regulatory changes will be enacted. e-Scripts will be a growth driver in Germany in the coming years. The experience gained in Germany will prepare SHOP APOTHEKE EUROPE for e-Script opportunities in other markets.

The acquisition of nu3 has opened up new target groups and cross-selling opportunities by adding a broad range of functional foods and nutritional supplements, which is especially attractive to affluent and health-oriented customers. It also opened up the Swiss market, making Switzerland the eighth target country for SHOP APOTHEKE EUROPE.

> *"Our goal is to grow substantially faster than our competitors in our established markets while rapidly growing in our new markets to reach critical mass there."*

Stefan Feltens
(Designated) CEO,
SHOP APOTHEKE EUROPE

NEXT GENERATION
E-SCRIPT
GAME CHANGER

PRESENTING THE ONLINE MARKET LEADER WITH THE HIGHEST GROWTH RATE.

BUILDING EUROPE'S FASTEST-GROWING FULL-SERVICE ONLINE PHARMACY.

PREPARING FOR THE ROLL-OUT OF E-SCRIPTS FROM A STRONG FOUNDATION.

SHOP APOTHEKE EUROPE reached another milestone demonstrating investor confidence when the company joined the SDAX, one of Germany's DAX Group's select indeces for the first time ever in September 2017. Admission to the SDAX is the result of dynamic operational and customer growth in the European online pharmacy market with a resulting rapid increase in market capitalization. The company had previously been admitted into the MSCI SmallCap Germany index in May 2018.

At the same time, the company is also firmly establishing itself as the online pharmacy of choice for consumers: At the end of 2018, SHOP APOTHEKE EUROPE had 3.5 million active customers across Europe – an increase of 800.000 or almost 30 percent compared to around 2.7 million active customers just a year earlier. The average size of the shopping basket rose from EUR 57.78 in 2017 to EUR 72.44 in 2018, an increase of 25 %. Other key metrics such as the company's site ranking and the share of mobile site visits also point to a rapidly growing company in an excellent position to benefit from future opportunities and market expansion.

The company is already getting ready for the next phase of dynamic growth by preparing the roll-out of electronic prescriptions across its markets.

With SHOP APOTHEKE EUROPE's largest and core market Germany projected to introduce e-Scripts in 2020, the company is in a strong position to benefit from the launch thanks to its well-established and trusted team of Rx-experts. The online prescription drug market, currently only about 1/10th the size of the online OTC market, has huge growth potential following the introduction of safe, convenient and efficient e-Scripts.

"Investing in healthy growth means we are prepared to benefit from future opportunities."

Dr. Ulrich Wandel
CFO, SHOP APOTHEKE EUROPE

NEXT GENERATION
E-SCRIPT
GAME CHANGER

RAPIDLY EXPANDING THE HUGE RX MARKET THANKS TO ELECTRONIC PRESCRIPTIONS.

E-SCRIPT COMING TO GERMANY IN 2020.

A MASSIVE OPPORTUNITY FOR HEALTHY GROWTH.

A major game changer for online pharmacies is about to be introduced in SHOP APOTHEKE EUROPE's core market, Germany, with electronic prescriptions or e-Scripts projected to be rolled out starting in 2020. The web-based writing, transmission and filling of a prescription puts the physician directly and instantly in touch with the pharmacy without the need for the patient to pick up and deal with a physical copy of his prescription. The EU has designated e-Script an important strategic priority to improve healthcare and other markets, including Belgium, are expected to follow suit in coming years.

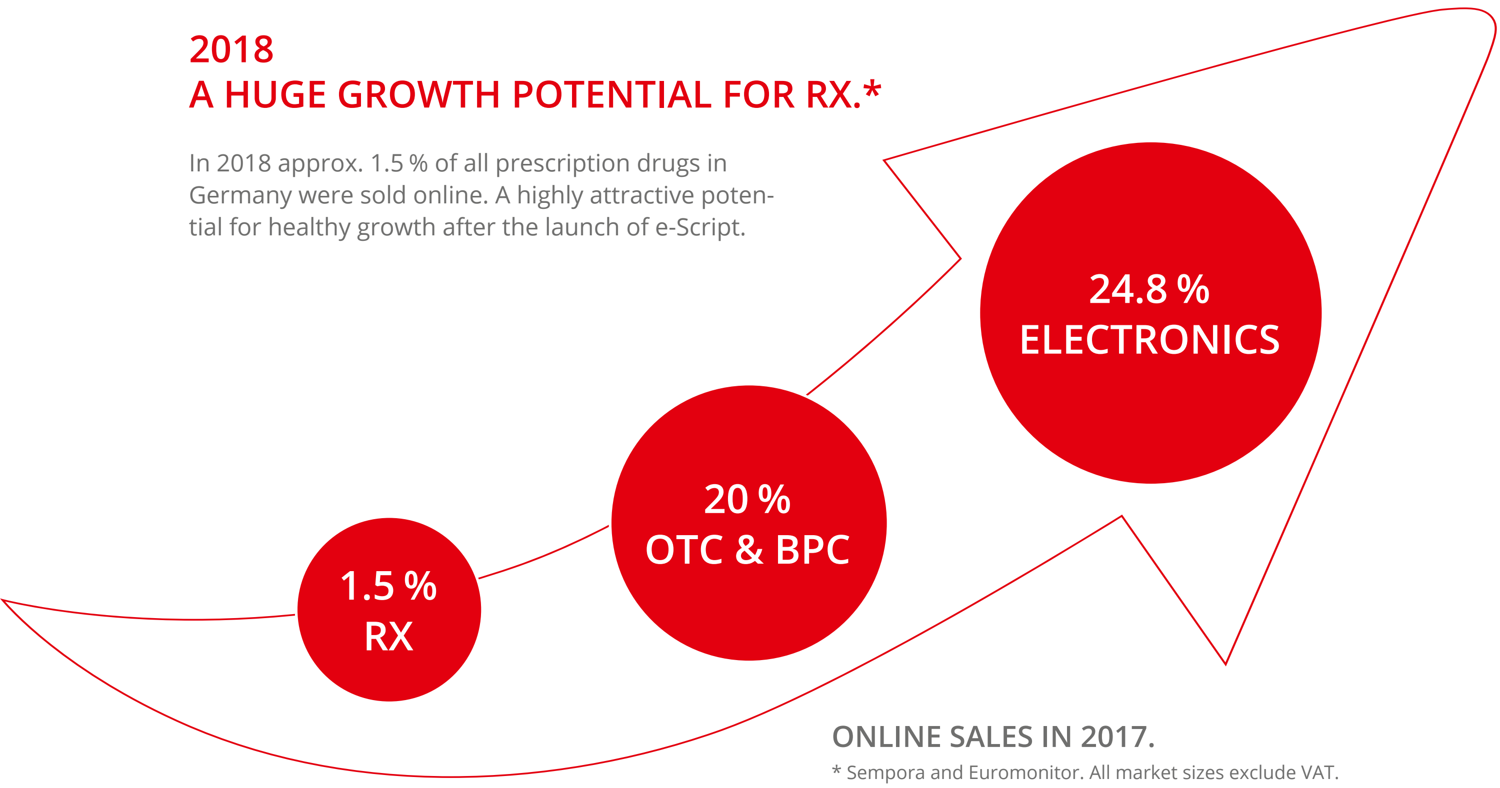
The growth potential is huge: Just 1.5 % of all Rx drugs sold in Germany were purchased online in 2017 compared to a 16 % penetration rate for OTC medications and 24 % for home electronics. That number is projected to rise four-fold to six percent by 2021. The Rx market has substantially higher volume than the OTC market with EUR 129 billion worth of prescription drugs sold in Continental Europe in 2017 compared to EUR 35 billion for OTC medicines.

In countries that previously introduced e-Scripts like Sweden and Switzerland, online pharmacies are now responsible for 10 percent of Rx sales. With around 500 million prescriptions filled each year in Germany, that means online pharmacies will potentially fill 50 million prescriptions annually. SHOP APOTHEKE EUROPE is likely to be one of the main beneficiaries of the e-Script rollout due to its Rx expertise, high brand recognition and excellent reputation as demonstrated in various surveys of consumers and industry experts.

German Health Minister Jens Spahn is a strong supporter of digitalizing healthcare and is one of the main drivers of introducing e-Scripts. At the same time, pharmacist associations have dropped their opposition to the mail order sale of prescription drugs, further removing uncertainty from this growth opportunity.

2018
A HUGE GROWTH POTENTIAL FOR RX.*

In 2018 approx. 1.5 % of all prescription drugs in Germany were sold online. A highly attractive potential for healthy growth after the launch of e-Script.



ONLINE SALES IN 2017.

* Sempora and Euromonitor. All market sizes exclude VAT.

NEXT GENERATION E-SCRIPT GAME CHANGER

DRIVING EVEN MORE CUSTOMERS TO ONLINE PHARMACIES.

A REVOLUTION IN PATIENT CONVENIENCE.

E-SCRIPTS: THE GAME CHANGER FOR THE ONLINE PHARMACY WORLD.

Countries where e-Scripts were introduced in the past see a massive shift towards people getting their prescriptions filled by online pharmacies, something that especially benefits established and trusted market participants like SHOP APOTHEKE EUROPE. The reason: substantially greater customer convenience compared to the traditional way of getting a prescription filled.

THE STATUS QUO – A COMPLICATED PROCESS FOR CUSTOMERS

Currently, getting your prescription filled is complex and cumbersome in many European countries. Patients have to go to their physician to get a paper prescription. Especially in bigger cities, doctors' offices are often located near a pharmacy. So today most patients still go there and stand in line to get their prescription – that takes time and patience.

Alternatively, they can send their prescription to an online pharmacy. To do this, they have to put it in an envelope and mail it. It takes at least a day for the prescription to arrive at the online pharmacy where it has to be scanned and processed.

E-SCRIPTS PROVIDE CUSTOMERS WITH MAXIMUM CONVENIENCE

Electronic prescriptions will make getting a prescription filled much more convenient and less time-consuming for patients, making online pharmacies a particularly attractive option. Patients can send their prescription to their online pharmacy of choice at the push of a button. There it will be automatically processed and sent to the patient's home or office without people having to wait in line or get stamps.

NEXT GENERATION E-SCRIPT GAME CHANGER

PROVIDING A RANGE OF ADVANTAGES TO SHOP APOTHEKE EUROPE.

THE INNOVATIVE WAY OF E-SCRIPTS:

IMPROVING EFFICIENCY. STREAMLINING PROCESSES.

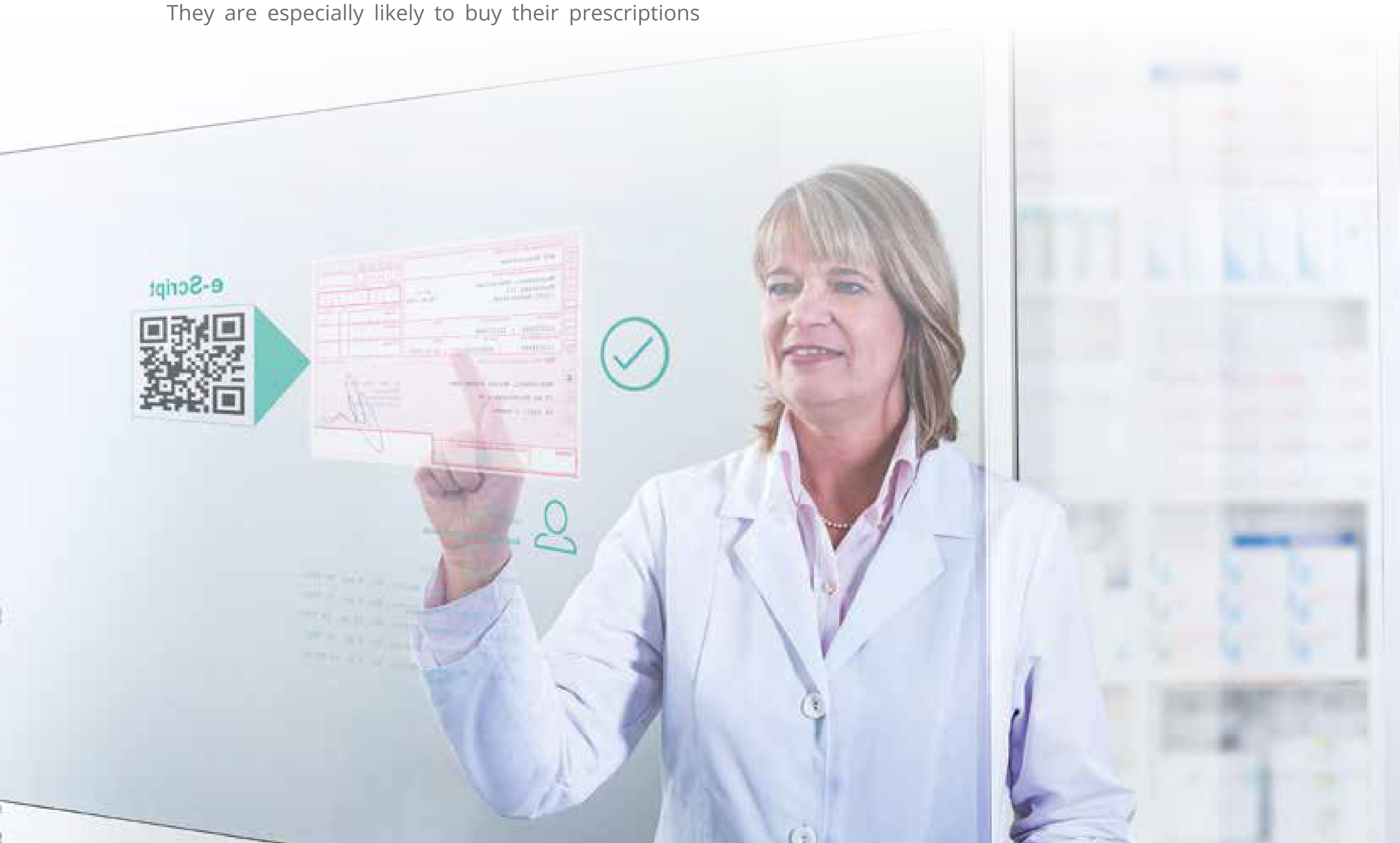
Electronic prescriptions do not just offer enormous growth potential for SHOP APOTHEKE EUROPE; they will also provide a range of other economic benefits.

First of all, the company does not have to make big investments in order to take advantage of the exciting opportunities provided by e-Scripts. SHOP APOTHEKE EUROPE is already one of the biggest players on the German online Rx market. Therefore, the company has all the basics such as a trained team of pharmaceutical experts, a sophisticated storage and logistics operation as well as long-standing relationships with suppliers in place.

MULTIPLE CROSS-SELLING OPPORTUNITIES, LOWER CUSTOMER ACQUISITION COSTS.

SHOP APOTHEKE EUROPE also offers SMART, support programmes for patients suffering from chronic deseases. They are especially likely to buy their prescriptions online regularly, providing a steady and substantial revenue stream. That means higher basket values, lower customer acquisition costs, better customer retention and thus much higher customer lifetime value. Since Rx clients are also likely to purchase OTC medications or other products from their online pharmacy, SHOP APOTHEKE EUROPE's product portfolio offers multiple cross-selling opportunities, further lowering customer acquisition costs.

e-Scripts will also streamline processes and lower handling costs: As the prescription is securely transmitted online, mailing costs (currently covered by the company) will be eliminated. Staff will no longer need to handle the envelopes or scan the prescriptions and less time will be required to check prescriptions, which currently are often still handwritten and thus have to be checked for potential errors. Collecting money from health insurance companies will also be simplified as they will also be part of the e-Script system.



03

OUR COMPANY.

IDEALLY POSITIONED TO REAP THE BENEFITS OF E-SCRIPTS.

JOINING FORCES FOR THE ULTIMATE IN PHARMACEUTICAL COMPETENCE.

RX SPECIALIST EUROPA APOTHEEK FURTHER STRENGTHENS SHOP APOTHEKE EUROPE'S PERFORMANCE.

ONE ONLINE PHARMACY IDEALLY PREPARED FOR FUTURE OPPORTUNITIES.

The integration of two strong brands and teams – SHOP APOTHEKE and EUROPA APOTHEEK – creates one of Europe's leading and fastest growing full-service online pharmacies. Starting in our core German market, the integrated company offers the full range of pharmacy products, including OTC medications, beauty and personal care products and prescription drugs.

SHOP APOTHEKE EUROPE combines the powerful and internationally established SHOP APOTHEKE brand and its extensive portfolio with comprehensive prescription drug expertise and services. This creates valuable synergies on many levels, from cost savings through combined operations and greater efficiency to preparing the company for exciting future growth opportunities.

The prescription drug market in particular holds vast untapped potential: In 2017, just 1.5 % of all prescription drugs sold in Germany were purchased online, compared to a ratio of 16 % for OTC medications. The growing acceptance of buying medicines online will receive a major boost with the launch of electronic prescriptions/e-Scripts. Designated a strategic priority by the EU e-Scripts are projected to be introduced in Germany as soon as 2020, giving consumers the choice to get their prescriptions filled conveniently without having to pick up a physical copy or stand in line at the pharmacy. Thanks to EUROPA APOTHEEK's established processes and its experienced team of Rx experts, SHOP APOTHEKE EUROPE is in a strong position to benefit from this dynamic growth opportunity.

Our team of passionate pharmacists – already prepared for the introduction of electronic prescriptions.

Theresa Holler
COO and responsible pharmacist,
SHOP APOTHEKE EUROPE,
with her pharmacist colleague
Michaela Tünnermann

ALWAYS ENSURING THE BEST PHARMACEUTICAL ADVICE POSSIBLE.

INDIVIDUAL EXPERT CONSULTATION FOR CHRONICALLY ILL PATIENTS.

THE UNIQUE ADHERENCE PROGRAMMES IN SUPPORT OF THERAPY SUCCESS.

SMART, a special patient programme for chronically ill people in Germany is a unique service not offered by any other online pharmacy.

As a mail order pharmacy that supplies patients all over Germany, we have been assisting many thousands of patients in treating their chronic diseases for years. It is important to us to support the patients comprehensively and to facilitate their everyday living with their disease. A well-informed patient is able to more effectively take ownership of his or her health. The experience we have gained over the years and the positive feedback provided by participants have reaffirmed our commitment to steadily expanding our SMART adherence programmes.

Through personal discussions with patients, we learn what it is really like to live with a chronic illness such as multiple sclerosis, HIV or COPD. We benefit from every dialogue and every piece of feedback – it's the way we make SMART what it is: a unique offer with added pharmaceutical value for all stakeholders.

SMART accompanies our customers' therapies with lots of useful information. We always have an overview of the relevant medications and inform every customer individually about possible interactions, side effects or intolerances. The advice is product-neutral and holistic: We make sure that our clients receive medicines, service materials, tips and advice from a single source.

A SMART WAY TO INCREASE CUSTOMER LOYALTY.

The SMART experts have been assisting many thousands of patients with their therapies for over 15 years. Everyone has their own history and their own clinical picture.

"Chronically ill people need special support; SMART is an important tool that enables us to make their lives a little easier."

Besser leben mit meiner Therapie.

Michaela Tünnermann
Pharmacist leading SMART

SETTING BEST-IN-CLASS PHARMACEUTICAL STANDARDS OF CARE.

ENSURING SAFE AND RELIABLE ADVICE EVERY STEP OF THE WAY.

Our customers' health is always our priority. As a pioneer among European online pharmacies, we are always taking care to advise our customers confidentially and comprehensively. It is important to us to provide safe and appropriate pharmaceutical products to our customers. We take the time necessary to listen to their concerns and advise them comprehensively, qualified and always with the utmost discretion whether they want information on basic OTC medications or need advice on living with a chronic disease. Extensive pharmaceutical know-how is an important part of SHOP APOTHEKE EUROPE's business strategy.

SAFETY FIRST.

All of our parcels with OTC or Rx medications include a personalized letter to the customer, pointing out potential pharmaceutical interactions. We ensure this high standard of pharmaceutical safety for our customers by using our comprehensive database on medications, their proper user and possible interactions with other medications. All personal data provided to us are treated confidentially.

GOING THE EXTRA MILE TO ENSURE OUR CUSTOMERS' SAFETY.

Each prescription sent to us is checked by our experienced pharmacists to make sure that ordered medications do not interfere with each other. If the pharmacist team determines that two medicines might cause even a minor interaction, we will inform our customers in a personal letter enclosed with their delivery. If a serious interaction is possible, we will not deliver the medication, but first contact the client and where applicable the physician. The Interaction Check also applies to our large range of over-the-counter medicines.

"Expert pharmaceutical advice is the engine driving our professional ethics."

Theresa Holler
COO and responsible pharmacist,
SHOP APOTHEKE EUROPE

LEADING THE WAY IN THE DIGITALIZATION OF PHARMACIES.

E-HEALTH: PROVIDING BETTER ACCESS TO HEALTH FOR PEOPLE. EVERYWHERE.

CUSTOMER CONVENIENCE AND PHARMACEUTICAL EXPERTISE ARE PART OF EVERY ORDER PLACED WITH US.

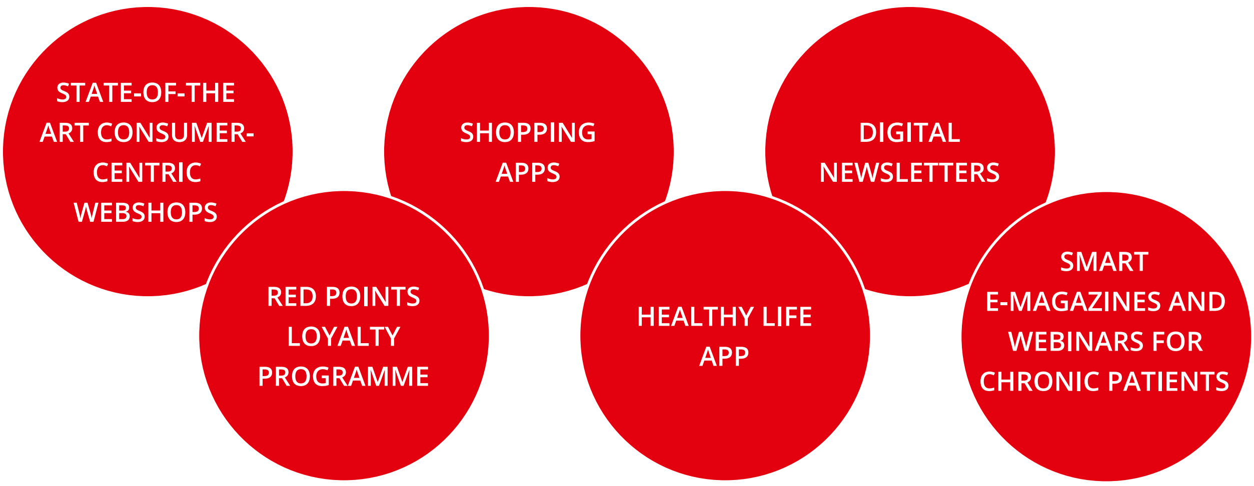
e-Health is one of the areas with the largest opportunities for people-focused digital transformation and growth potential. By leveraging the benefits of the latest technology, we change the way in which patients and consumers are best served now and in the future. State-of-the-art technology for our operations creates new, previously unimagined, services that have the power to improve every individual's quality of life. At the same time, our technological innovations help develop new ways to better connect doctors, patients and pharmacies, putting us in pole position to reap the benefits of the upcoming launch of electronic prescriptions.

"We do not see technology as an end in itself but as a valuable tool to better fulfil our customers' needs."

Nana Lohmanns
Chief e-Health Officer,
SHOP APOTHEKE EUROPE

It's already obvious that thanks to the digital revolution, pharmacies – particularly online pharmacies – will become increasingly important in providing health services over the coming years. The role of online pharmacies will be transformed from its traditional tasks of dispensing medications or shipping parcels into a holistic centre for health, wellness and well-being.

This digitalization of the pharmacy market already provides numerous benefits and opportunities to online pharmacies and their customers. For many customers, especially elderly or infirm people, as well as those living in rural areas, online pharmacies can literally be a life-saver. The digital pharmacy revolution means they can conveniently order from their homes while getting expert pharmaceutical advice from SHOP APOTHEKE. We do not just offer a vast product portfolio and a highly convenient best-in-class online shopping experience but also extensive pharmaceutical consulting services to make sure our customers are safe.



LEVERAGING OUR TECHNOLOGICAL ADVANTAGE EVERY DAY.

THE FOUNDATION TO DIGITALIZE THE EUROPEAN PHARMACY MARKET IS IN OUR DNA.

RED TEC LAB

As one of Europe's leading online pharmacies, we never stand still when it comes to keeping our technological infrastructure state-of-the-art. Once we have accomplished goal, we are already working on reaching others. Technology is of one of our highest priorities since that is the backbone to meet all future demands. Therefore we are continuously refining our technological infrastructure as it is crucial to making our processes run smoothly for the benefit of all stakeholders.

It is definitely not a coincidence that we are able to do all this with our team of in-house experts. Doing this crucial work internally means more than just being independent of third-party contractors; it also improves our speed and flexibility in meeting current and future challenges. This approach is another way in which we invest to guarantee healthy growth now and in the future.

ADVANTAGE RedTecLab.

Our technology platform, which is continuously developed and refined, enables us to quickly respond to the latest developments in e-commerce. The platform's underlying service architecture means we can rapidly deploy new features to further improve the customer experience.

Furthermore, it ensures the fast and secure connectivity of partner systems and external solutions to our systems.

- Easier and therefore faster maintenance through smaller code base.
- Simplified development through modular technology.
- Better and faster results by working in smaller autonomous teams that develop, deploy and improve their respective services independently.

Marc Fischer
CTO and co-founder,
SHOP APOTHEKE EUROPE

SETTING THE GOLD STANDARD FOR CUSTOMER EXPERIENCE.

CREATING A BETTER WORLD OF HEALTH BY OFFERING MORE THAN THE EXPECTED.

Our vision to establish SHOP APOTHEKE EUROPE as the household name for online pharmacies in Europe is becoming reality: A number of factors including demographic change, growing health awareness and the trend towards self-medication are driving our growth and help us continuously expand our target audiences, be it through the functional food offerings of nu3 or leading the way in preparing for the launch of e-Scripts. Being voted best online pharmacy at the Webshop Awards in Germany and in Belgium proves that our strategy is on the right track.

"The awards we keep receiving demonstrate that consumers and industry experts trust SHOP APOTHEKE EUROPE to deliver."

Stephan Weber
CMO, Deputy CEO and co-founder,
SHOP APOTHEKE EUROPE

MAKING ONLINE PURCHASES SAFE. OUR CERTIFICATIONS.

THE SHOP APOTHEKE RX BONUS.

With every prescription sent to us, our customers benefit from a highly attractive bonus: They get up to 10 euros per medication or even up to 30 euros per prescription! This bonus system is just one of the reasons why the business of EUROPA APOTHEEK grew so strongly last year:

Consolidated revenues increased by + 18.4 % to over EUR 167 million. The attractive bonus system helps further strengthen customer loyalty in the crucial Rx market, which contributes to a substantial increase in the average shopping basket size.

VOTED THE BEST ONLINE PHARMACY.

SHOP APOTHEKE placed first among online pharmacies at the WEBSHOP AWARDS Germany 2018-19 and was named “Online Retailer of the Year” in its category.

The award is the result of an online survey in which around 110,000 consumers ranked a broad range of renowned retailers and online shops in 36 categories using such criteria as product quality, price, product range and delivery. Overall, participants submitted 229,855 evaluations between May 15 and September 3, 2018.

Average shopping basket 2017: EUR 58 (overall average).

Average shopping basket 2018: EUR 72 (overall average).

CONSTANTLY SURPRISING OUR CUSTOMERS WITH NEW SERVICES.

OUR DEDICATED TEAMS OF EXPERTS FULFILLING OUR CLIENT'S NEEDS.

RED TEC LAB

"Our colleagues at RedTecLab are always close to the customers – paying attention to the further technical developments for extra convenience."

Jens Wolfgarten
Chief Product Officer Retail
SHOP APOTHEKE EUROPE

CLEVER PRODUCTS AND SERVICES WITH HIGH IMPACT.

CREATIVELY MEETING OUR CUSTOMERS' DEMANDS.

We believe that you can only be successful when you truly know your clients. Easier said than done? Not for us. We always make sure that we understand our customers' current and future needs and wishes. We continuously exchange experiences and use focus groups as well as direct feedback from our customers and patients to improve our services every day.

GOOD NEWS FOR YOU:

YOUR DESIRED PRODUCT IS NOW AVAILABLE.

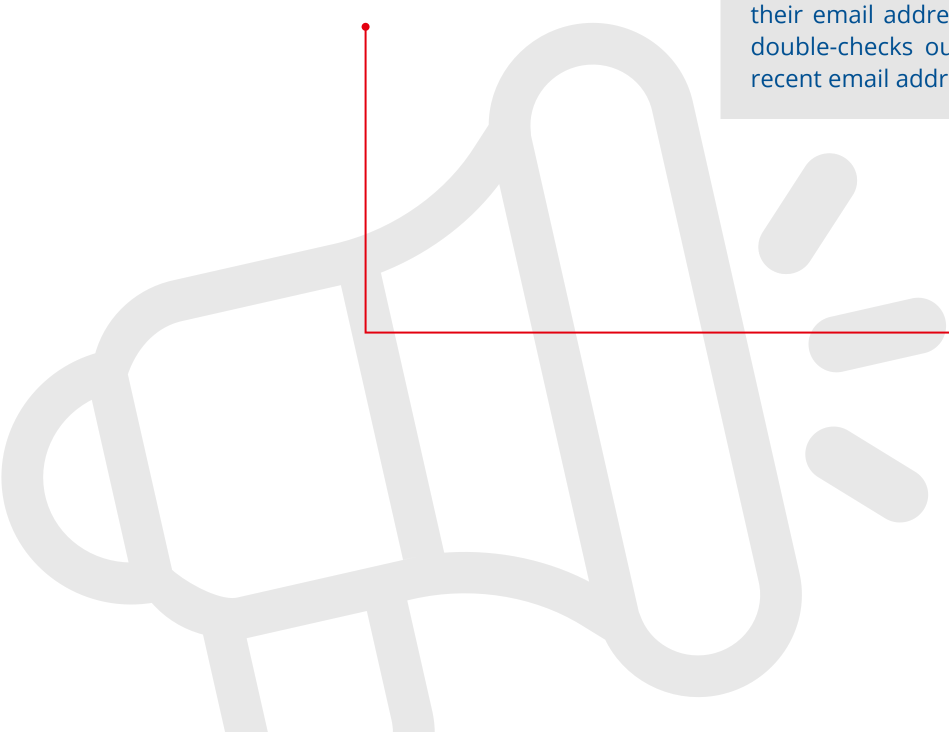
ONE CASE STUDY

THE REMINDER MAIL ON AVAILABILITY.

A BRIEF INSIGHT INTO REDTECLAB'S DAILY WORK.

For a number of reasons, it sometimes happens that the product a customer wants is not available when they look for it on their webshop's site. Until recently, that meant the customer had to keep checking the website to see if the product they want is in stock again. Since this happens on most e-commerce sites, many users have simply gotten used to doing this – but that was not good enough for us! Our team of experts therefore worked on finding an easy high impact solution to improve customer satisfaction by solving this issue.

They created a new function where customers can register with their email address when they can't find the product they want to buy. As soon as it becomes available, the customer is automatically notified and can shop for their desired product without having to check the site multiple times. This even works when the customer has changed their email address because the system always double-checks our customer database for any recent email address changes.



PERFECTLY MEETING INDIVIDUAL NEEDS ACROSS EUROPE.

"Think globally, act locally" is a motto approach that is becoming more and more important in our increasingly interconnected world. For SHOP APOTHEKE EUROPE it is more than just a slogan. In order to provide the best possible product choice and services to our customers across Europe, we leverage our extensive local know-how of our individual markets.

In addition to knowing the relevant legal requirements for each country where we operate, we put a strong focus on understanding country-specific consumer behaviour: In different countries, people often prefer different remedies for what ails them. They may also have different preferences when it comes to online shopping. Knowing what these distinctions are is the only way to truly localize and thus best address your country-specific target audiences.

"Localization is more than just adaption and translation – it creates the look and feel expected by the local target audience. This is one of the special skills of SHOP APOTHEKE EUROPE."

Dirk Brüse
Chief Brand Officer
SHOP APOTHEKE EUROPE

KNOWING EUROPE. UNDERSTANDING LOCAL DIFFERENCES.

The products and services we offer always include a wide range of products that are tailored to the individual needs and habits of our customers in each country. That's one reason why the acquisition of nu3 made it possible for the SHOP APOTHEKE brand to be launched in Switzerland: It's a market where high quality functional foods and nutritional like those provided by nu3 are widely popular so this was the perfect door-opener for the Swiss online pharmacy market.

We also always ensure that our local shops include products that are not only available across Europe but that meet the specific requirements of customers in a given country. It goes without saying that suppliers and payment options follow appropriate and locally accepted frameworks.

FARMALINE voted "Best Webshop of the Year" in Belgium

In November 2018 FARMALINE was awarded the Webshop of the Year Award in the Health & Wellness category. Rankings are based on Belgium's largest consumer survey in which more than 165,000 consumers rate retailers according to price, quality of service and product portfolio.

"We're very proud of receiving the Webshop of the Year Award! It shows we're on the right track with our combination of local know-how, a broad product range tailored to the Belgian market and the level of comprehensive services people expect from their pharmacy."

Lode Fastré
Director Business Unit Farmaline
SHOP APOTHEKE EUROPE/FARMALINE

WELCOMING THE EXPERTS IN INTELLIGENT NUTRITION.

A VALUABLE ADDITION TO OUR COMPANY'S PORTFOLIO AND ITS FUTURE HEALTHY GROWTH.

SHOP APOTHEKE EUROPE is further expanding its portfolio and reaching out to new target audiences with the acquisition of nu3. The Berlin-based company is a leading online provider of superfoods and functional nutrition with a European presence.

With the acquisition of nu3, SHOP APOTHEKE EUROPE further broadens its position and value creation in its European markets: In addition to expanding our product range with complementary products, huge cross-selling potentials will emerge by addressing affluent new customers, particularly younger ones, who have a great affinity for online shopping.

"Bringing nu3 into the SHOP APOTHEKE EUROPE family means reaching a younger and health-focused target group."

Dr. Ulrich Wandel
CFO, SHOP APOTHEKE EUROPE

nu3 is already active in several major European markets and operates in the fast-growing market segment of functional nutrition products. The high-quality product range of nu3 which comprises natural food and health products, low carb products and sports nutrition has strong and well-known brands.

During the 2017 financial year, nu3 achieved revenues of approximately EUR 30 million, of which approximately EUR 20 million were generated in European markets outside Germany. In addition to revenue increases for both companies in their core market Germany as well as in other European target markets such as France, SHOP APOTHEKE EUROPE expects faster and profitable growth in the coming years by leveraging synergies

Dr. Robert Sünderhauf,
Kassian Ortner
Managing Directors, nu3 GmbH

DISCOVERING A NEW WORLD OF DAILY HEALTH.

HEALTHY NATURAL FOODS FOR A HEALTHIER LIFESTYLE.

EMPOWER
YOUR BODY

nu3 is the ideal addition to SHOP APOTHEKE EUROPE's existing portfolio of OTC medications, pharmacy-related beauty and personal care products and prescription drugs.

nu3 sells a broad range of natural products, functional foods and superfoods that contribute to a healthy, balanced and happy lifestyle and improved performance. nu3 products are not just about eating better but also about enjoying healthy and nutritious food and supplements. An expert team of specially trained nutritionists is available to help customers find the products that best meet your nutritional needs. nu3's product portfolio includes more than 150 high quality and innovative own brand products in the natural foods, fitness products and healthy eating segments. Now available at SHOP APOTHEKE EUROPE, many of them are developed and made at the nu3 laboratories and production facilities.

nu3 AT A GLANCE.

- The **Functional Foods Shop** is the online shop for the best that nature provides. It offers a strong portfolio of healthy, natural products tailored to customers' individual lifestyles, many of them certified with the sustainable "Bio" label as well as vegetarian and vegan foods.
- For people lookingr to lose weight while avoiding the yo-yo effect, nu3 offers meal replacements from trusted brands like Almased or Beavita as well as its **Low Carb shop** with low-calorie pasta and tasty recipes for a balanced diet.
- For getting and staying fit, there's no better place than nu3's **Supplement Shop** with its extensive selection of proteins and other fitness products like creatine as well as helpful advice on training plans and muscle-building. The Supplement shop also offers many vitamins, minerals and nutrients for a quick boost.

↗ **nu3.com**

RECOGNIZING OUR EXCELLENCE.

"Our operations and logistics centre in Venlo has been continuously expanded to meet future demand."

Christian Brüggemann
Director Operations, SHOP APOTHEKE EUROPE

OUR AWARDS 2018.

December
DtGV-Study
German Client Award 2018.

November
Webshop Awards Belgium 2018
FARMALINE named best webshop in the category health and wellness.

October
Webshop Awards Germnay 2018 – 2019
SHOP APOTHEKE named “Online Retailer of the Year”.

August
Focus Money Germany
EUROPA APOTHEEK received 100 points and was awarded the gold label as “Customer favourite 2018”.

June
Die Welt Germany
Gold medal ranking across all sectors named “Value-for-Money-Champion”.

May
Sempora Study
Best Online Pharmacies. No. 1 for the sixh time in a row.

March
Handelsblatt Germany/YouGov survey
“Excellent value for money” label.

March
ÖGVS Austria
“Industry and Customer Champion 2018”.

UNSURPASSED OPERATIONAL EXCELLENCE.

UNDER ONE ROOF: OUR VENLO OPERATIONS AND LOGISTICS CENTRE SERVING SHOP APOTHEKE AND EUROPA APOTHEEK.

- Optimized processes thanks to logistics system based on state-of-the-art technology.
- New warehouse for incoming goods opened.
- New packing line.
- Capacity already expanded to accommodate future growth.
- Significant investments in automation and capacity expansion.
- Efficiency of supply chain greatly improved.
- Introduction of tablet-based picking system.
- Zero-error-strategy.
- 4-6-eyes-principle.
- Scanner-based selection for maximum safety and efficiency.
- IT systems already prepared for future demand.
- High-performance ERP (enterprise resource planning) and webshop systems designed to handle future demands.

PUTTING THE FOCUS ON GERMANY – OUR CORE MARKET.

SHOP APOTHEKE EUROPE STANDS TO BENEFIT FROM HOME FIELD ADVANTAGE.

The fact that Germany will be the first major Continental European market to launch electronic prescriptions further boosts SHOP APOTHEKE EUROPE's growth prospects: Germany is our company's core market as well as the largest by revenue. The SHOP APOTHEKE brand is well-established. Processes, logistics as well as relationships with suppliers and consumers are set. So we can hit the ground running the moment e-Scripts are introduced.

As the market entry barrier for new participants is high, SHOP APOTHEKE EUROPE is likely to maintain and extend its strong market position in Germany. Any new market entrants would likely have to buy one or two of the remaining bigger online pharmacies or otherwise spend massively on marketing for an extended period of time while also having to set up a complex logistics infrastructure.

SHOP APOTHEKE EUROPE also benefits from the regulatory environment governing the sale of pharmaceuticals in Germany. In addition to launching e-Script, the German government - as well as pharmaceutical associations – has come out in favour of keeping the online sale of prescription medications legal, thereby ensuring the company's business model remains viable in the long term.

THE ADVANTAGEOUS RX BONUS FOR GERMAN CUSTOMERS

Because SHOP APOTHEKE EUROPE is headquartered in the Netherlands, the company is not bound by fixed prices for Rx medications like Germany's traditional bricks-and-mortar pharmacies or online pharmacies based in Germany are. Therefore, SHOP APOTHEKE EUROPE can offer price advantages to customers who order prescription drugs. The so-called bonus usually covers the patient's insurance co-payment, making online purchases additionally attractive. While the government is looking at capping the bonus, it is unlikely to eliminate them; even at a suggested cap of EUR 2.50 per prescription, consumers would save money while also benefitting from the convenience of getting their medications delivered rather than having to stand in line to get them.

"With our experienced team of Rx experts from Germany we are ready for e-Script."

Patrick Schneider
Chief Sales Officer,
SHOP APOTHEKE EUROPE

INVESTING IN PEOPLE IS KEY TO HEALTHY GROWTH.

PREPARING OUR PEOPLE TO MEET THE COMPANY'S FUTURE CHALLENGES.

SHOP APOTHEKE EUROPE is a rapidly growing and internationally active company – so we believe that investing in people is crucial to our success: Both in our existing staff, who we prepare for future challenges, and in recruiting new team members with special skills that enable us to quickly respond to any new developments affecting our market.

880 EMPLOYEES, 5 LOCATIONS, ONE ENTREPRENEURIAL SPIRIT

In addition to our headquarters and international logistics centre in Venlo we have four more sites in two countries: Our marketing and sales office in Cologne, Germany; a customer service centre in Tongeren, Belgium; and the offices of functional foods experts nu3 in Berlin.

"We are continuously optimizing our employer branding to attract the best talents on the market."

Franziska Ziegler
Senior Manager HR Development & Recruiting

We already have a number of programmes in place to empower people to meet current and future challenges and are always developing new concepts to provide continuing education and leadership training. To ensure people get to know all aspects of SHOP APOTHEKE EUROPE we have a highly professional onboarding programme that includes staff working in different units of the company so they can build internal networks, smoothen cross-functional cooperation and generate synergies.

"Entrepreneurial spirit and a pro-active attitude are key attributes we look for in our employees."

Beate Krosch
Director Human Resources (left)

We have an international team collaborating towards common goals. We look for employees who do to not just want to be a contributor – but to actively take responsibility! We give them a broad degree of freedom in how to approach their tasks and due to the opportunities for advancement, working for us provides ambitious team members with a broad range of perspectives.

BEING A GOOD CITIZEN: CORPORATE SOCIAL RESPONSIBILITY.

GIVING SOMETHING BACK TO THE COMMUNITY.

TREATING OTHERS AS WE WOULD LIKE TO BE TREATED AND HELPING PEOPLE IN NEED.

SHOP APOTHEKE EUROPE has close ties to the communities it operates in and cultivates relationships with many people every day: people who work with or for us, people who shop at our online stores and people with whom we have other types of relationships. Our social and environmental responsibility in the places where we are based and interact with people are another means of adding value since these actions are geared towards tackling social challenges.

SHOP APOTHEKE EUROPE actively promotes an intact and attractive social environment through donations and sponsorship. In 2016, the company started sponsoring Herzenswünsche, a charity that grants wishes to children and young people affected by severe health issues. By the end of 2018, the company had donated more than EUR 367 k to help bring happiness to the lives of severely ill young people. To ensure an optimum and long-lasting positive effect for the young patients, all wishes are fulfilled in consultation with the treating physician, with the childrens' families also involved in planning.

We also aim to operate our business in a socially responsible manner, putting a special focus on the following indicators:

- **Ecological** aspects such as the amount of packaging, electricity and gas we use
- **Social** factors including the demographic make-up of our staff and providing them with opportunities for continuing training
- **Economic** factors such as ensuring good corporate governance and working towards mutually beneficial relationships with our suppliers and customers.

"We are pleased that we have been able to support Herzenswünsche for many years. It is much more than just a good feeling to bring happiness to the lives of severely ill children."

Stephan Weber
CMO, Deputy CEO and co-founder,
SHOP APOTHEKE EUROPE


Herzenswünsche e.V.
Verein für schwer erkrankte Kinder & Jugendliche

04

REVIEW.

HIGHLIGHTS 2018.
BUILDING THE FOUNDATION FOR FUTURE GROWTH.

LOOKING BACK ON AN EVENTFUL AND PROSPEROUS YEAR.

THE FIRST QUARTER OF 2018.


NEW TV COMMERCIALS FOR SHOP APOTHEKE.

We're starting the new year with a completely new TV campaign for our SHOP APOTHEKE brands in Germany and Austria. Results come quickly. The media campaign leads to sustained sales success.

SHOP APOTHEKE NAMED INDUSTRY AND CUSTOMER CHAMPION IN AUSTRIA.

SHOP APOTHEKE came out on top in one of Austria's biggest independent surveys of companies. SHOP APOTHEKE was ranked number one in customer satisfaction among Austrian online pharmacies and was awarded the "Industry Champion 2018" label.

Across sectors, SHOP APOTHEKE was named "Customer Champion 2018" and was ranked in an excellent 19th position among the TOP 300 companies in a study by the Austrian Association for Consumer Studies (ÖGVS) in cooperation with NEWS magazine.

CONTINUATION OF EUROPA APOTHEEK'S TV CAMPAIGN.

Using the motto „My prescription? I'll send it directly to EUROPA APOTHEEK!", we continue our successful TV campaign the whole year through, focusing primarily on Rx drugs.

EXCELLENT VALUE FOR MONEY RANKING BY HANDELSBLATT/YOU GOV SURVEY.

SHOP APOTHEKE once more convinced German consumers and market researchers with its quality offering: In the "Drugstore, Perfumery & Jewelry" category, Europe's leading online pharmacy achieved a TOP 3 ranking ahead of its competitors medpex and DocMorris in the annual survey by market research institute YouGov in cooperation with Germany's Handelsblatt newspaper. SHOP APOTHEKE was also awarded the "Excellent value for money" label among the 1,200 brands evaluated.

THE SECOND QUARTER OF 2018.

SHOP APOTHEKE EUROPE SUCCESSFULLY ISSUES CONVERTIBLE BONDS

With an eye towards further strengthening the company's financial position, SHOP APOTHEKE EUROPE issues convertible bonds equivalent to EUR 75 million. The net proceeds will primarily be used to further accelerate the company's growth by making acquisitions in the OTC segment, particularly in Germany.

Red Points
La santé paie toujours.

LAUNCH OF RED POINTS IN FRANCE.

In the spring of 2018 we successfully launch our customer bonus programme RedPoints in France. The initiative, which had already been introduced in Germany and Austria the year before, is designed to further boost customer loyalty and increase the amount of repeat orders as well as the size of the shopping basket. French customers get 10 RedPoints for every Euro they spend – meaning the more they buy, the bigger their bonus.

SEMPORA
MANAGEMENT CONSULTANTS

SEMPORA MARKET SURVEY: SHOP APOTHEKE #1 FOR SIXTH TIME IN A ROW.

Industry experts and consumers give top marks to SHOP APOTHEKE und EUROPA APOTHEEK in the latest Sempora survey of the pharmacy market. Germany's leading online pharmacy defended the top spot for the sixth consecutive year with an industry-leading score of 1.8. SHOP APOTHEKE was also awarded a gold medal in the survey's value-for-money ranking.

CONSOLIDATED REVENUES MORE THAN DOUBLED TO EUR 257 MILLION DURING THE FIRST HALF OF 2018.

According to preliminary calculations group revenues increased by + 103 % to more than EUR 257 million compared to EUR 127 million for the first half of the previous year. Organic growth and the consolidation of EUROPA APOTHEEK led to a significant revenue boost in Germany. As a result, SHOP APOTHEKE EUROPE increased its half-year revenues in Continental Europe's largest online pharmacy market by more than 120 % to EUR 202 million compared to the same period a year earlier (first half 2017: EUR 92 million). SHOP APOTHEKE EUROPE also continues to grow strongly in its international markets – Austria, Belgium, France, Italy, Spain and the Netherlands. Revenues for the "International" segment rose by EUR 21 million, from EUR 34 million to EUR 55 million, which is equivalent to a growth rate of more than 61%.

nu3

nu3 NOW PART OF SHOP APOTHEKE EUROPE.

With the acquisition of nu3 GmbH, SHOP APOTHEKE EUROPE further expands its positioning and value creation in its European markets: In addition to expanding the product range with complementary products, cross-selling potentials will emerge by addressing new customers. nu3 GmbH is already active in major European markets and operates in the fast-growing functional nutrition products segment. The high-quality product range of nu3 comprises natural food and health products, low carb products and sports nutrition and has strong and well-known brands.

LOOKING BACK AND FORWARD.

THE THIRD QUARTER OF 2018.

SHOP APOTHEKE EUROPE PASSES 3 MILLION CUSTOMER MARK.

SHOP APOTHEKE EUROPE continues on its rapid growth course: More than 3 million active customers – i. e. customers who have placed at least one order during the past 12 months – trust the extensive offering and award-winning customer service of Europe's leading online pharmacy. The company's customer base had increased by ca. 900,000 people to 2.7 million in 2017, meaning SHOP APOTHEKE EUROPE has doubled the number of active customers over the last 2 years.

FOCUS MONEY

DOUBLE HONOUR FOR SHOP APOTHEKE EUROPE IN FOCUS MONEY SURVEY.

CUSTOMER FAVOURITES 2018.
SHOP APOTHEKE EUROPE received two of the top four scores in a ranking of German online pharmacies conducted for renowned business magazine Focus Money. EUROPA APOTHEEK received 100 points and was awarded the gold label as "Customer favourite 2018". SHOP APOTHEKE came in fourth with 92 points and was thus also ranked ahead of several major competitors.

LAUNCH OF ASTHMA MAGAZINE.

One more service for chronicall ill customers, particularly those suffering from asthma. Customers of EUROPA APOTHEEK benefit once again from the unsurpassed pharmaceutical consulting quality of our experts.

SHOP APOTHEKE INCLUDED IN SDAX SELECT INDEX.

SHOP APOTHEKE EUROPE is admitted to one of the DAX group's select indices for the first time ever. The company joins the SDAX on September 24, 2018. Since its IPO in October 2016, SHOP APOTHEKE EUROPE has continuously increased its market capitalization and share turnover. These developments are the result of dynamic operational growth in the sales of non-prescription (OTC) medications and beauty and personal care products as well as of the company's active role in the consolidation of the online pharmacy market.

Red Points
La salute ripaga sempre.

Red Points
Cuidar la salud siempre recompensa.

LAUNCH OF RED POINTS IN ITALY AND SPAIN.

After the launch in France during the first quarter of 2018, Italy and Spain follow suit in September. Customers of SHOP FARMACIA in the two countries can now also participate in the successful bonus programme, getting 10 RedPoints for every Euro spent.

THE FOURTH QUARTER OF 2018.

STEFAN FELTENS STRENGTHENS MANAGEMENT TEAM.

In order to support its further European expansion, the Supervisory Board has affirmed the resolution of the Managing Board to appoint Stefan Feltens as Manager of Purchasing and Human Resources with immediate effect and as CEO as of January 1, 2019. He succeeds Michael Köhler who resigns as CEO effective December 31, 2018, after 17 years with the company.

ONLINE RETAILER OF THE YEAR.

SHOP APOTHEKE EUROPE placed first among online pharmacies at the WEBSHOP AWARDS Germany 2018-2019 and was named "Online Retailer of the Year" in its category.

The award is the result of an online survey in which around 110,000 consumers ranked a broad range of renowned retailers and online shops in 36 categories, using such criteria as product quality, price, product range and delivery. Overall, participants submitted 229,855 evaluations between May 15 and September 3, 2018.

FARMALINE, a brand of SHOP APOTHEKE EUROPE and Belgium's largest online pharmacy, has won the **"Webshop of the Year Award 2018"**, the largest consumer award of its kind in Belgium. The award is the result of more than 165,000 consumers rating their preferred retailers by price, service and product range.

05

OUR MANAGEMENT.

SHOP APOTHEKE's Management combines extensive expertise and many years of experience in the pharmaceutical sector with vast know-how in e-commerce. The Management collaborates closely with a strong and dynamic team to further develop the company. All members are also shareholders of SHOP APOTHEKE EUROPE.

STEFAN FELTENS

is the company's **Chief Executive Officer (CEO)** since January of 2019, succeeding Michael Köhler.
Stefan Feltens has many years of international experience in the pharmaceutical industry and most recently worked as Chief Financial Officer for Teva Global Operations, a division of the world's leading generics company, Teva Pharmaceuticals Industries Ltd., with annual sales of USD 20 billion.

THERESA HOLLER

is SHOP APOTHEKE's **Chief Operating Officer (COO)** as well as its responsible pharmacist, registered as the company's "gevestigde Apotheker" (resident pharmacist) in the Dutch pharmacy registry in 2008. She previously worked for Doc Morris where she helped build the company's online shop. She studied pharmaceutics in Mainz, Germany, where she received her license to practice pharmacy. She also earned a Master of Science degree in Consumer Healthcare from Berlin's Charité.

MARC FISCHER

As **Chief Technical Officer (CTO)**, Marc Fischer is responsible for SHOP APOTHEKE's technical operations.
The Swiss IT expert is also one of the company's founding members and has served in various leadership roles since 2002. After completing his technical education, he worked as an IT specialist for companies including Credit Suisse and also IT-Services. Marc studied in Switzerland and earned degrees in Information Technology and Business Management.

STEPHAN WEBER

is **Chief Marketing & Sales Officer (CMO) and deputy CEO**. He is one of the founders of SHOP APOTHEKE and has been a member of the leadership team since the company's founding in 2001. He studied pharmaceutics at Bonn's Rheinische Friedrich-Wilhelm-University.

DR. ULRICH WANDEL

is the company's **Chief Financial Officer (CFO)** and has been involved with SHOP APOTHEKE since 2010.
He previously worked for Fresenius and Hoechst in international management positions. Dr. Ulrich Wandel studied technical business administration at the University of Stuttgart and the University of Oregon/USA and holds a PhD from the University of Göttingen, Germany.

(Top row, from left to right, bottom row from left to right.)

06

THE SHOP APOTHEKE EUROPE SHARE.

>autoscript
FILMAUSSCHNITT
Die Welt der Wunderlichs
tagesschau
> EU-Innenministertreffen: Ressortchefs beraten über Grenzsicherung und
LG
Deutsche Börse
welcomes
13.10.2016
Tiefst
10368,93
09:20:37
Letzter
10382,39
09:22:57
SONY
SONY

SHOP APOTHEKE SHARE LISTED IN THE SDAX

The share of SHOP APOTHEKE EUROPE N. V. started the year 2018 at a price of EUR 47.00. Due to speculation about a possible ban on the mail order of prescription medications for the German market, the share hit its low of EUR 34.00 for the year in early February before the share recovered at a steady rate until early August when it reached its high for 2018 at EUR 54.40. This strong share price performance was backed by positive corporate news such as reaching the company's growth and earnings goals as well as the strategic decision to acquire nu3 GmbH, the mail order specialist for high quality nutritional products and functional foods. Starting in mid-September the share price started a steady decline until the end of the year. This was due to both a darker outlook for the overall stock market environment and to the downwards revision of the company's 2018 earnings target in mid-November. The share closed the year at EUR 37.60, declining by 20 % on a year-to-year basis (previous year: + 71 %). Deutsche Börse's select DAX index declined by 18.3 % over the same time period (previous year: + 12.5 %). The DAX subsector Retail Internet Index to which SHOP APOTHEKE EUROPE's share is – like those of other e-commerce companies – assigned lost around 29.5 % of its value during the period under review (previous year: + 20.8 %). Looking at the overall market development, that means the SHOP APOTHEKE EUROPE share performed relatively strongly compared to other companies from the same sector as well as in comparison to the DAX indices mentioned above.

On average the share's daily trading volume on all relevant German stock markets (XETRA, tradegate, all regional stock markets) was around 20,600 shares (2017: 11,800), meaning an increase of around 75 % compared to the previous year. Within Deutsche Börse AG's stock indices, the share is assigned to the overarching Consumer Services sector. The share is also assigned to the Retail sector and the Retail Internet subsector, which comprises retail companies that primarily sell their goods or services via the Internet.

On September 24, 2018, the SHOP APOTHEKE EUROPE share was included in one of the DAX family's select indices, the SDAX, for the first time. SHOP APOTHEKE EUROPE has continuously increased its market capitalization and its share volume since its IPO in October 2016. The company's dynamic growth story is attracting ever greater interest from investors in Europe and North America. The share was included in the MSCI SmallCap Germany on May 31, 2018.

In connection with the takeover of nu3 GmbH in July 2018, part of the agreed purchasing price was paid in shares of SHOP APOTHEKE EUROPE. The emission of the new shares under the exclusion of subscription rights was approved by the company's Supervisory Board in accordance with the resolution of the annual general meeting. As a result, the total number of shares increased by 0.45 % or 54,470 shares from 12,020,456 shares to 12,074,926 shares. Following the takeover, the founders of became shareholders in SHOP APOTHEKE EUROPE.

STABLE SHAREHOLDER STRUCTURE, COVERAGE INCREASED

The shareholder structure remained largely the same as in the previous year. Around 32 % are mostly owned by the members of the Management Board and the Supervisory Board and by former CEO Michael Köhler who resigned from the company effective December 31, 2018.

SHOP APOTHEKE EUROPE continued to increase the number of coverages by renowned investment banks to now seven. The company's business model and market environment are regularly analyzed and assessed by analysts from Berenberg, Citibank, Commerzbank, Deutsche Bank, Metzler, Kepler Cheuvreux and Hauck & Aufhäuser. In early February 2019 six banks gave the share a "buy/accumulate" rating while one gave it a "hold/neutral" rating. The average share price target is at around 50 euros.

Investment bank	publication date	share price target in €	delta share price at time of publication	rating
Deutsche Bank AG	25 January 2019	53.00	45 %	Buy
Commerzbank	22 January 2019	42.00	14 %	Hold
Citibank	21 January 2019	55.00	49 %	Buy
Berenberg	25 January 2019	50.00	38 %	Buy
Hauck & Aufhäuser	23 January 2019	51.00	42 %	Buy
Kepler Cheuvreux	14 February 2019	47.00	31 %	Buy
Metzler	24 January 2019	51.00	42 %	Buy

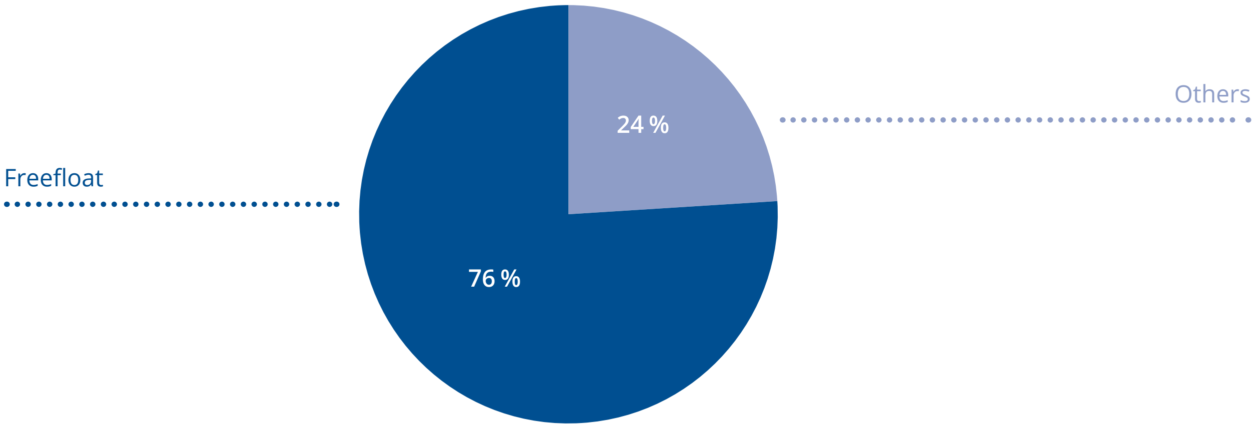
SHOP APOTHEKE EUROPE N. V. share data	
ISIN	NL0012044747
WKN	A2AR94
Bloomberg symbol	SAE:GR
Reuters Instrument Code	SAEG.DE
Initial public offering	13 Oct. 2016
Market segment	Prime Standard
Number of shares	12,074,926
Nominal value per share in €	0,02
Equity capital in €	241,498.52
Index membership (inter alia)	SDAX, MSCI, Small Cap Germany, Prime All Share, DAXsubsector Retail Internet, Glore25

SHOP APOTHEKE EUROPE N. V. share performance data	2018	2017
Closing price* on 30 Dec. in €	37.60	**46.35**
Highest price* in €	54.40	**63.48**
Lowest price* in €	34.00	**24.72**
Number of shares on 30 Dec.	12,074,926	**12,020,456**
Market captalisation on 30 Dec. in € million	454	**557**
Average daily trading volume**	20,577	**11,397**
Earnings per share in €	– 2.79	**– 2.25**

* each XETRA closing price

** XETRA, Frankfurt, tradegate; 2016 from the initial public listing on 13 October to end of year on 30 December

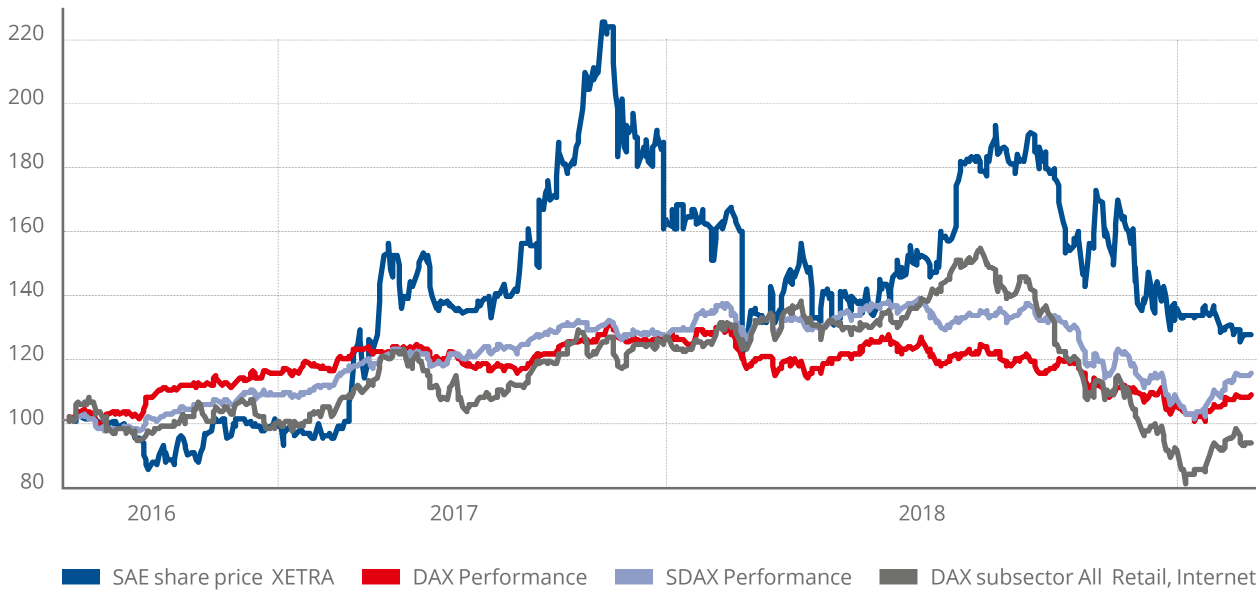
SHAREHOLDER STRUCTURE



SHOP APOTHEKE INVESTOR RELATIONS PROVIDES COMPREHENSIVE INFORMATION

In response to the capital market's steadily increasing information needs, the company organized a number of road shows in Europe and North America and participated in many investors' conferences. The company furthermore answered investors' and analysts' questions in numerous individual meetings and telephone conferences. The corporate website provides a broad range of information covering key facts and data about SHOP APOTHEKE EUROPE'S as well as the company's publications. It is the goal of investor relations to provide transparent financial communications to all market participants in order to further build trust in the quality of the company's management. The Management Board provides comprehensive, timely and objective information about the SHOP APOTHEKE EUROPE Group's strategy as well as about all events relevant to the capital markets.

Relative performance of SHOP APOTHEKE share and comparative indices 2016 to 2019



07

REPORT OF THE SUPERVISORY BOARD.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of SHOP APOTHEKE EUROPE was established in September 2016 and has four members. The Supervisory Board performed its duties pursuant to the law and the Articles of Association and the Supervisory Board rules. The Supervisory Board receives reports from the Management Board within the scope prescribed by administrative rules, guidelines and by law, in particular on all issues of relevance for the Group concerning strategy, planning, business development, risk situation, risk management, staff development, reputation and compliance.

In 2018, five sessions of the Supervisory Board took place. All sessions were attended in full. The members of the Management Board took part in the Supervisory Board meetings unless otherwise determined by the Supervisory Board Chairman. With respect to the issuance of EUR 75 million convertible bonds and the acquisition of nu3 GmbH, a specialist for functional nutrition products based in Berlin, the Supervisory Board consulted several times on short-notice via telephone, email and passed written resolutions. Another key subject was the successor arrangement for the position of CEO Michael Köhler, who resigned for personal reasons on 31 December 2018. The Supervisory Board discussed options for expanding warehouse capacity including a 15-year building rental agreement with a break option after 10 years with the Managing Board.

Between meetings, the Chairman of the Supervisory Board maintains regular contact with the Management Board, especially with the Chairman and the CFO, and deliberates with them on issues of strategy, planning, business development, risk management, governance and compliance.

Composition of the Supervisory Board

The profile and composition of the Supervisory Board as a whole need to be aligned with the profile and strategy of the company: The Supervisory Board strives for a balanced distribution of specific expertise in relation to the business activities, strategy and long-term goals of the company. Each member of the Supervisory Board shall be capable of assessing the broad outline of the Supervisory Board's overall policy objectives. Given the size of the company, the Supervisory Board generally considers four members to be a good composition. Three Supervisory Board members hold long-term share positions. All Supervisory Board members are to be reappointed at the AGM 2019.

Audit Committee established

In the course of the year, the Supervisory Board discussed the establishment of an Audit Committee charged with oversight of financial reporting and disclosure, selection of the independent auditor, and the receipt of audit results. The Supervisory Board founded the Audit Committee on December 27th, 2018. The Audit Committee of SHOP APOTHEKE EUROPE N. V. consists of two members, Frank Köhler and Dr. Björn Söder who report their findings to the Supervisory Board. In view of the advanced status of the 2018 audit procedures at time of the establishment, the Audit Committee's involvement with the 2018 audit is confined. The Committee has been informed by the auditor of the status of the 2018 audit in January 2019 and has subsequently been involved in the audit discussions. The Audit Commitee held its first meeting in February 2019.

The Audit Committee discussed the annual accounts. Key audit matters, as included in the auditors' reports and management letter were also a topic of discussion. In addition to the financial results and accounts, the subjects of the Audit Committee's deliberations also included financial reporting, auditor's independence and fees, the overall internal control environment, the internal controls over financial reporting, the auditor reports and capital management-related matters.

Frank Köhler, member of our Supervisory Board, was born in Pforzheim, Germany, in 1964.

Mr. Köhler graduated from the University in Stuttgart in 1996 with a degree in technical business administration (technisch orientierter Diplom-Kaufmann). After his studies, he worked in different management positions in merchandising such as Loriot Design GmbH. In 2000, he joined Aroma Company, a distributor of high-end beauty and perfume products. In 2005, he became co-owner and director of the company, expanded this business and co-founded Aroma Company GmbH in the following years. Both companies are developers of perfume brands and distributors of high-end beauty and perfume products to leading perfumeries and life-style shops throughout Europe. Mr. Köhler is an expert for branding and marketing in the luxury sector. Since 2017 he has also been Chairman of the Supervisory Board of Vita34 AG. Mr. Köhler has been a member of the Supervisory Board since the establishment of SHOP APOTHEKE EUROPE N. V. in 2016.

Jérôme Cochet, member of our Supervisory Board, was born in Hannover, Germany, in 1978.

Cochet studied business administration at the University of Bayreuth and at the ESCP-EAP Business School in Paris, Oxford and Berlin and graduated in 2003 with a diploma in business administration (Diplom-Kaufmann), Master of Science and Diplôme de Grande Ecole. In 2007, he also completed his MBA at the Institut Européen d'Administration des Affaires (INSEAD). He started his career in 2004 as senior corporate auditor at Bombardier, Inc. where he remained until 2006. From 2007 to 2011, he worked for McKinsey & Company, where he served as engagement manager since 2010. In 2011, Mr. Cochet joined Zalando SE, where he first served as country manager France, took the position of chief international officer in 2012 and became senior vice president sales and authorised officer (Prokurist) in 2013. From 2011 to 2013, Mr. Cochet served as managing director for Zalando SAS. He also used to serve as managing director of Zalando Media Solutions GmbH. Since 2018 Jérôme Cochet is Global Managing Director Media of dunnhumby Ltd.. Mr. Cochet has been a member of the Supervisory Board since the establishment of SHOP APOTHEKE EUROPE N. V. in 2016.

Jan Pyttel, the chairman of our Supervisory Board, was born in Neuenbürg, Germany, in 1965.

Pyttel graduated from the University of Mannheim in 1991 and holds a degree in business-administration (Diplom-Kaufmann). He has worked in mergers and acquisitions with leading investment banks such as UBS, Lazard and Salomon Smith Barney, from 1994 to 1999. Later, he moved to the private equity sector where he was Co-founder of Bavaria Industries Group AG in 2003, a German private equity firm, and served as its board member until 2007. He worked as a private investor and co-founded Iberia Industry Capital Group SARL, an industrial holding firm focused on acquiring businesses in special situations, where he has served as managing director since 2013. Mr. Pyttel serves as chairman of the Supervisory Board since the establishment of SHOP APOTHEKE EUROPE N. V. in 2016.

Dr. Björn Söder, the vice-chairman of our Supervisory Board, was born in Hamburg, Germany, in 1972.

Dr. Söder started his studies at the Distance Learning University of Hagen while working at merchant bank M. M. Warburg & Co. in Hamburg from 1991 to 1993. He graduated in economics at the University of Würzburg in 1996, where he subsequently received a PhD in economics. He worked for McKinsey & Company with a focus on corporate finance and consumer goods from 1998 to 2000. Prior to becoming vice-chairman of our Supervisory Board, he founded several companies in the online field (e. g. getgo.de, a leading ticket portal in Germany sold to CTS Eventim AG), before he founded his own consulting company Parklane Capital Beteiligungsberatung GmbH, as well as his own investment company, Parklane Capital Verwaltungsgesellschaft mbH, in 2004. Dr. Söder serves as managing director for both companies. Dr. Söder has been serving as vice-chairman of the Supervisory Board since the establishment of SHOP APOTHEKE EUROPE N. V. in 2016.

Specific attention was paid to a variety of other, related topics, such as legal proceedings, IT security matters, risk situation of the company and the capital management and liquidity position. Further area of attention was the annual assessment of the internal audit function.

All relevant items discussed by the Audit Committee were reported to the Supervisory Board, with the Supervisory Board approving those items as required from a governance perspective. In addition to the Audit Committee meetings, the members of the Audit Committee held separate sessions when necessary with the independent external auditor and the CFO. They also consulted other senior managers.

In accordance with principle 1.3.6 of the Dutch Corporate Governance Code, the supervisory board came to the conclusion that – given the size of the company – an internal audit function is not yet required.

Conflicts of Interest

The Company is not aware of any circumstances that may have led to a potential conflict of interest between the personal interests or other duties of members of the Management Board or personal interests or other duties of the Supervisory Directors, vis-à-vis the company.

Activities during the financial year 2018

Agenda items of the meetings held in 2018 were the overall strategy of the group, the general and the financial risk assessment, the financial planning, the corporate calendar 2019, the annual audit 2018 and corporate governance. The Supervisory Board also met and engaged BDO Audit & Assurance B. V., Eindhoven, elected as auditors for the fiscal year 2018 by the general meeting held on April 26, 2018 and discussed the outcome of the audit procedures, including the findings regarding the company's risk management and control systems of SHOP APOTHEKE EUROPE N. V. In addition, the remuneration policy for the Management Board and the Supervisory Board and an employee stock option plan have been adopted and implemented in 2018.

Furthermore, the Supervisory Board considered the terms and conditions of the agreements in respect of the issuance of EUR 75 million convertible bonds and of the nu3 GmbH acquisition. Both, Supervisory and Management Board consulted with and received the advice of financial, legal and tax advisors and auditors and considered a variety of factors, taking into account the interests of the company's stakeholders.

Remuneration of the Supervisory Board

The chairman of the Supervisory Board receives an annual remuneration of EUR 30,000 and all other members each receive EUR 20,000 annually for their services as of the date of their appointment. In addition, the company funds the insurance premium for the directors and officers ("D&O") insurance for the members of our Supervisory Board. If members of the Supervisory Board have incurred extraordinary travel expenses when performing their services for the company, the company will reimburse such extraordinary travel expenses to them. As of the date of this report, there are no amounts reserved or accrued by the company or its subsidiaries to provide pension, benefit, retirement or similar benefits for members of the Supervisory Board. The remuneration of the members of the Supervisory Board is determined by the General Meeting. The Supervisory Board will submit a proposal to the General Meeting from time to time.

Corporate Governance and Compliance

The Supervisory Board and Management Board act in the awareness that good corporate governance is in the interest of shareholders and the capital markets and is an important basis for the success of the company. All business activities are performed in accordance with Dutch law and German capital market law, as shares of SHOP APOTHEKE EUROPE are admitted to trading in the Prime Standard Segment of Frankfurt Stock exchange.

Basically, the company complies with the regulations and requirements of both, the Dutch and the German Corporate Governance Codes. Nevertheless, some deviations are emerging from legal and from business requirements. A detailed report on compliance with the Dutch Corporate Governance Code is provided in the respective section of this annual report.

Diversity

We aim for diversity in the broadest sense. We do not see diversity as merely a matter of gender or ethnicity, but also of personality, skills and knowledge. We need men and women, people from different backgrounds and cultures. SHOP APOTHEKE EUROPE values this diversity and believes it contributes positively to the way situations are assessed and decisions made. The more we make use of the differences between us and the more we can cooperate and learn from each other, the stronger we will be as a company serving a highly diverse society and our diverse stakeholders. The Supervisory Board and the Management Board are fully aware that both boards may increase future gender diversity. We will take this into account for future appointments to achieve greater board-level gender diversity, but without compromising our commitment to hiring the best individuals for positions without any discrimination.

Supervisory Board Effectiveness Review

The aim of the continuous effectiveness review is to determine what measures could further improve the effectiveness of Supervisory Board work. As a result of the review, the Supervisory Board decided to implement an Audit Committee in 2018.

Audit of the financial statements, Audit Committee

Reappointed by the Annual General Meeting on April 26, 2018 to audit the financial statements for the 2018 fiscal year, BDO Audit & Assurance B. V. audited the parent-company and the group's consolidated financial statements for the fiscal year 2018 prepared by the Management Board in accordance with IFRS-EU, and the management and CSR report on SHOP APOTHEKE EUROPE N. V., which is combined with the management and CSR report on the Group. The auditors issued an unqualified audit opinion. The financial statements, the management and CSR report and the auditor's report were available to the Audit Committee and to the Supervisory Board for its own review.

The Audit Committee had a separate meeting to independently discuss the findings with the auditors and reported its findings to the Supervisory Board. The Supvervisory Board in full also had a meeting with the auditors to independently discuss the audit results. The Supervisory Board approved the financial statements and the management and CSR report prepared by the Management Board. Following completion of our examination we came to the conclusion that no objections were to be raised and we established the financial statements and approved the consolidated financial statements.

The Supervisory Board would like to extend its appreciation to the members of the managing board and all the employees in the group. Over the course of 2018, SHOP APOTHEKE EUROPE successfully dealt with growing the group strongly while simultaneously working on the continuous streamlining of processes as a prerequisite for profitability improvements as well as crucial investment projects.

Venlo, 27 February 2019
On behalf of the Supervisory Board

Jan Pyttel
Chairman of the Supervisory Board

08

COMBINED MANAGEMENT REPORT.

DIGITAL HEALTH IS NOW. SHOP APOTHEKE EUROPE IS READY TO DELIVER.

Digitalization is inevitable. In every corner of the world, young and old people are using smart devices to perform banking transactions, to make purchases, to watch movies, to plan their travels, to be connected with friends and family and much more. In the medical sector, a new way of reaching out to the convenience and needs of patients has been answered.

Founded in 2001 as the online shop of a local pharmacy in Germany, SHOP APOTHEKE EUROPE was a pioneer of the industry and has become one of **Europe's leading online pharmacy brands**. With the acquisition of EUROPA APOTHEEK in 2017, we accelerated our successful European growth story, laying the foundation to rapidly enter future European online-prescription markets. The combination of SHOP APOTHEKE EUROPE and EUROPA APOTHEEK aims to create the largest and fastest-growing online pharmacy in Continental Europe **with a unique international presence** in eight countries: Germany, Austria, Switzerland, Belgium, the Netherlands, France, Italy and Spain.

The introduction of electronic prescriptions, planned to be effective in 2020 by Germany's Health Minister Jens Spahn, we believe will be **a game changer to our Rx e-Commerce business**.

RESERVATION IN RELATION TO FORWARD-LOOKING STATEMENTS

This management report includes forward-looking statements that are based on management estimations, which are valid as of the time when this management report was prepared. Such statements relate to future periods, or are characterized by terms such as "expect", "forecast", "predict", "intend", "plan", "estimate" and "anticipate". Forward-looking statements can entail risks and uncertainties. Many such risks and uncertainties are determined by factors that cannot be influenced by the SHOP APOTHEKE EUROPE Group. As a consequence, actual results may differ significantly from those described below. Market data used in this report is based on studies from Sempora Consulting (Market study "European Pharmacy Market" 2017) and Daedal-Research (January 2018), if not mentioned otherwise.

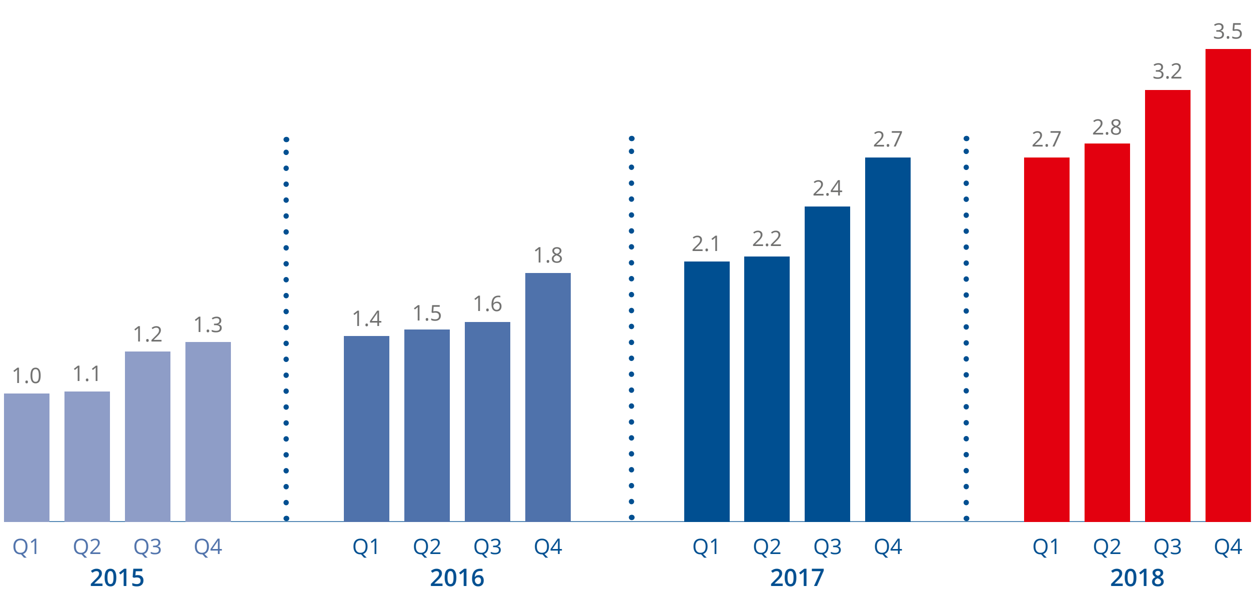
COMPANY PROFILE

Corporate structure

SHOP APOTHEKE EUROPE N. V., the parent company of the SHOP APOTHEKE EUROPE Group, is leading as the European online pharmacy in a sector where no other established pan-European offline or online brand currently exist. Our vision is to create the leading online pharmacy brand focused on prescription medications (Rx), over-the-counter medications (OTC), pharmacy-related beauty and personal care (BPC) products and functional food that are otherwise almost exclusively distributed through bricks-and-mortar pharmacies. Since our foundation in 2001 we have continually expanded our business and geographic reach across Continental Europe. Through the successful acquisition of the EUROPA APOTHEEK Group on 8 November 2017 we significantly expanded our offering, which had until then been focused on OTC and BPC, to also include prescription medications. EUROPA APOTHEEK is an established and trusted player: It is one of the largest online mail order pharmacies in Germany with an attractive customer profile focusing on chronically ill patients and having a low churn rate. In 2018, we have further expanded our offering with the acquisition of Berlin based nu3 GmbH, a specialist for functional nutrition products. The high-quality product range of which comprises natural food and health products, low carb products and sports nutrition with strong and well-known brands provides us with an USP.

Within the context of IFRS 8, we consider two business segments for external reporting purposes from fiscal year 2018 onwards: our "DACH" segment (which includes medications and pharmacy-related BPC products sold

Active customers (in millions)



SHOP APOTHEKE EUROPE's continuously growing active customer base to customers in the German, Austrian and Swiss market as well as webshop services provided principally to German customers) and our "International" segment (which includes OTC medications and pharmacy-related BPC Products only, sold to customers in the Belgian, Dutch, French, Italian and Spanish markets).

The Group's business success is also largely measured on growing both in its German core market and on European market leadership. The results-oriented key financial performance indicators used in managing the Group include gross profit and segment EBITDA.

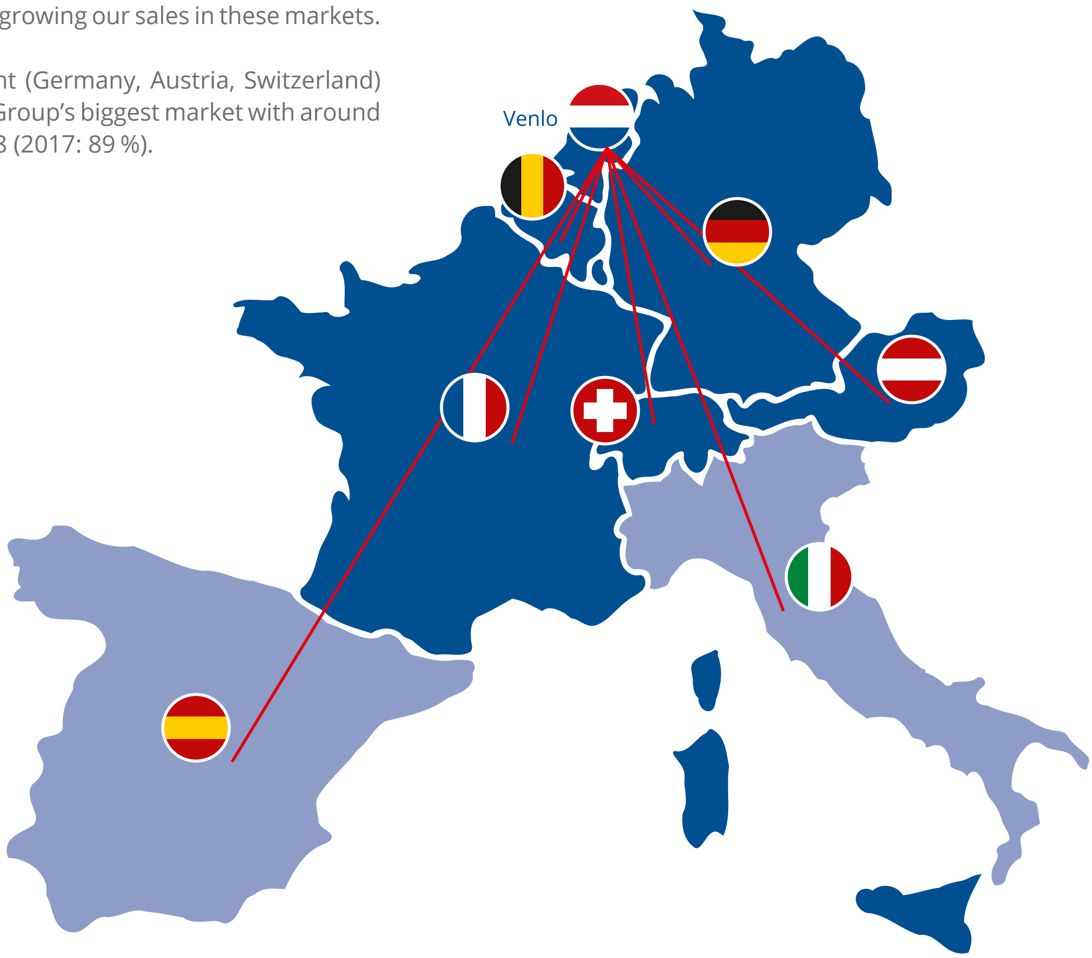
Business activity

SHOP APOTHEKE EUROPE is the leading OTC online pharmacy in Continental Europe and leading as a European online pharmacy in terms of international sales (total group sales 2018: EUR 540 million) and active customer base (2018: 3.5 million). Our overriding business objectives are dynamic growth in our established markets, moving into additional Continental European markets and quickly growing our sales in these markets.

The "DACH" Segment (Germany, Austria, Switzerland) continues to be the Group's biggest market with around 91 % of sales in 2018 (2017: 89 %).

The Venlo-based business offers the advantage of a favorable regulatory regime concerning the mail order of pharmaceuticals, which serves as a platform for our expansion into new Continental European markets. The site is also in an excellent location to serve as the central logistics hub for Europe, with plenty of space available for future expansion.

Our business is supported by our strong technological know-how across all of our markets. SHOP APOTHEKE EUROPE has built an enterprise resource planning (ERP) system and an IT-platform that are robust, secure and highly scalable. They were designed specifically to support the continuous growth that is key to the company's strategy. In addition, the real estate and warehouses are designed to leverage economies of scale.



First mover in a large and attractive market: SHOP APOTHEKE EUROPE to become Europe's leading online pharmacy

Because the online penetration rate for the sale of pharmaceuticals and pharmacy-related BPC product is still comparatively low outside of Germany, SHOP APOTHEKE EUROPE has significant growth potential outside of its initial core market. As first mover, SHOP APOTHEKE EUROPE is very well positioned in its current eight Continental European markets and holds a unique competitive position as there currently are no other established pan-European offline or online brands alongside SHOP APOTHEKE EUROPE. This means the company can leverage its strong brand to drive growth in the highly fragmented Continental European pharmacy market.

SHOP APOTHEKE EUROPE's value-added process

The concept of the company's value-added process is the procurement of medications as well as beauty and personal care products and functional food, which are then sold via country- specific online shops to consumers. The three main pillars of the sales process are SHOP APOTHEKE EUROPE's pharmaceutical know-how, its IT-expertise in designing and running online webshops and its sophisticated logistics system, which ensures timely delivery to any location in Continental Europe.

SHOP APOTHEKE EUROPE's country-specific websites provide access to more than 100,000 products. This is substantially larger than the range of products offered in traditional bricks-and-mortar pharmacies. A survey by renowned market research institute Stiftung Warentest has shown that prices for OTC medications and pharmacy-related BPC products are on average 10 – 15 % lower in online pharmacies than the prices charged in traditional pharmacies.

The online shops are optimized continuously and provide a state-of-the-art personalized, user-friendly and convenient shopping experience available 24/7 from any location with online access.

An important part of SHOP APOTHEKE EUROPE's business strategy is its commitment to comprehensive customer support and services. This encompasses a pharmaceutical consulting hotline and pharmaceutical services such as pharmaceutical advice videos, instruction videos and medication interaction checks.

Strong growth drivers support our business

Demographic changes, growing health awareness, and the trend towards self-medication are all driving the demand for OTC medications and pharmacy-related beauty and personal care products. The Rx business is boosted by, – in addition to demographic changes and the elder generation moving online – the by the European Court of Justice's (ECJ) ruling to allow pharmacies based outside of Germany (such as EUROPA APOTHEEK) to sell Rx medications to consumers based in Germany with a price incentive. This regulatory change completes an attractive offering for customers and makes effective business to consumer (B2C) marketing with a significant positive impact on the online market growth possible. Germany's Health Minister Jens Spahn has abandoned to ban online prescription drug sales to adhere to EU law and instead plans to promote electronic scripts. The electronic prescription, which according to Spahn's plans shall be introduced by 2020, could boost SHOP APOTHEKE EUROPE's markets and an Rx-sales significantly.

Furthermore, there is a clear shift towards online retailing that positively influences the growth of our target market. This trend is further strengthened by the rapidly growing use of mobile devices, which allow customers to conveniently shop from any place, at any time. SHOP APOTHEKE EUROPE is in pole position to actively drive the market with its strong IT infrastructure and country-specific cultural know-how.

OUR VISION: CREATING EUROPE'S LEADING ONLINE PHARMACY.

Most of the major sizeable retail verticals in Europe have strong and successful brands in both offline and online retailing. Unlike other sectors, however, the bricks-and-mortar pharmacy segment does not boast a leading European brand.

We plan to further strengthen our market leadership and **establish SHOP APOTHEKE EUROPE as the synonym for online pharmacy**.

STRATEGY: OUR FORMULA FOR SUCCESS IN A RAPIDLY GROWING MARKET

Our vision is to create the leading OTC online pharmacy brand in Europe, focused on OTC medications and pharmacy-related BPC products. We aim to achieve this by pursuing the following strategy:

- further expanding market leadership in existing markets;
- accelerating penetration rate in new markets;
- continuing to invest in our logistics, fulfilment and distribution infrastructure and our front-end platform;
- enhancing the accuracy and efficiency of our fulfilment processes and reducing cost of sales to improve profitability;
- developing new revenue streams by expanding the product rang, e. g. with functional food, thus becoming the advertising platform of choice for the biggest OTC medications and BPC brands.
- a long-term focus on becoming cash-flow positive and generate a target profitability of 6 % EBIT.

OUR KEY COMPETITIVE STRENGTHS

The currently still low online penetration rate for Rx and for OTC medications as well as pharmacy-related BPC products in the new Continental European markets France, Italy and Spain, the increasing demand for pharmaceutical products in general and the absence of leading online and offline brands in this market represent a unique opportunity for SHOP APOTHEKE EUROPE's business to further leverage the benefits of our existing platform. On this basis, the company has developed a number of crucial competitive strengths:

- We are focused on a large addressable market in Europe that has historically demonstrated stable growth and is rapidly moving online.
- We pioneered the OTC and BPC online pharmaceutical retail markets in Germany and Continental Europe and have over the years developed a unique market-leading expertise in pharmaceutical online B2C retail, which we will adapt to the Rx online retail opportunity.
- We have a strong value proposition for customers that includes attractive prices for a convincing and comprehensive product range while offering a convenient shopping experience and superior product information, expert consultation services and pharmaceutical safety standards.
- Our ability to offer attractive prices is supported by our efficient cost structure as well as economies of scale we achieve in procurement and logistics.
- We aim to offer our customers the widest range of OTC medications and pharmacy-related BPC products available in the countries where we operate.
- Our parcels include personalized letters to the customer that contain relevant product instructions and alert the customer to any counter-indications detected by our automated customer-indication checks.
- We are market leading in the German and Austrian OTC medications and pharmacy-related BPC products markets, and have an excellent launchpad for becoming leaders in Europe.
- We believe that the operating platform we have established over the years and the unique "online pharmacy" know-how we have developed will significantly boost the penetration of our current markets as well as our future expansion.
- Our operating platform and respective high market entry barriers have been built up, which we believe would be very difficult to replicate.
- Our pharmacy in Venlo is key to our growth strategy. It is based on an efficient semi-automated logistics infrastructure customized for online pharmacy operations, with further upside from full automation expected.
- We possess an attractive profile as demonstrated by relevant key performance indicators (KPIs). We strive to further increase the share of repeat customers in the future in order to further reduce the blended cost per order.
- We have a management team with expert know-how in the pharmacy and online pharmacy business and a proven track record of successfully growing the business.

GENERAL AND INDUSTRY-SPECIFIC ECONOMIC ENVIRONMENT

Generally slowed down development of macroeconomic situation

Germany heads into 2019 facing its lowest economic growth since 2013, Economy Minister Peter Altmaier said in February 2019 while presenting his report on the past year's economic trends. Data presented showed Germany just escaped recession in the final quarter of 2018 while the broader euro zone economy grew just 0.2 percent quarter-on-quarter. On the labor market, the report remained upbeat, forecasting an easing in unemployment to 4.9 percent, compared to 5.2 percent over the past year.

The European Commission also slashed its growth forecasts for all the euro region's major economies from Germany to Italy and warned that Brexit and the slowdown in China threaten to make the outlook even worse, the European Union warned in February. The EU forecasts gross domestic product in the 19-member eurozone will grow by 1.3 % in 2019 instead of the 1.9 % forecast in November. The economy is expected to expand by 1.6 % next year, down from 1.7 % previously expected.

Overview of the overall pharmacy market in Continental Europe

The Continental European pharmacy market, which includes the categories prescription medications, non-prescription medications and pharmacy-related beauty and personal care (BPC) products, has been growing steadily over the past years. In 2016, the total addressable pharmacy market in Continental Europe[1] for prescription medications, OTC medications and pharmacy-related BPC products and functional food amounted to approximately € 130 billion, € 35 billion and € 15 billion, respectively. It is expected that the overall Continental European pharmacy market will grow along with Continental European GDP over the next four years. We believe that such growth will be supported by increasingly greater acceptance of e-commerce by consumers.

Overview of the online pharmacy market

The e-commerce penetration for Rx medications and OTC & BPC products is still very low in the core European markets. While customers are moving from using traditional pharmacies with a local physical presence to purchasing pharmaceutical products online, the shift is occurring much slower than in other retail sectors: Only around 2 % of pharmaceutical sales across Europe take place online – a low proportion compared to other categories, such as media products (39 %), appliances and electronics (17 %) or toys and games (20 %) (source: Euromonitor International, 2017; SEMPORA market study, 2017; IMS Health, 2017).The average online penetration rate across Europe for prescription medication was 2.5 % in 2016 . For OTC & BPC products it was estimated at 3.5 % for 2017 across Continental Europe. In absolute figures, the volume of the online OTC medications and pharmacy-related BPC products was estimated at EUR 936 million in 2017 for Continental Europe excluding Germany. The developmental stage of the online market for OTC and BPC products in the majority of the countries in Continental Europe is defined as "entry", with an online share of less than 2 %, whereas some markets, including Austria, are regarded as "developing", with an estimated online share of 7 % in 2017. Only Germany has a mature online market for OTC medications, with an estimated online share of over 17 % in 2016 whereas the e-commerce market for prescription medications in Germany is less mature with an estimated online penetration rate of approximately 1 % for 2016 (source: ABDA). Overall, the cumulated online market volume for OTC pharmaceuticals and pharmacy-related BPC products in Continental Europe amounted to about € 1.384 billion in 2015 and is expected to reach € 3.48 billion by the end of 2020 (CAGR 2015 – 2020: 20.3 %), implying an estimated online market volume of € 2.104 billion in 2017. The average online penetration rate across Continental Europe (excluding Germany) is forecast to grow from 2.0 % in 2015 to 6.0 % in 2020.

Competitive environment in the online pharmacy market

The e-commerce channel allows pharmacies to offer a broader range of products than local pharmacies because the former are not constrained by the amount

[1] Continental Europe is defined as Austria, Belgium, Bulgaria, the Czech Republic, Denmark, France, Germany, Hungary, Italy, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, and Sweden.

of physical shelf storage space. We believe that the following factors are key to successfully operate in the online pharmacy market:

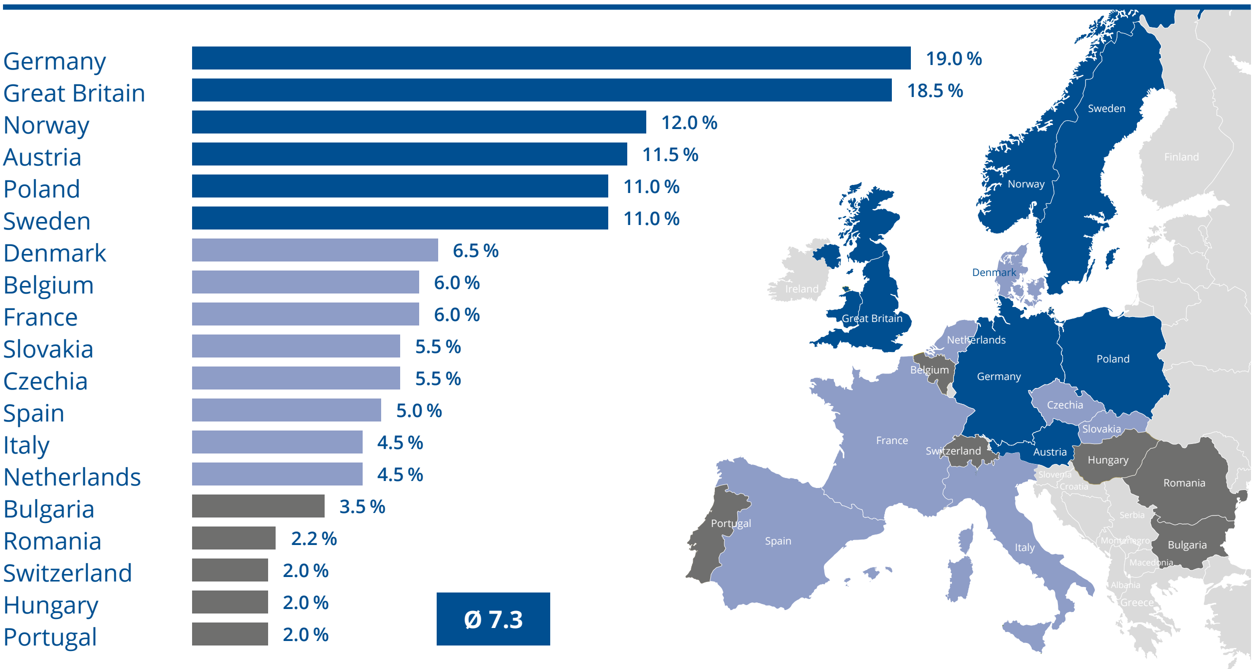
- offering products at attractive prices in order to attract and retain customers;
- brand and domain awareness to attract new customers;
- strong e-commerce capabilities including a scalable IT platform, an optimized and efficient logistics center, sustained customer care as well as fulfilment capabilities; and
- a diverse range of product offerings in stock to meet consumer demand in a timely fashion.

Our competitors generally include other online pharmacies focused on the sale of OTC medications, online pharmacies focused on the sale of prescription pharmaceuticals, local pharmacies and general e-commerce players, such as Amazon, which offer marketplace functions for local pharmacies. Bricks-and-mortar pharmacies lack e-commerce capabilities. In addition, the restrictions on outside ownership of pharmacies in several Continental European countries limit the ability of both bricks-and-mortar and online pharmacies to raise direct external financing, which limits their potential for expansion. Online pharmacies predominantly focused on the sale of prescription pharmaceuticals on the other hand offer only a limited number of OTC medications. General e-commerce players that offer a limited number of OTC medications, lack pharmacy licenses and pharmaceutical expertise. In the pharmacy-related BPC market, our competitors generally include drugstores, supermarkets and para-pharmacies.

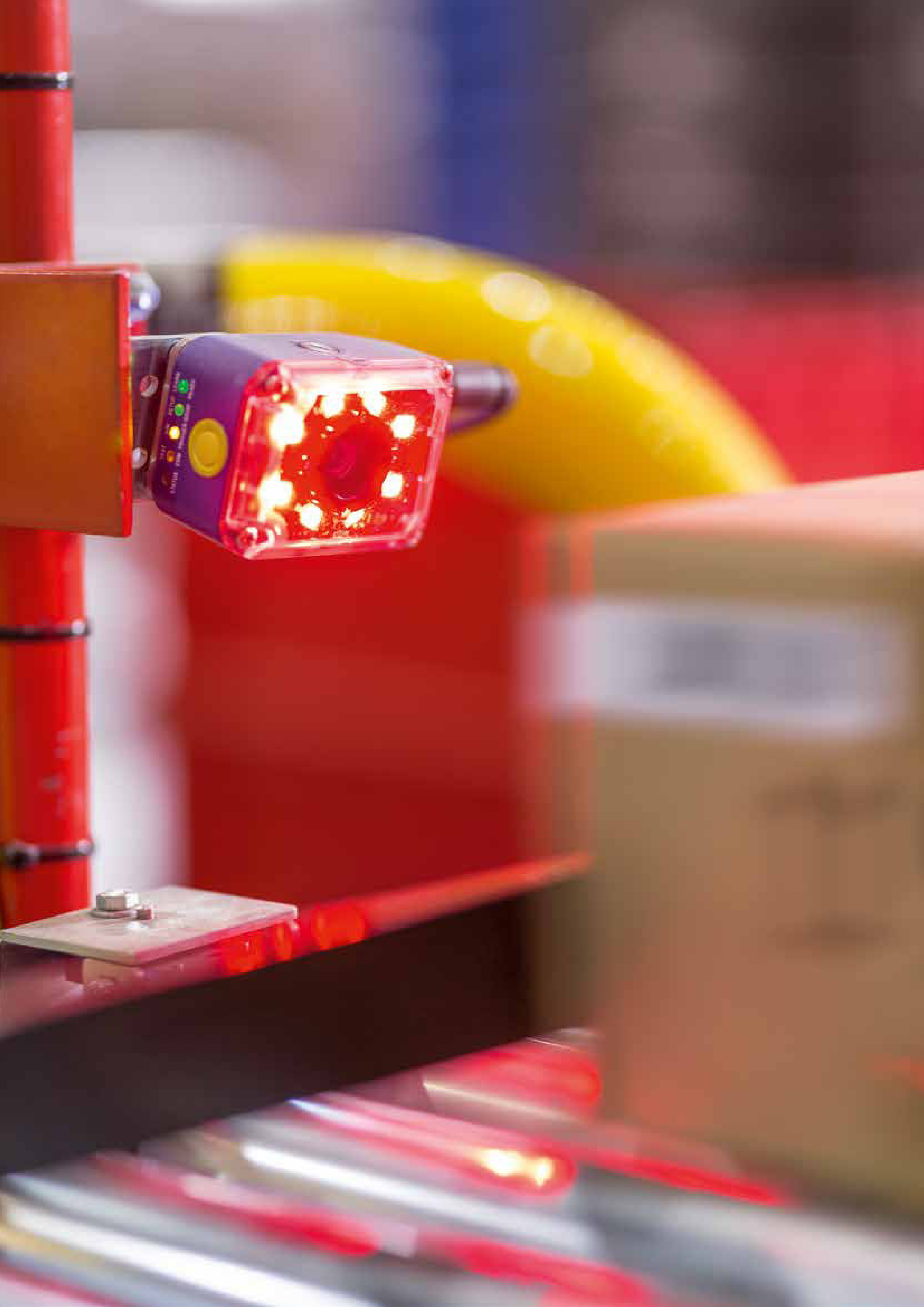
Overview of SHOP APOTHEKE EUROPE's current markets

Following the acquisition of FARMALINE in 2016, our active markets in Germany, Austria, Switzerland, Italy, Spain, France, Belgium and the Netherlands represent approximately 80 % of the total Continental European market for OTC medications and pharmacy-related BPC products. We believe that all of these markets exhibit similar demand characteristics to the German market and that limited online penetration in these markets provide significant market opportunities for us.

The Continental European market is highly fragmented, which we believe gives us the opportunity to accelerate penetration by replicating our established business model. The following table shows an overview of the expected online market penetration for OTC- and BPC products in 2020 in Europe.



OTC online penetration rates in Europe (Source: Sempora Consulting, 2017)



REGULATORY ENVIRONMENT

Regulation as an entry barrier

A responsible trade in medications requires specialized knowledge and diligence. To ensure these conditions are met, both the European Union and its member states have put comprehensive regulatory frameworks in place. Thus, SHOP APOTHEKE EUROPE's business is subject to regulatory restrictions with regard to the medicinal and pharmaceutical aspect of the products it delivers as well as to the e-commerce framework.

A verdict by the European Court of Justice (ECJ) in December 2003 confirmed that the principle of the free movement of goods within the EU also applies to non-prescription medications. National laws prohibiting the mail order sale of such products were found to be incompatible with European (i. e. EU) law. Hence, the cross-border sale of non-prescription medications within the EU is permitted for pharmacies registered in the EU. With this verdict, online suppliers secured access to the over-the-counter market, after which their share of that market went from low levels to 16 percent in a decade[1].

On 19 October 2016, the ECJ passed a judgement allowing pharmacies based outside Germany (e. g. the EUROPA APOTHEEK Group) to sell Rx medications to German consumers at discounted prices (the so-called bonus). This regulatory change completed an attractive offering for customers and enabled effective business to consumer (B2C) marketing with a significant positive impact on the growth of the online market.

Other national restrictions in most major EU countries such as the prohibition of pharmacy chains and of third-party ownership of pharmacies limit the growth potential of pharmacies in these countries. In the "Netherlands", however, there are no restrictions on third- party ownership, i. e. a pharmacy may be owned by a pharmacist or by a legal entity. As in all countries, pharmaceutical responsibility lies with the responsible pharmacist regardless of the pharmacy's ownership structure.

[1] Financial Times: "German patients may enjoy cheaper drugs after ECJ ruling", 19 October 2016

90 % PLUS IN REVENUES COMPARED TO 2017.

With a revenue growth of + 90 %, we further bolstered our position as the leading Continental European online pharmacy in 2018. We have achieved our ambitious sales growth target and once again substantially expanded our market leadership in all relevant European markets. With the acquisition of nu3, we broadened our product range to also include functional foods and nutrition products, thereby adding new growth potential and providing us with a competitive advantage.

The introduction of the electronic prescription announced by German Health Minister Jens Spahn for 2020 at the latest will be the next game changer which will take our European growth story to the next level.

ECONOMIC REPORT

Forecast vs. actuals

Forecast	Actual	Target reached
Revenue growth of EUR 530 – EUR 560 million, increased to EUR 540 – EUR 570 million in August 2018	• EUR 540 million	✔
EBITDA of EUR 0 – 2 million (before adjustments), reduced to an EBITDA-Margin of – 2 % in November 2018	• – 2.2 %	–
Brand Strategy: Reduce number of brands to save on marketing costs	• Farmaline online shops integrated in the SHOP APOTHEKE brand • Common brand for EUROPA APOTHEEK and SHOP APOTHEKE in preparation	✔
Improvements in efficiency	• **Administrative expense ratio** of 4.2 % (2017: 4.7 %)	✔
Further automation	• Progress in the automation of incoming goods • New packing line launched • ERP control of warehousing locations	✔

Revenues and earnings position

With regard to business in Austria and the new business in Switzerland and due to the acquisition of nu3 GmbH in July 2018, the Management Board reviewed the operating segments definition. As a result, the company will report on the following two business segments from 2018 onwards:

The “DACH” segment (which includes medications and pharmacy-related BPC products sold to customers in the German, Austrian and Swiss market as well as webshop services provided principally to German customers) and the “International” segment (which includes OTC medications and pharmacy-related BPC Products only, sold to customers in the Belgian, Dutch, French, Italian and Spanish markets).

In order to ensure comparability and to facilitate a transfer, we will also provide segment figures based on the former divisions “Germany” and “International” for information purposes.

Expenses in connection with preparing the issue of a convertible bond and the acquisition of nu3 GmbH have been recognized as expenses in the P&L. For better orientation, we also provide adjusted figures.

Business across the Group expanded and revenues surged more than 90 % from EUR 284 million in 2017 to EUR 540 million in 2018. The sales increase was driven not only by the consolidation of the EUROPA APOTHEEK business, but also by the higher number of active customers and the greater volume of orders. If the EUROPA APOTHEEK business would have been consolidated since 1 January 2017, the organic growth rate without would have been c. 25 %.

Consolidated gross income climbed 72.4 % in the year under review from EUR 57.6 million to EUR 99.3 million. As a proportion of sales, the cost of sales ratio thus was slightly higher as previous year at 81.6 % (2017: 79.7 %). As a result, the total gross margin was at 18.4 % (2017: 20.3 %). The decline in the gross margin is mainly due to the higher proportion of sales of prescription medicines in connection with the takeover of EUROPA APOTHEEK. These typically show a lower gross margin due to regulated prices which is compensated by higher contribution per parcel.

Against the backdrop of this sales growth, selling and distribution costs rose by EUR 39.2 million, from EUR 66.4 million in the financial year 2017 to EUR 105.6 million. Alongside improved efficiencies that helped to lower fulfilment costs per order, economies of scale led to a drop in marketing costs in relation to sales. The increased marketing expenses can be attributed mainly to marketing measures relating to the international expansion through the acquisition of new customers, which served to raise brand awareness in the newly developed markets.

Administrative costs including depreciation and amortization increased in absolute terms, by EUR 9.2 million from EUR 13.4 million to EUR 22.7 million, of which EUR 1.6 million were one-off costs mainly related to the stock option plan and the acquisition of nu3 GmbH. Despite one-off costs and the growth-driven increase, as a proportion of sales SHOP APOTHEKE EUROPE succeeded in lowering administrative costs from 4.7 % in 2017 to 4.2 % primarily through economies of scale and increased efficiencies.

Other operating income decreased by EUR 2.8 million from EUR 3.0 million to EUR 0.2 million in the period under review. The reason for the decline is that revenues from service agreements with EUROPA APOTHEEK Venlo B. V., for whom SHOP APOTHEKE EUROPE rendered services in the field of procurement, warehousing and order picking have no longer been generated since the acquisition in 2017.

The operating loss of EUR 28.7 million was EUR 9.5 million more than the prior year's loss of EUR 19.2 million. This includes one-time expenses related to the stock option plan and the acquisition of nu3 GmbH of EUR 3.8 million. Adjusted for non-recurring costs the operating loss was EUR 24.9 million.

Financing expenses rose by EUR 4.0 million, from EUR 2.2 million in 2017 to EUR 6.2 million in 2018. The financing expenses are related to the cash payment providers

Segment information – non adjusted and adjusted

2018	DACH	International	Consolidated
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	**491,078**	**48,632**	**539,710**
Cost of sales	– 403,328	– 37,064	– 440,392
Gross Profit	**87,750**	**11,568**	**99,318**
% of revenue	17.9 %	23.8 %	18.4 %
Other income	156	40	196
Selling & distribution	– 78,082	– 16,287	– 94,369
Adjusted S&D	– 76,605	– 16,132	– 92,736
Segment EBITDA	**9,825**	**– 4,680**	**5,145**
Adjusted segment EBITDA	11,301	– 4,524	6,777
Administrative expenses			– 20,704
Adjusted AE			– 18,530
EBITDA			**– 15,559**
Adjusted EBITDA			– 11,753
Depreciation			– 13,171
EBIT			**– 28,730**
Adjusted EBIT			– 24,924
Net finance cost and income tax			– 4,879
Adjusted net finance cost and income tax			– 4,879
Net loss			**– 33,609**
Adjusted net loss			– 29,803

active for SHOP APOTHEKE EUROPE and interest payments for the convertible bonds issued in April 2018.

Revenues and earnings by segment

SHOP APOTHEKE EUROPE's business activities are divided into two segments. The "DACH" core segment at present posts the highest sales and essentially consists of sales of OTC pharmaceutical products and mostly pharmacy-exclusive beauty and healthcare products in Germany, Austria and Switzerland. The second segment "International" is exclusively made up of sales of OTC pharmaceutical products and beauty and healthcare products in our other European markets: Belgium, France, Italy, the Netherlands and Spain.

The statement of results by segment on page 94 shows a significant expansion in business volume in both segments.

For information purposes, the table below shows the (unaudited) segment information with the former segment structure, divided into the two segments "Germany" and "International".

Adjustments

Administrative expenses and selling and distribution costs have been adjusted with one-off costs mainly related to the stock option plan in April 2018 and integration costs related to the acquisition of nu3 resulting in an adjusted

Segment information – non adjusted and adjusted

2018	Germany	International	Unaudited Consolidated
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	**414,135**	**125,575**	**539,710**
Cost of sales	– 342,461	– 97,931	– 440,392
Gross Profit	**71,673**	**27,645**	**99,318**
% of revenue	17.3%	22.0%	18.4%
Other income	55	141	196
Selling & distribution	– 61,521	– 32,848	– 94,369
Adjusted S&D	– 60,645	– 32,092	– 92,736
Segment EBITDA	**10,207**	**-5,062**	**5,145**
Adjusted segment EBITDA	11,083	-4,306	6,777
Administrative expenses			– 20,704
Adjusted AE			– 18,530
EBITDA			**– 15,559**
Adjusted EBITDA			– 11,753
Depreciation			– 13,171
EBIT			**– 28,730**
Adjusted EBIT			– 24,924
Net finance cost and income tax			– 4,879
Adjusted net finance cost and income tax			– 4,879
Net loss			**– 33,609**
Adjusted net loss			– 29,803

EBITDA of EUR – 11.8 million compared to an adjusted EBITDA of EUR – 8.5 million in 2017. This translates into an adjusted EBIT of EUR – 24.9 million after an adjusted EBIT of EUR – 15.6 million in 2017 and an adjusted net loss of EUR – 29.8 million compared to an adjusted net loss of EUR – 17.8 million in 2017.

"DACH" segment rose significantly and improved segment EBITDA margin

During the 2018 reporting period, "DACH" segment sales in the German, Austrian and the Swiss markets rose profitably by 95 %. With sales of EUR 491.1 million in financial year 2018 the "DACH" segment generated about 91% of consolidated sales. In 2017, "DACH" segment sales accounted for EUR 251.4 million or around 89 % of consolidated sales. If the EUROPA APOTHEEK business would have been consolidated since 1 January 2017, the organic growth rate without would have been 22 %.

Costs of sales have nearly doubled from EUR 201.7 million in 2017 to EUR 403.3 million in 2018. Thus, the segment's gross profit margin fell from 19.7 % to 17.9 % The decline of 1.8 percentage points was mainly attributable to a higher proportion of prescription medicines in connection with the takeover of EUROPA APOTHEEK as prescription medicines typically have lower gross margins than OTC medicines.

Other income fell from EUR 2.6 million to EUR 0.2 million. In 2017, other income derived from service agreements with EUROPA APOTHEEK Venlo B. V., for whom SHOP APOTHEKE EUROPE renders services in the fields of procurement, warehousing, and order picking before the acquistion.

Adjusted for non-recurring costs, selling and distribution expenses excluding depreciation and amortization increased by 65 % from EUR 46.3 million in 2017 to EUR 76.6 million. Since that rise was significantly lower than the increase in sales, the ratio of selling expenses to revenues fell by 2.8 percentage points, from 18.4 % in 2017 to 15.6 % in 2018. This favourable trend is the result of better efficiency, enhanced automation and economies of scale as well as a higher proportion of orders by existing clients (repeat orders) in the "DACH" segment. The customary acquisition costs associated with new customers are not incurred for repeat orders. The improvement in the ratio of selling expenses to sales led to a rise in segment EBITDA from EUR 5.9 million the prior year to EUR 11.3 million in 2018, excluding non-recurring costs of EUR 1.5 million. This translates into a segment EBITDA margin of 2.3 %, which is the same level as in the prior year.

"International" segment revenues rose significantly

Revenues outside the "DACH" region, which are posted to the "International" segment include sales in the Nethlerlands, Belgium, France, Italy and Spain. They rose by 49 % in the period under review. The total surged from EUR 32.7 million to EUR 48.6 million and accounted for around 9 % of 2018 consolidated sales, which is the same proportion as in the prior year. If the EUROPA APOTHEEK business would have been consolidated since 1 January 2017, the organic growth rate without would have been 41 %.

Cost of sales in 2018 were EUR 37.0 million compared to EUR 24.7 million in 2017. This translates into gross profits of EUR 11.6 million compared to EUR 8.0 million in 2017. The gross margin thus was at 23.8 %, slightly lower than in the previous year with 24.5 %.

As a result of the expansion strategy the "International" segment saw a considerable increase in the number of new customers. Despite the significantly higher proportion of orders from new clients, along with the correspondingly higher customer acquisition costs plus other market entry costs (e. g. higher marketing expenses), the segment EBITDA improved to EUR – 4.7 million in the financial year 2018 compared to EUR – 5.7 million in 2017. Adjusted for non-recurring costs the segment EBITDA in financial year 2018 was EUR – 4.5 million.

Cash Flow

in EUR million	2018	2017
Operating loss for the period	– 28.7	– 19.2
Net cash flow for/from operating activities	– 28.0	– 23.2
Net cash flow for/from investing activities	– 35.1	– 0.9
Net cash flow for/from financing activities	66.7	– 3.5
Cash and cash equivalents at the beginning of the period	10.9	38.5
Change in cash and cash equivalents	3.6	– 27.6
Cash and cash equivalents at the end of the period	14.5	10.9

In the period under review, cash and cash equivalents increased from EUR 10.9 million to a year-end figure of EUR 14.5 million. As a safeguard against the unfavorable interest rate environment, EUR 34.4 million were invested in short-term securities and are shown in other financial assets.

The cash outflow for operating activities ran at EUR – 23.5 million compared to an outflow of EUR – 23.1 million the year before. The increase of EUR 0.4 million in cash outflow used for operating activities mainly stems from the higher movements in working capital (EUR – 12.9 million in 2018 against EUR – 9.1 million in 2017). While trade and other receivables increased by EUR 5.2 million during the reporting period (2017: increase of EUR 0.2 million), inventories decreased by EUR 0.1 million against an increase of EUR 14.2 million in the prior period.

Cash outflow for investing activities came to EUR – 38.1 million against an outflow of EUR – 0.9 million one year earlier. Previous year's cash flow from investing activities was driven by a divestment of short-term securities (shown in other financial assets) amounting to EUR 7.5 million, which led to a cash inflow while EUR 21.9 million have been invested in short-term securities in the 2018 reporting period and led to a cash outflow. Investments in property, plant and equipment as well as in intangible assets amounted to EUR – 11.9 million after EUR – 9.6 million in 2017. An outflow of EUR – 4.4 million is related to the cash component of the acquisition of nu3 in July 2018.

The issue of convertible bonds in April 2018 led to a net cash inflow of EUR 73.5 million. Total cash flow from financial activities amounted to EUR + 65.3 million. The previous year's figure of EUR – 3.5 million mainly resulted from interest expenses of EUR – 2.0 million in connection with the payment service providers working for SHOP APOTHEKE EUROPE and payment obligations from the acquisition of FARMALINE amounting to EUR – 1.1 m. In 2018, cash flow from financial operations included interest payments equivalent to EUR – 4.5 million some of which are related to the cash payment providers active for SHOP APOTHEKE EUROPE. Additional cash outflow of EUR – 1.1 million met payment obligations as a result of the FARMALINE acquisition.

The working capital at 31 December 2018 was EUR 39.0 million.

The Group member companies were able to meet all payment obligations at all times during the past business year.

Assets and Liabilities

As of the reporting date the balance sheet total was EUR 350.9 million after EUR 297.8 million at the end of the 2017 fiscal year. The increase is in large part due to the issue of convertible bonds worth EUR 75 million in April 2018. Non-current assets rose from EUR 202.5 million in 2017 to EUR 214.2 million in 2018. This increase was primarily mainly driven by investments in in intangible assets and property, plant and equipment for further expansion and automation. This included the next step in the automation of processing incoming goods, the launch of a new packing line and the implementation of an ERP control system of warehouse locations.

Current assets increased significantly in 2018, from EUR 95.4 million in 2017 to EUR 136.7 million. Within the current assets, inventories increased significantly less than proportional to sales volume from EUR 40.0 million to EUR 43.3 million thanks to optimizations of the procurement strategy. During the reporting period, cash and cash equivalents - including short-term investments in securities – increased by EUR 30.5 million, from EUR 28.3 million as of 31 December 2017 to EUR 58.8 million. Other financial assets were up EUR 21.9 million, at EUR 34.4 million after EUR 12.5 million in 2017 and cash and cash equivalents as of 31 December 2018 were at EUR 24.3 million after EUR 15.8 million.

Trade receivables rose from EUR 27.1 million to EUR 34.6 million, mainly due to the higher business volume. Non-current liabilities at year-end 2018 totaled EUR 83.3 million compared to EUR 17.0 million in 2017. The increase is mainly related to the issuance convertible bonds in April 2018, which increased Loans and Borrowings from EUR 4.3 million to EUR 72.4 million.

Current liabilities rose from EUR 41.8 million as of 31 December 2017 to EUR 53.7 million at the end of 2018. This was mainly attributable to higher loans and borrowings which stood at EUR 6.5 million after EUR 2.7 million in 2017 and amounts due to banks which increased from EUR 4.9 million to EUR 9.8 million. Trade liabilities remained stable over the reporting period with EUR 28.5 million after EUR 28.9 million in 2017.

At year-end 2018, total equity was EUR 214.0 million compared to EUR 239.0 million at year-end 2017. The equity ratio stood at 61.0 % after 80.2 % in 2017.

NON-FINANCIAL PERFORMANCE INDICATORS

Operating Performance Indicators

In addition to financial performance indicators SHOP APOTHEKE EUROPE also uses non-financial performance indicators to manage the business.

Besides its OTC online pharmacy market share, SHOP APOTHEKE EUROPE uses the following non-financial key performance indicators, which also reflect the significant business expansion:

	2018	2017
Site visits	93,070,573	71,520,167
Mobile visits	54,589,063	36,577,569
KPI – mobile share	59 %	51 %
Number of orders	8,670,880	5,724,030
Repeat orders	81 %	76 %
Return rate	0.84 %	0.78 %
# Active customers	3,476,201	2,669,976
Average cart size	72.44 €	57.78 €

Number of site visits/number of mobile site visits

As a performance indicator with a significant impact on the growth of the SHOP APOTHEKE EUROPE Group, the number of website visits is a central tool for company management. As a growing number of people use mobile devices to access the internet, the number of mobile website visits is recorded separately. This indicator is also used to examine the success of the mobile websites and apps that SHOP APOTHEKE EUROPE is permanently developing and expanding specifically for this target group.

Number of active customers

SHOP APOTHEKE EUROPE measures its business success based on the development in the number of customers. An active customer is defined as a customer who has placed at least one order within the past 12 months (as of the reporting date).

Number of orders

The number of orders is an important growth driver. It is measured without reference to the shopping cart size.

Average gross basket size

In addition to the number of orders, there is a direct correlation between the average basket size and the development of consolidated revenue.

Repeat orders

This shows the proportion of orders placed by existing customers and is an important indicator of customer loyalty. As marketing costs for existing customers are lower than for newly acquired customers, there is also a correlation with consolidated net profit.

Return rate

One key advantage of trading in pharmaceuticals and medicines is the negligible return rate. As returns are a significant cost factor in e-commerce, there is a direct correlation with the company's earnings.

Human Resources

SHOP APOTHEKE EUROPE wants to further strengthen and expand its leading position as a European online pharmacy. To achieve this goal, we need to ensure that the company produces long-term growth. We therefore need dedicated employees who bring our strategy to life in their everyday work and create added value for our customers.

Working at SHOP APOTHEKE EUROPE offers a variety of interesting prospects as well as the scope to develop and implement ideas. The atmosphere is positive, respectful and lively. Our objective is to attract entrepreneurial employees, to support them in accordance with their drive and abilities, and to strengthen their long-term commitment to our company.

Our human resources strategy focuses on two key aspects: on human resources management, which includes employee recruitment, retention and development, and on occupational safety and health management.

On 31 December 2018, SHOP APOTHEKE EUROPE employed 843 full-time equivalents on average. This compares to 639 full-time equivalents at the end of 2017.

Research and Development

As a retail company, SHOP APOTHEKE EUROPE does not make its own products and therefore does not conduct research and development in the strict sense of the term. The sector and its customers currently find themselves in a profound transformation process, which is being driven by such megatrends as digitization and social change in particular. These trends have a great impact on the way customers live, work and consume. SHOP APOTHEKE is a technology-driven online shop that offers solutions for these changes. The new and further development of our core processes as well as the most important systems of the business model are primarily initiated, refined and maintained internally. External partners leverage our internal know-how and implementation capacities meaningfully.

In-house developed systems and highly targeted software solutions in all major divisions have significantly contributed to the Group's success in recent years and will continue to be a key success factor for achieving the corporate objectives.

Our front-end platform has been developed by our wholly-owned subsidiary RedTecLab GmbH, which is an e-commerce technologies and IT services company with more than 20 years of experience. As a fully-owned e-commerce technologies and IT services company RedTecLab allows us to stay independent from third-party providers. Furthermore, we believe our tailored e-commerce shop system to be "best-in-class" due to, in particular, cross-selling and web analytics functions, content and personalized newsletter features, social media and application video integration as well as country-specific front-ends and optimized templates and apps.

In addition, we constantly develop our ERP system to increase operational efficiency and processing capacity in line with sales growth. This is mostly accomplished with the support of external IT specialists.

Corporate Social Responsibility

SHOP APOTHEKE EUROPE has close ties to the communities it operates in and cultivates relationships with many people every day: people who work with or for us, people who shop at our online stores and people with whom we have other types of relationships. Our social and environmental responsibility in the places where we are based and interact with people are means of adding value since it goes towards tackling social challenges.

SHOP APOTHEKE EUROPE actively promotes an intact and attractive social environment through donations and sponsorship. In 2016, it started sponsoring Herzenswünsche, a charity that grants wishes to children and youth affected by severe health issues. By the end of 2018, the company had donated in total more than EUR 368 k to help bring happiness to the lives of severely ill young people. To ensure an optimum and long-lasting positive effect for the young patients, all wishes are fulfilled in consultation with the treating physician, with the childrens' families also involved in planning.

We also encourage our employees to engage in sports for life-long health and participate in sports events such as the B2RUN Cologne and the Frankfurt Marathon.

With respect to our business, we consider the following indicators to be significant:

Ecological	
Total amount of packaging material used	947 tons
Packaging material per ton of output	17.2 %
Total building electricity consumption	2.025.977 kWh
Total alternative energy consumption	0 %

Social	
Number of employees (male/female)	402/626
Number of female executives	1
Number of student apprentices/trainees	33
Staff turnover: Percentage of FTE leaving p. a.	26 %
Training & qualification: Average expenses on training per FTE p. a	EUR 142
Share of full-time/part-time employees	82 % / 18 %
Total amount of bonuses and incentives paid out	EUR 135,000
Number of FTEs receiving 90 % of bonuses and incentives	8
Total number of stock options granted	500,000
Number of FTEs receiving 90 % of stock options	33
Age structure (Number of FTEs per age group, 10-year intervals)	
16 – 18	4
19 – 28	152
29 – 38	283
39 – 48	189
49 – 58	171
59 – 68	44
Total	843

Economical	
Litigation risks: Expenses and fines on filings, law suits related to anti-competitive behavior, anti-trust and monopoly practices	c. EUR 88 k
Corruption: Percentage of revenues in regions with Transparency International corruption index below 6.0	EUR 0
Total cost of packaging	EUR 2.1 million
Customer Satisfaction: Percentage of total customers surveyed comprising satisfied customers	41 % / 75 %
Supply Chain: Total number of suppliers	654
Percentage of sourcing from 3 biggest external suppliers	26.6 %

RISKS AND OPPORTUNITIES

Risk Attitude

In general, the board of directors aims to effectively understand and manage the risks and opportunities of the company's European growth strategy and to reasonably minimize operational risks with efficient business processes, which is also a key to enabling further company growth on the path to group profitability.

Overall Risk Assessment

SHOP APOTHEKE EUROPE's long-term strategy is focused on creating value for our shareholders and stakeholders through profitable growth. In implementing this strategy, the company has evaluated the relevant strategic, operational and financial risks as well as the risks and opportunities of future market trends for e-commerce in general and for online pharmacies in our Continental European target markets in particular and performed sensitivity analyses based on scenarios. The Management Board is responsible for identifying and managing risks with appropriate measures. Internal controls have a high priority and are continuously assessed and further improved. Separation between executive and controlling functions and compliance with directives and operating instructions are an integral part of the internal control system. The risk management and internal control systems as set out above do, however, not provide absolute assurance that errors, fraud losses, or unlawful acts can be prevented. During the 2018 financial year, no significant shortcomings were found in the internal risk management and control system by the IT and Finance risk owners. However, although the Company strives to increase its profitability and achieve positive cash-flows in future, it is still cash-flow negative and needs to obtain additional financing for further growth.

SHOP APOTHEKE EUROPE is regularly exposed to various risks and opportunities. These can have both positive and negative effects on the Group's assets, financial and earnings situation. The risk management system applies to all areas of the Group and is based on ISO 31000 and the Corporate Governance Code. The system identifies, analyses and monitors the key risk categories, which include 1. strategic risks such as Rx legislation, online market trends, market position of competitors, 2. operating risks such as IT controls, warehouse capacity, progress of automation and 3. financial risks such as current and future earnings and short-term and long-term financing. We manage the identification, assessment and mitigation of risks through an internal governance process. Our approach to identification and evaluation aims to ensure that we mitigate the impact of these risks on our financial results, long-term strategic goals and reputation.

Risk evaluation is based on risk description and estimates the monetary impact as well as the risk entry probability in the current year. Calculations are based on the current year impact.

Based on risk identification and evaluation, the risk treatment is the process to modify the risk:

a) Mitigation:
   - avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
   - removing the risk source
   - changing the likelihood
   - changing the consequences
   - sharing the risk with another party or parties (including contracts and risk financing)

b) Retaining the risk by informed decision,
c) Taking or increasing risk in order to pursue an opportunity.

Residual risk is the risk that remains after appropriate action has been taken and is calculated as the sum of all residual strategic, operating and financial risks.

External Oversight

In addition to the internal control system, external bodies (such the Dutch ministry of health or our ISO 9001:2015 certifier) also provide assurance on the design and effectiveness of the risk management processes and compliance with the relevant standards, policies and norms.

Risk Management System

Strategic and operational events and actions that have a significant impact on the existence and the economic situation of the Group are considered risks. These include external factors such as the competitive situation, the regulatory environment and other factors that can compromise the achievement of corporate goals.

Since 2017 SHOP APOTHEKE EUROPE has improved its risk management by implementing a risk management system based on ISO 31000 that is an essential part of corporate governance. The objective of our risk management is to identify, assess and control strategic, operating and financial risks following the ALARP principle (as low as reasonably possible). We regard improving the reliability of our management and risk information, ensuring that it becomes increasingly specific and targeted, as an ongoing process. Our risk acceptance is summarized and reported in SHOP APOTHEKE EUROPE's risk appetite.

Risk Appetite

Risk appetite describes the aggregate level of risk that we are willing to accept within our risk capacity in order to follow our strategy to become the leading European online pharmacy, as defined by a set of minimum quantitative metrics and qualitative statements. Risk capacity is defined as the maximum level of risk we can assume before breaching regulatory constraints and our obligations to stakeholders.

Risk appetite is an integral element in our business planning processes to promote the appropriate alignment of risk, capital and performance targets, while at the same time considering risk capacity and appetite constraints from both financial and non-financial risks. The Management Board reviews and approves our risk appetite and capacity both periodically and in the event of unexpected changes to the risk environment, with the aim of ensuring that they are consistent with our Group's strategy, business and regulatory environment as well as our stakeholders' requirements.

Reports relating to our risk situation and our monitoring thereof are presented regularly to the Management Board. They include key performance indicators for our online business such as the number of active customers, average monthly visits, share of repeat orders and segment sales growth that are benchmarked to European e-commerce peers as well as cash and cash-flows from operations, investment and financing. In addition, forecasts and their potential impact on valuation and goodwill impairment are discussed regularly.

In order to determine our risk appetite and capacity we set different Group-level triggers and thresholds on a forward-looking basis and define the escalation requirements for further action. In order to ensure the meeting of defined thresholds or the desired risk appetite, a predefined escalation governance matrix is applied and reported to the Chief Risk Manager depending on their significance.

Risk Classification

Risks are classified as strategic, operating, financial risks and assessed according to their probability of occurrence and their potential financial impact. The major risks for each classification and related actions to manage those risks are described below.

1. Strategic Risks

Acquisition risks

Since our founding, we have grown both organically, and through acquisitions, i.e. those of RedTecLab GmbH (formerly Xsite GmbH) in 2013, Farmaline in 2016, EUROPA APOTHEEK in 2017 and during the reporting period. In line with our business strategy to further expand our offering across Continental Europe, we expect to engage in potential acquisitions of other companies, businesses or assets. Acquisitions involve numerous risks such as unanticipated difficulties associated with higher than expected costs in integrating the technologies, operations, existing contracts and personnel of acquired businesses or difficulties associated with higher than expected costs in integrating and coordinating sales and marketing functions and other administrative functions. Due to its focus on prescription medication, the acquired EUROPA APOTHEEK business is exposed to a potential ban of prescription medication mail-order in Germany which could result in a partial or complete impairment of the goodwill related to that business, depending on the respective actions that might come along with. Compared to the previous year, the likelihood of this risk becoming material has been substantially reduced, as the German Federal Ministry of Health (Bundesministerium für Gesundheit) has announced that it intends to continue the mail order business for prescription medicines.

Adverse judgments or settlements resulting from legal proceedings

From time to time we are or may become involved in private actions, investigations and various other legal proceedings by employees, suppliers, competitors, government agencies or others. Furthermore, the pharmacy business is highly regulated. Failure to comply with laws and regulations can damage our reputation and have negative financial and operational consequences. In Germany, EUROPA APOTHEEK, which we acquired during the reporting period, is currently subject to three first instance social court (Sozialgericht) proceedings regarding the so-called manufacturer rebates that producers of pharmaceuticals reimburse to pharmacies.

Dependence on key personnel

Our future success is significantly dependent on the continued service of the members of our Management Board. If we lose the services of any member of the Management Board, we may not be able to locate suitable or qualified replacements and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth.

The competence and commitment of our management and employees are important factors for our successful development and management of opportunities and risks. Therefore, our success is largely dependent on our ability to attract, train, motivate and retain highly qualified individuals, particularly online specialists, IT programmers, data scientists and specialists as well as pharmaceutical experts. A lack of qualified and motivated personnel could negatively impact our development and growth, increase our costs and harm our reputation. We face competition for qualified personnel, for example those in IT and marketing positions as well as qualified pharmacists. In addition, to attract or retain qualified personnel, we might have to offer more competitive compensation packages and other benefits, which could lead to higher personnel costs.

2. Operating risks

Management of the transition of our operations to greater automation

Our warehousing system in our logistics center is currently fully computerized but not yet fully automated. Our warehouse is equipped with computers, scanners and other electronic devices that enable us to manage and track our inventories on a real-time basis. However, certain logistical processes continue to rely on human input, and may be more efficiently operated by the introduction of automation. Part of our strategy involves the introduction of new systems to enhance the level of automation in our warehousing system where justified from a cost perspective. Any failure to increase the level of automation in accordance with our strategy may have a material adverse effect on our business, financial condition and results of operations.

Management of our inventory levels

We must maintain sufficient inventory levels to successfully operate our business through our online webshops. However, many of our products have limited shelf-lives and we seek to avoid accumulation of excess inventory while at the same time aiming to minimize out-of-stock levels and maintain in-stock levels across all product categories. If we do not accurately anticipate the time it will take to obtain new inventory or sell existing inventory, our inventory levels will not be optimal, may result in a loss of sales, a loss of customers who are unsatisfied with our delivery times or increased costs of maintaining inventory. Furthermore, we may incur additional costs for the disposal of expired products, which generally need to be disposed of in accordance with applicable special waste regulations.

Continuation of our pharmacy license

We currently hold a pharmacy license that allows us to ship into all member states of the European Union. If we fail to comply with relevant Dutch and other applicable European pharmacy laws, our pharmacy license would be withdrawn and we would not be allowed to continue our current business and our reputation would be significantly harmed. Government regulation of the health care and pharmacy industries exposes us to risks that we may be fined or exposed to civil or criminal liability, receive negative publicity or be prevented from shipping products into one or more EU member states, which could have a material adverse effect on our business, financial condition and results of operations.

IT-related risks of security breaches and unauthorized use of one or more of our websites, databases, online security systems or computerized logistics management systems

We operate websites and other data systems through which we collect, maintain, transfer and store information about our customers, suppliers and others including personal information – as well as other confidential and proprietary information. We also employ third-party service providers that store, process and transfer proprietary, personal and confidential information on our behalf. We rely on encryption and authentication technology licensed from third parties in an effort to securely transfer confidential and sensitive information. We and our service providers cannot guarantee that inadvertent or unauthorized use or disclosure will not occur, or that third parties will not gain unauthorized access to this information despite our diligent efforts. Any compromise or breach of our security measures, or those of our third-party service providers, could violate applicable privacy, data security or other laws and cause significant legal and financial risks, adverse publicity and a loss of confidence in our security measures.

3. Financial Risks

Ability to grow and operate our business successfully and achieve profitability and positive cash-flows in the future

In order to compete in our market environment, we may be forced to respond to a general decline in prices by lowering the prices we charge our customers, which would negatively impact our profit margin and cash position. We constantly manage both the development of our profitability and our cash-flows and cash position to assure sufficient funds for the current and future financing of our business.

Any failure to successfully compete against current or future competitors could negatively affect our ability to attract and retain customers, which could in turn have a material adverse effect on our business, financial condition and results of operations. This could also result in financial reporting risks such as the partial or complete impairment of the goodwill related to SHOP APOTHEKE, farmaline, EUROPA APOTHEEK and the business.

Furthermore, our sales of prescription medications in Germany are dependent on local legislation in Germany. The current German Health Minister has stated that he plans to introduce electronic scripts in 2020. This could open up huge market opportunities for SHOP APOTHEKE but would also resulting in additional growth financing needs e.g. through a capital increase as authorized by the annual general assembly in April 2018.

Failures in new geographic markets

The online pharmacy market in which we operate is relatively new and did not even exist just a few years ago. As a result, we are subject to the risks and uncertainties experienced by early-stage companies in evolving markets. In addition, our limited operating history increases the risk that we make operational decisions that prove detrimental to our prospects.

Furthermore, the online pharmacy market comprises different fragmented local country markets across Europe. Among the principal reasons for this fragmentation are differing regulatory regimes affecting pharmacies that are defined by the respective member states of the European Union. Entering new market environments could be associated with risks due to our unfamiliarity with the particularities of these markets.

Dependency on advertising partners

Part of our marketing and advertising activities are conducted via online advertising platforms such as Google AdWords. In the past, Google stipulated country-specific rules to use their platform for advertising pharmaceutical products or pharmacies. It cannot be excluded that Google, affiliated marketing partners or other advertising platforms will in the future impose further restrictions, which could limit our ability to launch marketing activities related to us, our websites or our product offering in the countries in which we are already active or in the countries into which we plan to expand in the future. Furthermore, it cannot be excluded that Google or other advertising platforms are unable to adapt their terms and conditions for advertisements to ongoing factual changes in the certification of online pharmacies in a timely fashion or even fail to do so at all. In that case we would not be able to use these advertising platforms in compliance with the terms and conditions and may be prohibited from using them in the future and no assurance can be given that we could find new advertising platforms or develop other forms of advertising at the same costs and/or with the same reach.

The main strategic, operational and financial risks are managed with defined actions that are described in the table below.

Evaluation of Risk Management System Effectiveness

We are convinced that risk management has to be part of the mind-set and working methods of our staff, and that actually being in control is therefore what matters to us. The company continued to work on further optimizing its risk management and internal control systems in 2018 but knows that such systems do not offer absolute assurance against inaccuracies of material importance. The Management Board is aware of the fact that the company does not yet have an internal audit function and has discussed this with the Supervisory Board. After an in-depth discussion the Management Board and the Supervisory Board came to the conclusion that the company currently does not need an internal audit function, which may though change in future depending on further company growth.

On the basis of the evaluations that were carried out, the Management Board concludes that the risk management system as well as the control of the business processes and the internal control within the company are sufficient, professional, appropriate and effective. The Management Board is of the opinion that the risk management system with its controls and installed processes provides an adequate level of assurance on the reliability of financial information and control information in accordance with relevant laws and regulations.

Opportunities

Macro-economic and market conditions

According to a market studies, the online market for medications and pharmacy-related beauty and personal care products is expected to grow by 17 % per annum until 2020, with the OTC online share rising to 11 % on a European level by 2020. As a first mover and one of the leading pharmacies in Europe, SHOP APOTHEKE EUROPE has excellent opportunities to benefit disproportionately from the general growth potential. Should the economic conditions, such as growth prospects, the interest rate environment and competitive conditions in the financial services industry improve beyond currently forecasted levels, this could lead to increasing revenues.

Main risks	Related actions	In progress	Continous improvement	Done
Strategic				
Acquisition risks	Close integration controlling. Capital increase if necessary to acquire a target	✘		
Adverse judgments or settlements resulting from legal proceedings	Compliance with legal regulatory requirements			✘
Dependence on key personnel	Stock options plan			✘
Operational				
Management of the transition to greater automation	Stepwise automation and ERP programming		✘	
Management of our inventory levels	Goods-in automation and optimization of international purchasing		✘	
Continuation of our pharmacy license	Zero-defect approach of our pharmacy			✘
IT-related risks of security breaches	IT penetration tests			✘
Financial				
Ability to grow and achieve profitability and positive cash-flows	Financial reporting and controlling		✘	
Growth financing including future eRx markets and M&A	Convertible bond issuance 2018 and AGM 2018 authorizations	✘		
Failures in new geographical markets	Application of proven access strategies from advanced markets			✘
Dependency on advertising partners	Using both SEO and various SEA channels			✘

Further acceleration of the trend towards e-commerce
The shift towards e-commerce at the expense of retail stores seems to continue unabatedly. The Group believes that the e-commerce market will continue to grow by a double-digit percentage rate annually and that the Group will continue to benefit disproportionately from this development in the long term because of its leading market position in Continental Europe. Similar growth is expected in the field of mobile commerce. Mobile devices have contributed significantly to the strong growth of online retail. This also applies to the sale of non-prescription medications and pharmacy-related beauty and personal care products because customers have convenient access to the products anywhere and anytime. In 2015 e-commerce retail sales worldwide amounted to 1.55 trillion US dollars and e-retail revenues are projected to grow to 4.1 trillion US dollars in 2020, according to Statista, one of the Internet's leading statistics companies.

Entrepreneur Culture
SHOP APOTHEKE EUROPE assumes that the company's key employees are entrepreneurial, highly motivated and loyal to the company. Nonetheless the company has organized its operations so that even in case of loss of certain persons, e. g. due to accidents, business can continue running seamlessly until those staff members can be adequately replaced in the medium term. By creating a positive work environment and a culture that fosters responsibility and entrepreneurial action, SHOP APOTHEKE EUROPE has managed high sales growth along with the successful and fast integration of the FARMALINE business in 2016, the EUROPA APOTHEEK business in 2017 and the business in 2018. The management also has extensive, longstanding and detailed market and industry knowledge and is highly committed to the company and shareholder value.

SUBSEQUENT EVENTS

On 1 January 2019, Stefan Feltens took over the position of the CEO (Chief Executive Officer) of SHOP APOTHEKE EUROPE N. V. from the previous CEO Michael Köhler. He has to be elected to the Management Board on 30 April 2019.

In January, the SHOP APOTHEKE Service B. V. signed a 15-year building rental contract with a 10-year break option under the condition of building permit.

OUTLOOK

GDP growth expected to slow down but to continue

The Deutsche Bundesbank, the central bank of the Federal Republic of Germany released its latest projections for the German economy this in December 2018 and lowered its 2019 GDP growth forecast to 1.6 % for 2019 from 1.9 % prior.

According to the Autumn 2018 Economic Forecast by the European Commission, growth in the euro area is expected to ease from a 10-year high of 2.4 % in 2017 to 2.1 % in 2018 before moderating further to 1.9 % in 2019 and 1.7 % in 2020. The same pattern is expected for the EU27, with growth forecast at 2.2 % in 2018, 2.0 % in 2019 and 1.9 % in 2020.

Outlook for the overall pharmacy market in Continental Europe

The overall Continental European pharmacy market, which includes the categories prescription medications, non-prescription medications and pharmacy-related beauty and personal care products, is expected to grow along with Continental European GDP over the next four years. In a January 2018 market research study, experts from Daedal-Research stated that the value of the European pharmacy market was US$ 179.27 billion in 2016. The market value is anticipated to grow substantially and reach US$ 220.44 billion in 2021, from US$ 189.89 billion in 2017. The market is expected to grow at a CAGR of 3.8 % over the projected period of 2017 – 2021. For the OTC medications and pharmacy-related BPC market, experts from Sempora Consulting expected growth at a CAGR of 3.6 % in the period 2016 to 2020 in their latest research, reaching a value of EUR 39.4 billion by the end of 2020.

Development of the online pharmacy market looks promising

Although, the average share of pharmaceuticals purchased online in the overall pharmacy turnover in Europe was still in the single digits in 2016, the most recent Sempora study predicts a substantial surge in growth. Turnover is predicted to rise with a compound annual growth rate (CAGR) of 17 % in the European market. The experts expect that this will push the share of online pharmacy turnover in the overall market to 10.8 % (2015: 5.9 %).

Operational Outlook for the SHOP APOTHEKE EUROPE Group

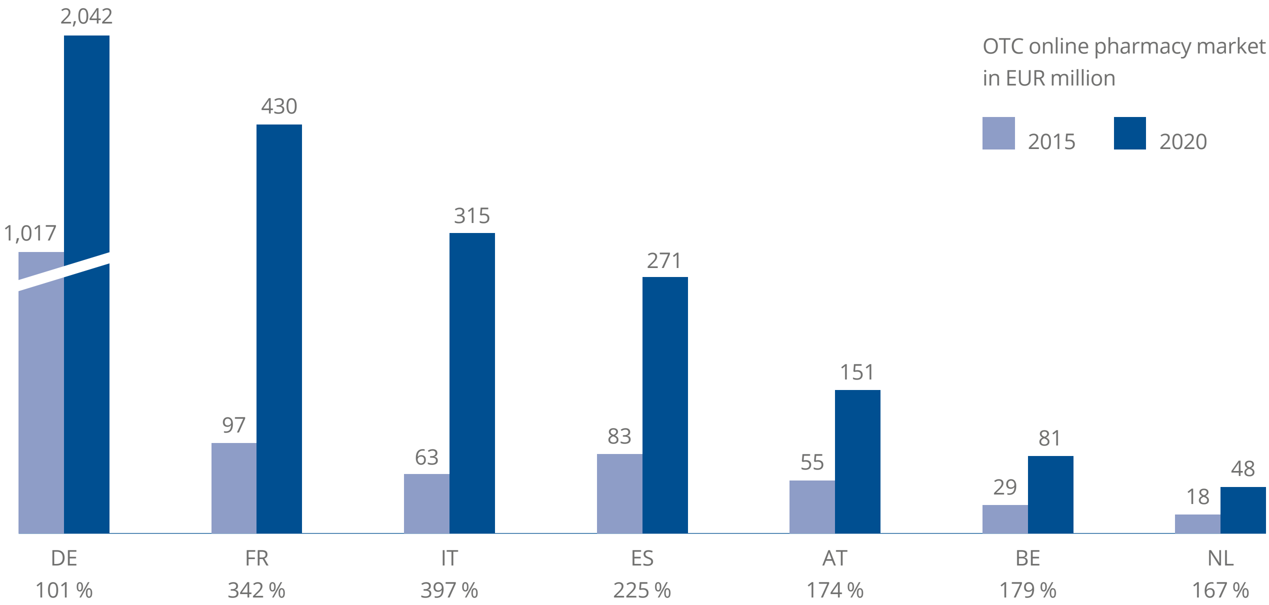
The overall development of business in 2018 was characterized by continued profitable growth in our core market Germany and the successful expansion of our international revenues. Through the acquisition of the business we have broadened our customer base and expanded into the attractive market for prescription medications, which provides additional growth potential. The ongoing liberalization in other European countries offers further opportunities, especially in the long term when e-prescriptions will be established as a standard in Europe.

Strategically, we will also focus on increasing our market share in our core market Germany in order to be best positioned for the roll-out of electronic prescriptions in 2020. Furthermore, we are currently running our business using several brands due to past acquisitions. We are aiming to reduce the number of brands, which will have a positive effect on earnings in the long term, as it will enable us to save marketing costs.

The strategic business plans of the operating business units determine the Group's financing requirements. This is periodically reviewed on the basis of our budgets. Moreover, the Management Board evaluates various financing options on an ongoing basis. In light of potential further acquisitions and generally higher working capital requirements due to growing business volume, we may take advantage of one or more of these financing options if a favorable opportunity were to become available. This would provide us with greater flexibility and enable us to immediately benefit from emerging opportunities.

Based on the integration of the EUROPA APOTHEEK and businesses we expect Group-level revenues to continue growing strongly in 2019. Growth in our target markets outside DACH will again be driven by upside from increased market penetration in the Netherlands, Belgium, France, Italy and Spain.

Development of the European online pharmacy market until 2020



Expected OTC mail order market growth 2020
(Source: Sempora market research 2017)

CORPORATE GOVERNANCE

The Management Board and the Supervisory Board of SHOP APOTHEKE EUROPE are firmly committed to the principles of transparent, responsible corporate governance and supervision. SHOP APOTHEKE EUROPE recognizes the importance of clear rules on corporate governance and, where appropriate, we have adapted our internal organization and processes to these rules.

An outline of the broad corporate governance structure will be provided in this chapter. As SHOP APOTHEKE EUROPE is a publicly listed company incorporated under the laws of the Netherlands with its registered seat in Venlo, the Netherlands, it complies with all the principles and best practice provisions of the Dutch Corporate Governance Code (the Code), unless stipulated otherwise in this chapter. The Code contains principles and best practices for Dutch companies with listed shares. Deviations from the Code are explained in accordance with the Code's "comply or explain" principle. The Code is available on the website of the Dutch Corporate Governance Code Monitoring Committee (www.commissiecorporategovernance.nl).

In December 2016, a revised version of the Code was published by the Corporate Governance Code Monitoring Committee. The revised Code was implemented effective 1 January 2017. It is more thematically oriented, with greater focus on culture and long-term value creation. The company assessed the proposed changes and implemented revisions to current practices where needed.

Corporate Structure

SHOP APOTHEKE EUROPE is a "Naamloze Vennootschap," or N. V., a Dutch limited liability company similar to a stock corporation (Aktiengesellschaft) in Germany. Its shares are listed in the Prime Standard Segment of Frankfurt Stock Exchange. Given this, the company declared its intention also to comply – on a voluntary basis – with most recommendations of the German Corporate Governance Code when possible.

SHOP APOTHEKE EUROPE has a two-tier board structure. The company is managed by a Management Board consisting of executive directors acting under the supervision of a Supervisory Board (consisting of non-executive directors).

Our corporate governance practices generally derive from the provisions of the Dutch Civil Code and the Dutch Corporate Governance Code.

The Management Board is entrusted with the management of the company and is responsible for achieving the company's aims, its strategy and associated risk profile, the development of results and corporate social responsibility/sustainability. The members of the Management Board are appointed by the General Meeting of shareholders. The full procedure for appointment and dismissal of members of the Management Board is explained in article 14 of the company's Articles of Association. The Management Board currently consists of Dr. Ulrich Wandel (CFO), Stephan Weber (CMO and deputy CEO), Theresa Holler (COO) and Marc Fischer (CTO). CEO Stefan Feltens shall be elected as Management Board member at the Annual General Meeting of SHOP APOTHEKE EUROPE N. V. on April 30, 2019.

The Supervisory Board of SHOP APOTHEKE EUROPE N. V. currently has four membersof which three are shareholders. The General Meeting of the company is responsible for determining the number of members and their appointment. The full procedure for appointment and dismissal of members of the Supervisory Board is explained in article 20 of the company's Articles of Association.

The duties of the Supervisory Board are to supervise the policy of the Management Board and the general course of business in the company and the business associated with it. The Supervisory Board members shall assist the Management Board by providing solicited and unsolicited advice. In fulfilling their duties the Supervisory Board members shall act in accordance with the interests of the company and the business enterprise it operates. In practice, this means supervising the corporate strategy, the achievement of the company's operational and financial objectives, the design and effectiveness of the internal risk management and control systems, the main financial parameters, compliance with applicable laws and regulations and risk factors.

Committees of the Supervisory Board

During the course of financial year 2018, the Supervisory Board discussed the establishment of an Audit Committee, which was founded on December 27th, 2018. The committee's role is to act on behalf of the

Supervisory Board and oversee all material aspects of the organization's financial reporting, internal control and audit functions. The Audit Committee of SHOP APOTHEKE EUROPE N.V. consists of two members, Frank Köhler and Dr. Björn Söder who report their findings the Supervisory Board.

Conflicts of Interest

Resolutions to enter into transactions under which members of the Supervisory Board could have a conflict of interest with SHOP APOTHEKE EUROPE, and which are of material significance to the company and/or the relevant member of the Supervisory Board, require the approval of the Supervisory Board plenum. A Supervisory Board member who has a personal conflict of interest will not participate in the decision-making process regarding such items. In 2018, there were no transactions that led to a conflict of interest.

Generally, the company is aware of the fact that all of the members of its Management Board hold shares in the company as well as that three members of the Supervisory Board, Jan Pyttel, Dr. Frank Köhler and Dr. Björn Söder, hold shares in the company. Furthermore, Stephan Weber (CMO) and Marc Fischer (CTO) are brothers-in-law. Michael Köhler, who served as CEO until 31 December 2018 and Frank Köhler, a Supervisory Board member, are brothers.

Insider Trading Policy

SHOP APOTHEKE EUROPE has a strict Code of Conduct on insider trading. The insider trading policy with regard to inside information and securities trading was adopted by the Management Board and approved by the Supervisory Board of the company. This policy is publicly available on the company's website.

In accordance with applicable law and regulations (including the European Market Abuse Regulation), the company maintains insider lists and exercises controls around the dissemination and disclosure of potentially price sensitive information.

Transactions in the company's shares carried out by the Management Board and the Supervisory Board members (including their closely associated persons) are, as and when required, notified to the Dutch Authority for the Financial Markets (in accordance with the applicable provisions of the European Market Abuse Regulation).

Whistleblower Policy and Code of Conduct

The success of SHOP APOTHEKE EUROPE is reliant on the confidence the company enjoys among consumers, customers, investors and employees. Accordingly, high standards of responsibility are set for the company as a whole and for each individual employee. The Code of Conduct that outlines business principles and a Whistleblower Policy concerning the reporting of alleged irregularities within SHOP APOTHEKE EUROPE are intended to help employees to implement the key principles of the company and its values in their everyday working life. The Code of Conduct and the Whistleblower Policy can be found on the company's website.

Diversity

We aim for diversity on every level. We do not see diversity as merely a matter of gender or ethnicity but also of personality, skills and knowledge. We need men and women, people from different backgrounds and cultures. SHOP APOTHEKE EUROPE values this diversity and believes it contributes positively to the way we evaluate situations and make decisions. The more we utilize the differences between us and the more we can cooperate and learn from each other, the stronger we will be as a company that serves a highly diverse society and stakeholders. The Supervisory Board and the Management Board are fully aware that both boards currently lack gender diversity. We will take greater board-level gender diversity into account for future appointments without compromising our commitment to hiring the best qualified individuals for positions.

Substantial Shareholdings

Shareholders owning 3 % or more of the issued share capital of a listed company (a substantial shareholding or short position) must report this to the Netherlands Authority for Financial Markets (AFM) as soon as this threshold is reached or exceeded. Subsequently, notifications to the AFM must be made as soon as a substantial shareholding or short position reaches, exceeds or falls below set thresholds.

The thresholds are 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 40 %, 50 %, 60 %, 75 % and 95 % of the company's issued share capital. Shareholder´s disclosures can be inspected in the register kept by the AFM.

Publication Requirements under German Law

In accordance with section 26 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz), the company, in its capacity as a so called domestic issuer (Inlandsemittent) under the German Securities Trading Act, must publish any shareholding notifications under Dutch law immediately, but no later than within three trading days after receiving them, via qualified media outlets. The company must also transmit the notice to the BaFin and to the German Company Register (Unternehmensregister).

Statement by the Management Board (Dutch corporate governance code)

For the purpose of complying with best practice provision 1.4.3 of the Code the Management Board believes to the best of its knowledge that:

- the company's internal risk management and control organization provides reasonable assurance that its financial reporting does not contain any error of material importance;
- the internal risk management and control processes in relation to financial reporting have worked properly in 2018;
- the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.

Corporate governance declaration and accountability

The company acknowledges the importance of good corporate governance and agrees with the principles of the Code, revised in December 2016. The company is committed to comply with the Code in the way set out herein. During 2018, the company complied with the Code with the exception of deviations from the following principles:

1.3 Internal Audit function

Given the size of the company and the Supervisory Board, no internal audit function has been established. An implementation may be considered in the future according to the organizational needs of SHOP APOTHEKE EUROPE N. V.

1.7.2 Audit plan and external auditor's findings

Since the Audit Committee has been founded at the end of 2018, the auditor could not present the draft audit plan to the Audit Committee before discussing it with the management. The auditors discussed the most important topics, i. e. the acquisition of nu3, the company's growth, going concern assessment, Dutch Corporate Code and market perspectives resulting from the planned introduction of the electronic script in Germany 2020 with the Audit Committee. All findings we adequately evaluated and will be reflected in the company's continuous improvement process.

2.1.5 Diversity

This provision states among other things that the Supervisory Board should strive for a diverse composition as to nationality, age, gender, and educational and work background and should define specific targets to achieve this. The Supervisory Board believes that both the Management Board and the Supervisory Board are and will be composed in such a manner that the combination of experience, expertise and independence of its members satisfies the requirements set out in its profile, which is posted on the company's website. We believe that the composition of our Boards allow them to properly and effectively carry out their duties. Our focus for new Board members is on experience and education instead of explicit gender, age or nationality diversity targets.

2.1.8: Independence of Supervisory Board members
The Company is aware of the fact that three Supervisory Directors, Jan Pyttel, Dr. Björn Söder and Frank Köhler, hold shares in the company. Furthermore, Michael Köhler who served as CEO until 31 December 2018 and Frank Köhler, a Supervisory Director, are brothers.

2.2.4 Succession
The company does not comply with this recommendation as the Supervisory Board has only recently been set up and a retirement schedule is therefore not needed immediately; it is, however, intended to provide this in the future.

2.2.5 Duties of the selection and appointment committee
The company does not comply with this recommendation as neither a selection nor an appointment committee has been established. As the Supervisory Board has just four members, the number of committees shall be reduced to the minimum required.

3.2.1 Remuneration committee's proposal
The existing contracts with the Management Board members were concluded before the IPO of the company. The company does currently not intend to establish a remuneration committee for this purpose.

3.2.3 Severance payments
The company does not comply with best practice provision, which determines that the remuneration in the event of dismissal of a Management Board member may not exceed a one year's salary. In the event of termination of an agreement without serious cause as defined by the applicable laws, SHOP APOTHEKE EUROPE or a respective subsidiary would remain obliged to compensate the Management Board member for the remaining term of the employment agreement. SHOP APOTHEKE EUROPE believes that these contractual arrangements are justified given the tenures of the Management Board members.

3.4.1 Remuneration report
A remuneration policy has been implemented and approved by the General Meeting in 2017 and was updated by the General Meeting in 2018. However, given the size of the company and the Supervisory Board, a remuneration committee has not been and is not intended to be established.

3.4.2 Agreement of Management Board members
The existing contracts with the Management Board members were concluded before the IPO of the company. The agreements do not contain any extraordinary elements; the remuneration essentially consists of a fixed remuneration plus stock options. In case more complex contracts will be concluded in the future, the company will evaluate to publish a disclosure on the website.

4.2.3 Meetings and presentations
These best practice provisions require that meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the company's website and by means of press releases, and that provision should be made for all shareholders to follow these meetings and presentations in real time, for example by means of webcasting or telephone. The company focuses on the corporate calendar that covers all publication dates and planned conferences and will update investor presentations posted on the company's website whenever new information is available so that no single investor can gain an information advantage. Nevertheless, owing to the large number of meetings not every single meeting with or presentation to analysts, investors and institutional investors can be made available to follow in real time.

ARTICLE 10 TAKEOVER DIRECTIVE DECREE (BESLUIT ARTIKEL 10 OVERNAMERICHTLIJN)

Introduction

In accordance with Article 10 of the Dutch Takeover Directive (Dertiende Richtlijn), companies with securities that are admitted to trading on a regulated market are obliged to disclose certain information in their annual reports. This obligation has been translated into Dutch law through Article 10 Takeover Directive Decree. SHOP APOTHEKE EUROPE must disclose certain information that might be relevant for companies considering making a public offer with respect to SHOP APOTHEKE EUROPE. The information which SHOP APOTHEKE EUROPE is required to disclose, including a corresponding explanatory report, is presented below.

Anti-takeover provisions and control

According to the Code, the company is required to provide an overview of its actual or potential anti-takeover measures, and to indicate under what circumstances it is expected they may be used. The company is not subject to any anti-takeover or restrictions of control. The Articles of Association of the company do not contain any binding nomination rights (bindende voordrachtsrechten).

In the event of a hostile takeover bid, or other action, which the Management Board and the Supervisory Board consider to be adverse to the company's interests, the boards reserve the right to use all available powers (including the right to invoke a response time in accordance with provisions IV.4.4 and II.1.9 of the Code) while taking into account the relevant interests of the company and its affiliate enterprises and stakeholders.

Capital structure

On 31 December 2018, SHOP APOTHEKE EUROPE had a total of 12,074,926 ordinary bearer shares with voting rights. Each share has a nominal value of EUR 0.02. The total share capital amounts to EUR 241,498.52. The company does not hold treasury shares. There are no share types other than the ordinary bearer shares.

Authorization for the Management Board to repurchase shares

The general meeting held on 26 April 2018, authorised the Management Board to repurchase shares, on the stock exchange or otherwise, for a period of 18 months as of the date of the meeting (i. e. up to and including 25 April 2020), up to a maximum of 10 % of the total number of issued shares outstanding on the date of the meeting (i. e. up to a maximum of 10 % of 12,020,456 shares), provided that the company will not hold more shares in treasury than a maximum 10 % of the issued and outstanding share capital at any given time. The repurchase can take place at a price between the nominal value of the shares and the weighted average price on the Xetra trading venue at the Frankfurt Stock Exchange for five trading days prior to the day of purchase plus 10 %. This price range enables the company to adequately repurchase its own shares even in volatile market conditions.

Authorization of the Management Board to issue shares

The General Meeting held on 26 April 2018 appointed the Management Board for a period of five years from the date of the meeting (i.e. up to and including 25 April 2023), or until such date on which the general meeting revokes or again extends the authorisation, if earlier, as the corporate body authorised to issue shares and grant rights to acquire shares, subject to the prior approval of the Supervisory Board, up to a maximum of 20 % of the total number of issued shares on the date of the meeting (i. e. up to a maximum of 20 % of 12,020,456 shares).

This authorisation was granted to the Management Board under the explicit reservation that the General Meeting reserves its rights that it is at any time during such authorisation also authorised to issue shares and grant rights to acquire shares in the share capital of the company.

Shares with special rights/voting right control in the case of employee participation

There are no shares with special rights conferring powers of control. There is also no employee participation in capital that does not allow employees to directly exercise their controlling rights.

Obligation of shareholders to disclose share ownership

The Dutch Authority for the Financial Markets has to be notified of major shareholdings in respect of SHOP APOTHEKE EUROPE International N. V. in accordance with the Dutch Financial Supervision Act (Wet op het financieel toezicht) and the ordinance to disclose major shareholdings and capital investments in institutions issuing securities (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen).

Due to the listing of the shares at the German Frankfurt Stock Exchange, the company additionally must in its capacity as a so called domestic issuer (Inlandsemittent) under the German Securities Trading Act publish any shareholding notifications under Dutch law immediately, but no later than within three trading days after receiving them, via qualified media outlets in accordance with section 26 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz). The company must also transmit the notice to the BaFin and to the German Company Register (Unternehmensregister).

An overview of the current substantial shareholdings can be found on the website of the AFM. The Dutch Authority for the Financial Markets.

Shareholders' agreement on limitations on exercising of voting rights

Each share issued by SHOP APOTHEKE EUROPE entitles its bearer to one vote. There are no restrictions on voting rights. As far as is known to SHOP APOTHEKE EUROPE, there is no agreement involving a shareholder of SHOP APOTHEKE EUROPE that could lead to any restriction on the transferability of shares or of voting rights on shares.

Appointment and dismissal of members of the Management Board

The members of the Management Board are appointed on the basis of a non-binding nomination made by the Supervisory Board. A person nominated by the Supervisory Board may be appointed as a Management Board member by the General Meeting by a resolution adopted by an absolute majority of the votes cast. If a person has not been nominated for appointment as a Management Board member by the Supervisory Board, the resolution of the General Meeting to appoint such a Management Board member shall require an absolute majority of the votes cast representing more than one third of the issued capital. The notice for any such General Meeting shall state if a nomination has been made by the Supervisory Board.

Each member of the Management Board shall be appointed for a maximum period of four years, provided that unless a Management Board member retires earlier, his term shall expire on the day following the day of closing of the annual General Meeting that will be held in the year in which his term expires.

The Supervisory Board shall be authorized to suspend a Management Board member at any time. The General Meeting may suspend and dismiss a Management Board member at any time. A Management Board member may be suspended and dismissed by the General Meeting only on the basis of a resolution passed by an absolute majority of the votes cast representing at least one third of the issued share capital, unless the dismissal or suspension has been proposed by the Supervisory Board in which case the aforementioned majority does not apply. Furthermore, in case of a suspension the Supervisory Board is obliged to convene a General Meeting to pass resolution either on lifting the suspension of the respective member of the Management Board or on his dismissal.

Appointment and suspension of Supervisory Board members

The General Meeting shall determine the number of members of the Supervisory Board. The Supervisory Board members shall be appointed by the General Meeting on the basis of a non-binding nomination to be drawn up by the Supervisory Board. The General Meeting appoints Supervisory Board members and is entitled at any time to suspend or dismiss any Supervisory Board member. The appointment, dismissal or suspension of a Supervisory Board member is decided by the General Meeting by way of an absolute majority of votes cast. If a person has not been nominated for appointment as Supervisory Board member by the Supervisory Board, the resolution of the General Meeting to appoint such Supervisory Board member shall require an absolute majority representing at least one third of the issued capital.

Each member of the Supervisory Board shall be appointed for a maximum period of four years, provided that unless a Supervisory Board member retires earlier, his term shall expire on the day following the day of closing of the annual General Meeting that will be held in the year in which his term expires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CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended 31 December 2018

	Notes	Period ended 31. 12. 2018	Period ended 31. 12. 2017
		EUR 1,000	EUR 1,000
Revenue	6	539,710	283,992
Cost of sales	7	– 440,392	– 226,407
Gross profit		**99,318**	**57,585**
Other income	8	196	3,015
Selling and distribution	9	– 105,564	– 66,417
Administrative expense	10	– 22,679	– 13,378
Result from operations		**– 28,730**	**– 19,197**
Finance income		324	40
Finance expenses	11	– 6,185	– 2,246
Net finance costs		**– 5.861**	**– 2,206**
Result before tax		**– 34,591**	**– 21,403**
Income tax	12	982	45
Result after tax		**– 33,609**	**– 21,358**
Attributable to:			
Owners of the company		– 33,609	– 21,358

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Notes	Period ended 31. 12. 2018	Period ended 31. 12. 2017
		EUR 1,000	EUR 1,000
Loss for the period		– 33,609	– 21,358
Other comprehensive income/loss		0	0
Total comprehensive loss		**– 33,609**	**– 21,358**
Attributable to:			
Owners of the company		– 33,609	– 21,358
Earnings per share	13	**EUR**	**EUR**
Basic and diluted per share		– 2.79	– 2.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018

	Notes	Year ended 31. 12. 2018	Year ended 31. 12. 2017
		EUR 1,000	EUR 1,000
Assets			
Non-current assets			
Property, plant and equipment	14	11,924	8,278
Intangible assets	15	199,892	189,827
Deferred tax assets	12	973	3,447
Investments in equity-accounted joint ventures	17	1,002	905
Investments in associates		400	0
Investments in equity-instruments		10	0
		214,201	**202,457**
Current assets			
Inventories	18	43,349	39,989
Trade and other receivables	19	34,596	27,070
Other financial assets	20	34,422	12,510
Cash and cash equivalents	20	24,338	15,783
		136,705	**95,352**
Total assets		**350,906**	**297,808**
Equity and liabilities			
Shareholders' equity	21		
Issued capital and share premium		292,045	289,317
Reserves/accumulated losses		– 78,069	– 50,351
		213,976	**238,966**
Non-current liabilities			
Loans and Borrowings	22	72,411	4,316
Deferred tax liability	12	10,841	12,711
		83,252	**17,027**
Current liabilities			
Trade and other payables	23	28.436	28.855
Loans and Borrowings	23	6.488	2.722
Amounts due to banks	22	9.805	4.914
Tax liabilities	23	1.846	3.947
Employee benefit liabilities	23	2.173	1.054
Provisions	23	4.930	323
		53,678	**41,815**
Total equity and liabilities		**350,906**	**297,808**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2018

	Issued and paid-up share capital	Share premium	Accumulated losses	Equity part on convertible bonds	Reserve for stock option	Undistributed results	Equity
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Equity as of 1 January 2018	240	289,076	– 28,993	0	0	– 21,358	238,966
Transfer to accumulated losses	0	0	– 21,358	0	0	– 21,358	0
Capital increase	1	2,727	0	0	0	0	2,728
Issue of convertible bond	0	0	0	4,443	0	0	4,443
Issue of equity settled share based payments	0	0	0	0	1,450	0	1,450
Loss for the period	0	0	0	0	0	– 33,609	– 33,609
Balance as at 31 December 2018	**241**	**291,803**	**– 50,351**	**4,443**	**1,450**	**– 33,609**	**213,976**

for the year ended 31 December 2017

	Issued and paid-up share capital	Share premium	Accumulated losses	Equity part on convertible bonds	Reserve for stock option plan	Undistributed results	Equity
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Equity as of 1 January 2017	181	122,057	– 10,548	0	0	– 18,445	93,245
Transfer to accumulated losses	0	0	– 18,445	0	0	18,445	0
Capital increase	59	168,124	0	0	0	0	168,183
Capital increase: share issue costs	0	– 1,105	0	0	0	0	– 1,105
Comprehensive loss for the period	0	0	0	0	0	– 21,358	– 21,358
Balance as at 31 December 2017	**240**	**289,076**	**– 28,993**	**0**	**0**	**– 21,358**	**238,966**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Period ended 31. 12. 2018	Period ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Cash flow from operating activities		
Result from operations	– 28,730	– 19,197
Adjustments for: – Depreciation and amortisation of non-current assets	13,171	7,059
– Corporate income tax	0	0
– Movements in provisions	3,573	– 1,861
– Issuance of stock option plan	1,450	0
Operating result adjusted for depreciation and amortisation, taxes and provisions	**– 10,536**	**– 13,999**
Movements in working capital		
– (Increase)/decrease in trade and other receivables	– 5,174	– 203
– (Increase)/decrease in inventory	128	– 14,236
– (Increase)/decrease in trade and other payables	– 7,953	5,359
Working capital movement	**– 12,998**	**– 9,080**
Cash generated from operations	**– 23,534**	**– 23,079**
Interest received	324	40
Interest paid on financial lease	– 331	– 205
Net cash (used in)/generated by operating activities	**– 23,541**	**– 23,244**
Cash flow from investing activities		
Investment for property, plant and equipment	– 2,804	– 3,143
Investment for intangible assets	– 9,051	– 6,472
Investment for other financial assets	– 21,913	7,502
Acquisition of subsidiary, net of cash acquired	– 4,379	1,255
Net cash (used in)/generated by investing activities	**– 38,147**	**– 858**

	Period ended 31. 12. 2018	Period ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Cash flow from financing activities		
Interest paid	– 4,467	– 2,041
Share issue cost	0	– 1,103
Payment of earn-out obligations Farmaline	– 1,100	– 1,100
Investment equity accounted joint ventures	0	0
Investment associates	– 400	0
Investment equity instruments	– 10	0
Issue convertible bond, net of costs of issuance	73,499	0
Cash-out lease payments	– 2,221	0
Other non-current liabilities	0	781
Net cash (used in)/generated by financing activities	**65,302**	**– 3,463**
Net increase/(decrease) in cash and cash equivalents	**3,613**	**– 27,565**
Cash and cash equivalents at the beginning of the period	**10,920**	**38,485**
Cash and cash equivalents at the end of the period	**14,533**	**10,920**
Reconcillation to the balance sheet:		
Cash cand cash equivalents – assets	24,338	15,783
Bank overdraft	– 9,805	– 4,863
	14,533	**10,920**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

SHOP APOTHEKE EUROPE N. V. (or the "Company") is a limited liability company incorporated in the Netherlands on 30 September 2015 and is legally domiciled in Venlo, The Netherlands.

SHOP APOTHEKE EUROPE N. V. is a mail-order pharmacy business primarily for prescription and non-prescription ("over-the-counter" or "OTC") pharmaceuticals, food supplements and beauty and personal care products (BPC). In addition, RedTecLab GmbH provides webshop services for the Group and for third parties.

The Consolidated Financial Statements 2018 are prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with the Dutch Civil Code, Book 2, Title 9.

Besides the financial information of SHOP APOTHEKE EUROPE N. V. the financial information of the following wholly-owned subsidiaries are also included in these Consolidated Financial Statements:

SA Europe B. V., Venlo, The Netherlands, with its 100 % subsidiaries:

- SHOP APOTHEKE B. V., Venlo, The Netherlands
- Shop-Apotheke Service B. V., Venlo, The Netherlands
- EuroService Venlo B. V., The Netherlands
- VitaZita B. V., Venlo, The Netherlands
- Fastnet B. V. BA, Tongeren, Belgium
- nu3 GmbH, Berlin, Germany
- RedTecLab GmbH, Düsseldorf, Germany
- Farmanatur Productes S.L., Sant Cugat del Vallès (Barcelona), Spain
- Hygée Santé S.A.R.L., Pont-A-Marcq, France
- Pharma Doc srl., Milan, Italy
- nu3 Schweiz GmbH, Lachen, Switzerland

EHS Europe Health Services B. V., Venlo, The Netherlands, with its 100 % subsidiary:

- EHSC B. V., Venlo, The Netherlands, with its 100 % subsidiaries:
  - EUROPA APOTHEEK Venlo B. V., Venlo, The Netherlands
  - Europa Apotheek Service Venlo B. V., Venlo, The Netherlands.

Pharma Doc srl. was founded in February 2018 and nu3 GmbH and nu3 Schweiz GmbH were acquired in July 2018 as wholly-owned subsidiaries of SA Europe B. V. Goodwill related to the acquisition has been recorded according to IFRS 3.

2. Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with IFRS. They were authorised for issue by the Management Board on 27 February 2019. The Consolidated Financial Statements have been prepared on a going concern basis.

Comparative information

Comparative figures have been reclassified, where necessary, to reflect the current year's presentation.

Segment reporting

A business segment in the sense of IFRS 8 is a unit of a business which conducts business activities and produces financial income and expenses, the operating results of which are regularly reviewed by the Company's chief operating decision-makers with regards to decisions on allocating resources to this sector and the assessment of profitability, and for which there exists corresponding financial information.

Our operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as statutory members of the Management Board of the Group.

The Group's assets and liabilities are not disclosed by segment as they are not included in the segment information used by the chief operating decision-makers.

3. Application of new and revised International Financial Reporting Standards (IFRSs)

New and revised IFRSs affecting amounts reported and/or disclosures in the Consolidated Financial Statements.

3.1 IFRSs and Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2018

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

The application of IFRS 9 doesn't have a material impact on amounts reported in respect of the financial assets and financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the previous revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i. e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognizes revenue from the following major sources:

- sale of prescription medications ("Rx Medications")
- sale of non-prescription, over-the-counter medications ("OTC Medications")
- sale of beauty and personal care products that are otherwise almost exclusively distributed through pharmacies ("Pharmacy-Related BPC Products")
- sale of functional food products.

In the Financial Statement for the year 2017, the Group has adopted IFRS 15 for the first time.

Due to the nature of the Company's revenue, the impact of the application of IFRS 15 on the Group's financial statements is not material. The performance obligations all relate to the short term delivery of products that have been sold through the online portal, so a breakdown of revenue into different performance obligations for which revenue recognition should be treated differently does normally not apply. Revenue is adjusted for the remaining obligations due to the Company's customer loyalty program "RedPoints": these obligations are presented under provisions.

IFRIC 22: Foreign Currency Transactions and Advance Consideration
IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Management Board's members state that the application of this consideration doesn't have a significant impact on the Group's consolidated financial statements since such considerations in foreign currencies have not occurred.

Amendments to IFRS 2, Share-based Payment (Classification and Measurement of Share-based Payment Transactions)
The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i. e. the share-based payment arrangement has a "net settlement feature", such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
   a. the original liability is derecognised
   b. the equity-settled share-based payment is recognised as the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
   c. any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

Since share-based payment contracts were introduced in the Company for the first time in 2018, the Group has applied this standard and the applicable amendments for the first time in the current year.

Amendments to IAS 40: Investment Property (Transfers of Investment Property)
The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i. e. a change in use is not limited to completed properties).

The Management Board's members state that the application of these amendments doesn't have a significant impact on the Group's consolidated financial statements since such property transfers have not occurred.

3.2 New and revised IFRSs that are not mandatorily effective for the year ending 31 December 2018

The Group has applied the following new and revised IFRSs that are not yet mandatorily effective:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an

associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investor's interests in the new associate or joint venture.

The Management Board's members state that the application of these amendments doesn't have a significant impact on the Group's consolidated financial statements since such transactions have not occurred.

IFRS 16: Leases
(Mandatorily effective for annual periods beginning on or after 1 January 2019)

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i. e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operational cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The Group has applied IFRS 16 for its non-cancellable operating lease commitments, mainly being real estate rental contracts in the 2017 Financial Statements for the first time.

Initial recognition values were based on the net present value of the remaining contractually agreed lease payments as per 1 January 2017 for existing contracts, and on the net present value of the remaining contractually agreed lease payments as per applicable starting dates for lease contracts with a later starting date. This initial recognition has been processed according to IFRS16. C. 8b ii. The application of IFRS 16 relates to contracts for lease in The Netherlands, Germany, Belgium, Spain, France and Italy.

Straight line depreciation applies for the right-of-use assets, considering the useful life to be equal to the remaining duration of the underlying lease contract.

The lease liabilities have been adjusted on a monthly basis for interest and lease payments.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- The effect of changes in facts and circumstances.

The Management Board's members anticipate that the application of this consideration will not have a significant impact on the Group's consolidated financial statements since currently the level of valued taxable losses is relative small.

4. Significant accounting policies

4.1 Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Going concern
In 2018 the company incurred losses before tax of EUR 34.6 m (2017: EUR 21.4 m). The working capital at the end of 2018 is positive at EUR 39.0 m. Development of the working capital is in line with expectations.

	31. 12. 2018	31. 12. 2017
	EUR 1,000	EUR 1,000
Trade and other receivables	34,596	27,070
Inventory	43,349	39,989
Trade and other payables	– 28,436	– 28,855
Loans and Borrowings (excl. amounts due to banks)	– 6,488	– 2,773
Tax liabilities	– 1,846	– 3,947
Employee benefit liabilities	-2,173	– 1,054
	39,001	**30,430**
% Revenue	7.23 %	10.72 %

On 19 April 2018, the Company issued 750 4,5 % convertible bonds with an aggregate principal amount of EUR 75,0 M. Each bond entitles the holder to convert to ordinary shares at a conversion price of EUR 46,6864. Interest of 4,5 % per annum is/will be paid semi-annually in arear on each interest payment date, until the bonds are converted or redeemed. Maturity date is 19 April 2023.

Liquidity is secured until mid 2020 and additional financing may be needed if the company acquires an online pharmacy target. The Company is closely monitoring its cash position and has taken the necessary measures to ensure future growth financing After the completion of the planned automation projects, the Company expects higher profitability and free operating cash flows, further supported by synergies caused by common branding of SHOP APOTHEKE and EUROPA APOTHEEK.

On the basis of the above, the Consolidated Financial Statements have been prepared on a going concern basis.

4.2 Basis of preparation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Consolidated Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The principal accounting policies are set out below.

4.4 Revenue recognition

Revenue and other operating income are recognised in accordance with IFRS 15.

Projection of the steps as introduced in IFRS 15 to the Company's business looks as follows:

- **Step 1**
  Identify the contract(s) with a customer
  = Identification of customer orders that have been placed through the website
- **Step 2**
  Identify the performance obligations in the contract
  = Anticipated delivery of medications and beauty and personal care products
- **Step 3**
  Determine the transaction price
  = Sales price as included in the customer order, considering applicable VAT impact
- **Step 4**
  Allocate the transaction price to the performance obligations in the contract
  = Direct allocation based on the website publicised price per product
- **Step 5**
  Recognise revenue when (or as) the entity satisfies a performance obligation
  = Shipping of the product is considered satisfying the performance obligation, taking into account a delay in customer delivery for customers for whom a longer (than one day) transportation period applies.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Upon the sale of products to customers, the date on which the goods are delivered at the indicated place of destination is the date on which economic title to the products passes to the customer (see description at Step 5). In this case, the transfer of economic title is attached to the transfer of legal title. Revenue is recorded net of sales deductions. An adjustment to the revenue is made regarding the remaining obligations from the customer loyalty program "RedPoints", for which an amount is presented under current liabilities.

4.5 Cost of sales

Cost of sales mainly consists of cost of goods sold, inventory obsolescence provisions and contributions by our suppliers for product promotion and discounts'. Allowances on inventories reflect write-downs of inventories to their net realizable value to allow for risks from slow-moving goods, items past their use-by date or reduced salability of goods.

4.6 Marketing expenses

Marketing expenses, which include the development and production of advertising materials and the communication of this material through various forms of media, are expensed on publishing date of the campaign. Marketing expense is recognised in selling and distribution in the Consolidated Statement of Profit and Loss.

4.7 Foreign currencies

In preparing the Consolidated Financial Statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

4.8 Retirement benefit costs

The Group maintains two pension plans covering pharmacy personnel.

Pharmacists of the Group participate in the occupational pension plan 'SPOA'. The contribution is fully paid by the participants in the plan. The SPOA pension plan is an average pay pension plan dependent on the collective contribution.

Eligible employees of the Group participate in the multi-employer pension plan (PMA) determined in accordance with the collective bargaining agreements effective for the industry in which the Group operates. The participation of employees is mandatory. The employees (in service before 2013) participate voluntarily in the PMA pension plan. This multi-employer pension plan covers approximately 2,000 companies and approximately 25,000 contributing members. The PMA pension plan is an average pay pension plan and the employer contribution amounts to 17.6 % (2017: 17.6 %) of the pensionable base.

The SPOA and PMA pension plans monitor risks on a global basis, not by company nor employee, and are subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a pension fund must be monitored against specific criteria, including the coverage ratio of the plan's assets to its obligations. As of 1 January 2015 new pension legislation has been enacted. This legislation results in amongst others, an increase of legally required coverage levels. The coverage percentage is calculated by dividing the funds capital by the total sum of pension liabilities and is based on actual market interest rates.

The coverage ratio of the SPOA pension fund as per 31 December 2018 amounts to 95.2 % (31 December 2017: 102.3 %). (Source: website SPOA: https://www.spoa.nl/financiele-situatie/ontwikkeling-dekkingsgraad/)

The coverage ratio of the PMA pension fund as per 31 December 2018 amounts to 98.4 % (31 December 2017: 102.3 %). (Source: website PMA: https://www.pma-pensioenen.nl/algemeen/actueel/dekkingsgraad/)

In line with the definitions according to IAS 19.29, the Group has no obligation whatsoever to pay off any deficits the pension funds may incur, nor have we any claim to any potential surpluses.

4.9 Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

4.10 Taxation

The tax expense for the fiscal year is comprised of current and deferred income tax. Tax expense is recognised in the Consolidated Statement of Profit and Loss.

Current income tax
The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income.

The Group recognises liabilities for uncertain tax positions when it is more likely than not that an outflow will occur to settle the position. The liabilities are measured based upon management's estimation of the expected settlement of the matter. These liabilities are presented within income taxes payable on the consolidated balance sheets. These amounts, along with estimates of interest and penalties on tax liabilities are also recorded in income taxes payable, and are included in current tax expense.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred taxes are recognised separately for individual corporate income tax entities:

SA Europe B. V.
Based on tax losses carried forward and in line with the deferred tax recognition in the 2017 Annual Report, SA Europe B. V. has recognised deferred tax assets only to the extent that they balance the existing deferred tax liability to EUR 0 (2017: 0).

EHS Europe Health Services B. V.
Under consideration of IAS 12, EHS Europe Health Services B. V., the deferred tax assets that were recognized as per 31 December 2017 have been dissolved. No deferred tax assets are recognized for EHS Europe Health Services B. V. as per 31 December 2018 anymore due to the reduction of the maximum compensation period and the updated forecast information as used for impairment purposes.

4.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. During 2018, a detailed review of property, plant and equipment as well as intangible assets has led to a further standardization of useful lives, causing a net book value reduction that was accounted for through depreciation/ amortization expenses in the reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.12 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date, and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Investments in associates are measured at acquisition value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

4.13 Intangible assets

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period. During 2018, a detailed review of property, plant and equipment as well as intangible assets has led to a further standardization of useful lives, causing a net book value reduction that was accounted for through depreciation/amortization expenses in the reporting period.

Internally-generated intangible assets
An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets: Startup expenses
Intangible assets: Startup expenses, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets: Software, Technology and Contracts
Intangible assets: Software, Technology and Contracts are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period. During 2018, a detailed review of property, plant and

equipment as well as intangible assets has led to a further standardization of useful lives, causing a net book value reduction that was accounted for through depreciation/amortization expenses in the reporting period.

Intangible assets: Brands
Intangible assets: Brands (Farmaline domains and trademarks, EUROPA APOTHEEK Brand) are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets: Customer Base
Intangible assets: Customer Base, is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets: Goodwill
Goodwill is carried at cost less accumulated impairment losses. Amortisation is not recognised.

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

4.14 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Growth rates are based on past performance, external market growth assumptions, and forecast market conditions by our management using a combination of our business plans and growth assumptions for the next years. Our business plans and growth assumptions are assessed by existing customer development and acquisition of new customers based on our customer data model. Furthermore, all variable cost like marketing budgets, delivery cost and operations expenses for impairment analysis are planned performance-based. Non performance based cost like finance, management and facility etc. are planned according to business growth including economies of scale.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash- generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss; impairment for goodwill is not reversed.

Non-current assets include goodwill, other intangible assets, investments in equity- accounted joint ventures, investments in associates deferred tax assets and property, plant and equipment.

At the end of each reporting period, the Group performs an impairment test on the carrying amounts of its goodwill to determine whether there is an impairment loss.

In 2018, impairment reviews were prepared by comparing the carrying value of the cash-generating unit concerned to that cash generating unit's recoverable amount, being the higher of the value in use and fair value less costs to sell. Value in use is a valuation derived from the discounted future cash flows of the cash-generating units. The most important estimates in determining the present value of cash flows are growth rates used to calculate revenue growth and the discount rate in order to determine present value. The Weighted Average Cost of Capital used e. g. for goodwill impairment calculations has been determined based on the Capital Asset Pricing Model using the risk-free rate, market premium and beta based on peer-group capital structure. The pre-tax discount rates are calculated from the post-tax discount rate using the goal-seek method. Estimates are reviewed at least annually as of the date of each impairment test and believed to be appropriate. However, changes in these estimates could change the outcomes of the impairment reviews and therefore affect future financial results, the effects of which would be recognised in the consolidated income statement through operating profit.

4.15 Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identified assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income that that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

4.16 Investments in equity instruments

An equity instrument is a participation in an entity over which the Group has no significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Equity instruments are evaluated at fair value. In case it is not possible to determine a reliable fair value, then the equity instrument is recognized at acquisition value.

4.17 Inventory

Inventory contains raw materials, consumables and finished goods and is stated at cost. Costs are determined by:

- for raw materials, consumables and third party finished goods: the average purchase price method and include direct product purchasing rebates.
- for finished goods from own manufacturing: integral manufacturing cost.

There are limited net realisable value adjustments due to the fact that in general products can be returned to manufacturer or wholesaler prior to expiring.

4.18 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Short-term securities are shown in Other Financial Assets according to IAS 7.

4.19 Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less allowance for doubtful debts. An allowance for doubtful debts of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of the receivables. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial restructuring and default or delinquency in payments are considered indicators that the accounts receivable are impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

4.20 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.21 Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

4.22 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4.23 Financial assets

Financial assets are classified as "Financial assets at fair value through profit or loss" or "Loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than twelve months after the statement of financial position date. These are classified as non-current assets.

Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e. g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

4.24 Financial liabilities

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Convertible debt

The proceeds received on issuance of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Convertible debt option reserve" within shareholders' equity, net of income tax effects.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. Critical accounting judgements and key sources of uncertainty

In the application of the accounting policies, which are described in note [4], the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Purchase Price Allocation
On 12 July 2018, SHOP APOTHEKE EUROPE N. V. ("SAE") acquired 100 % of the shares of nu3 GmbH, aiming to further expand its product range to a younger target group with functional nutrition products. The combination of the prescription and the OTC business with functional foods and nutritional supplements is expected to positively influence sales growth in both ways. A purchase price allocation to customer base and brand name was performed and shown as part of intangibles in the statement of financial position. Since the calculations are based on future economic benefits, the fair values, calculated as part of the purchase price allocation, by definition are to be considered estimates.

Deferred tax asset

SA Europe B. V.
As at 31 December 2018, the Group recognised a deferred tax asset based on the Dutch tax losses of SA Europe B. V. (as a corporate income tax entity, together with its Dutch subsidiaries) for the amount that can be offset against the company's deferred tax liability from SHOP APOTHEKE goodwill. Under consideration of IAS 12, no deferred tax asset has been recognized in excess of existing deferred tax liabilities, since no positive operative results have been reported yet.

RedTecLab GmbH
As at 31 December 2018, the Group recognised a deferred tax asset based on the German tax losses of RedTecLab GmbH from past years, under consideration of IAS 12. The historical data for RedTecLab GmbH and the existing forecast data represent sufficient reason for the expectation that taxable profit will be available against which the deductible temporary difference can be utilized in time.

EHS Europe Health Services B. V.
As at 31 December 2017, the Group recognised a deferred tax asset based on the Dutch tax losses of (single company) EHS Europe Health Services B. V. for the years up until and including the year ending 31 December 2017, under consideration of IAS 12. The forecast data as used for the impairment test as per 31 December 2017 represent sufficient reason for the expectation that taxable profit will be available against which the deductible temporary difference can be utilized in time. Following the positive result in the year ending 31 December 2018, the deferred tax assets was resolved during this financial year.

EHSC B. V.
As at 31 December 2018, the Group recognised a deferred tax asset based on the Dutch tax losses of EHSC B. V. (as a corporate income tax entity, together with its Dutch subsidiaries EUROPA APOTHEEK Venlo B. V. and Europa Apotheek Service Venlo B. V.) for the years up until and including the year ending 31 December 2017, under consideration of IAS 12. The historical data for EHSC B. V. (and its subsidiaries) and the forecast data as used for the impairment test as per 31 December 2017 represented sufficient reason for the expectation that taxable profit will be available against which the deductible temporary difference can be utilized in time. Due to reduction of the maximum period for compensation of fiscal losses and since EHSC B. V. has reported a negative result for the year ending 31 December 2018, the deferred tax asset has been dissolved.

Impairment reviews were prepared by comparing the carrying value of the fiscal unity concerned to estimated future tax profits and the use of the applicable tax losses carried forward within the designated use period. The most important estimates relate to growth rates used to calculate revenue growth and planned cost development.

Growth rates are based on past performance, external market growth assumptions, and forecast market conditions by our management using a combination of our business plans and growth assumptions for the next years. Estimates are reviewed at least annually as of the date of each impairment test and believed to be appropriate. However, changes in these estimates could change the outcomes of the impairment reviews and therefore affect future financial results, the effects of which would be recognised in the Consolidated Statement of Profit and Loss through operating profit.

Evaluation of non-current assets for impairment
Non-current assets include goodwill, other intangible assets, investments in equity-accounted joint ventures, investments in associates, deferred tax assets and property, plant and equipment.

After impairment tests for individual non-current assets, goodwill impairment reviews were prepared by comparing the carrying value of the cash-generating unit concerned to that cash generating unit's recoverable amount, being the higher of the value in use and fair value less costs to sell. Value in use is a valuation derived from the discounted future cash flows of the cash-generating units. The most important estimates in determining the present value of cash flows are growth rates used to calculate revenue growth, the expected EBITDA margin, and the discount rate in order to determine present value. The Weighted Average Cost of Capital used e. g. for goodwill impairment calculations has been determined based on published peer benchmarking.

Estimates are reviewed at least annually as of the date of each impairment test and believed to be appropriate. However, changes in these estimates could change the outcomes of the impairment reviews and therefore affect future financial results, the effects of which would be recognised in the Consolidated Statement of Profit and Loss through operating profit.

During 2018, the Group did not identify any impairment indicators nor record any impairment charges in other intangible assets or property, plant and equipment, subsidiaries or joint ventures.

Capitalization of development expenses
In determining the development expenditures to be capitalized, we make estimates and assumptions based on expected future economic benefits generated by products that are the result of these development expenditures. In particular, we have capitalized development work for our websites and for the ERP system that runs our business operations.

Accounts receivable
Almost all accounts receivable are derived from sales to customers including receivables from vendors. In order to monitor potential credit losses, the Group performs ongoing credit evaluations of its customers' financial condition. Respective allowances for credit losses on accounts receivable are maintained based upon management's assessment of the expected collectability of all accounts receivable. The respective allowances for credit losses on accounts receivable are reviewed periodically to assess the adequacy of these allowances. In making this assessment, the Group takes into consideration any circumstances of which it is aware regarding a customer's inability to meet its financial obligations; and its judgments as to potential prevailing economic conditions in the industry and their potential impact on its customers.

Vendor allowances
The Company has arrangements with suppliers regarding allowances on supplied goods and also obtains compensation for web advertisements on the supplied products. The respective allowances and compensations are reviewed periodically to assess the adequacy of these amounts. In making this assessment the Group takes into consideration any circumstances of which it is aware regarding the Group's ability to meet its targeted purchases and to provide the agreed web advertisements. These periodic reviews and circumstances are used to reflect the best estimates in these Consolidated Financial Statements.

6. Revenue and segment information

Our operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the statutory directors of the Group and make strategic decisions.

Segment information

For the year ended 31 December 2018	DACH	International	Consolidated
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	**491,078**	**48,632**	**539,710**
Cost of sales	– 403,328	– 37,064	– 440,392
Gross Profit	**87,750**	**11,568**	**99,318**
% of revenue	17.9%	23.8%	18.4%
Other income	156	40	196
Selling & distribution	– 78,082	– 16,287	– 94,369
Segment EBITDA	**9,825**	**– 4,680**	**5,145**
Administrative expenses			– 20,704
EBITDA			**-15,559**
Depreciation			– 13,171
EBIT			**– 28,730**
Net finance cost and income tax			– 4,879
Net loss			**– 33,609**

Segment information

For the year ended 31 December 2017	DACH	International	Consolidated
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	**251,289**	**32,703**	**283,991**
Cost of sales	– 201,721	– 24,687	– 226,407
Gross Profit	**49,569**	**8,016**	**57,584**
% of revenue	19.7%	24.5%	20.3%
Other income	2,592	422	3,015
Selling & distribution	– 46,286	– 14,131	– 60,416
Segment EBITDA	**5,875**	**-5,693**	**182**
Administrative expenses			– 12,320
EBITDA			**– 12,137**
Depreciation			– 7,059
EBIT			**– 19,197**
Net finance cost and income tax			– 2,161
Net loss			**– 21,358**

Considering the Group's development in 2018, two markets are considered to have become similar to the German market, since their economic characteristics, and therefore their expected long-term financial performance have become similar to Germany (meaning that the applicable requirements of IFRS 8.12 regarding the aggregation of operating segments are met):

- **Austria**
  Austria was the second market Shop Apotheke started operating in, and Austrian gross margins (with an OTC/BPC product range that shows an important overlap with the OTC/BPC product range that is offered in Germany) have developed to a level that may be considered equal to Germany . Customer base, customer communications and regulatory environment are also comparable to the situation in Germany.

- **Switzerland**
  The acquisition of nu3 GmbH (with an established business in Switzerland, representing approximately a third of its revenue) gave Shop Apotheke a head start regarding the business in this country. The overlap with Germany in the range for OTC and BPC products also applies for Switzerland, as do the similarity in customer base, customer communications and the already satisfying gross margins.

The circumstances as mentioned for Austria and Switzerland clearly support the approach to define the decision making process for these two countries similar to the process for Germany (based on similar maturity levels), whereas the other countries (with gross margins that still need a higher level of management attention) require a different decision making process (see IFRS 8.5.b).

Meeting the requirement of IFRS 8, SHOP APOTHEKE'S Management Board has decided after the acquisition of nu3 GmbH in July 2018 to make the following changes in its segment reporting (after having discontinued reporting Germany Services as a separate segment since the beginning of 2018:

- The business in the countries Germany, Austria and Switzerland is aggregated into one segment: the „DACH region". Not only does this follow the decision process change, it also creates a better comparability with other companies that have combined the German speaking part of continental Europe into one segment.
- The business in the remaining countries is reported in the existing segment „International".

For management purposes, our Group is therefore organized into geographic business units:

- **DACH**
  Prescription medicine (Rx) sold to individual customers in the German market, as well as prescription-free pharmaceuticals (OTC) and beauty and personal care products (BPC) and functional food products sold to individual customers located in the German, the Austrian and the Swiss market

- **International**
  Only prescription-free pharmaceuticals (OTC) and beauty and personal care products (BPC) and functional food products sold to individual customers located in other European markets.

This is based on our different shops and products and services provided. Segment EBITDA shows profitability by geographic segment without central overhead functions (IT, finance and management) that serve all segments and are sized for future international roll-out.

The Group's assets and liabilities are not disclosed by segment as they are not included in the segment information used by the chief operating decision-makers.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2.

The Group does not allocate certain costs to the segments. These unallocated items include primarily corporate overhead costs shown as administrative expense in the tables above. The result by segment is shown in the line segment EBITDA including costs directly related to the revenue of the segments (marketing, operations). Segment EBITDA is adjusted for costs that are directly related to the segment revenue. EBITDA means earnings before tax, interest, depreciation and amortisation.

Revenue from major products and services

The revenue from major products and services is the following:

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Prescription (Rx)	167,008	29,057
Over-the-counter (OTC) & beauty and personal care (BPC)	372,377	254,208
Other services	326	727
	539,710	**283,992**

2018 revenue from the country of domicile amounts to EUR 526.8 m (EUR 283.4 m).

The Group's revenue from external customers, based on the location of the entity, and information about its non-current assets (excluding non-current financial assets and deferred income tax assets) based on geographic location of the assets are as follows (all amounts in thousands of Euro):

Other geographical information – additions to non-current assets

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Netherlands	21,312	11,565
Germany	5,094	1,207
Belgium	251	203
Spain	84	555
France	46	322
Italy	96	0
	26,883	**13,852**
Additions and acquisitions		
Property, planet and equipment	7,270	7,308
Intangible assets	19,613	6,544
	26,883	**13,852**

Other geographical information – location of non-current assets

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Netherlands	205,613	196,154
Germany	4,842	701
Belgium	454	413
Spain	504	510
France	321	327
Italy	82	0
	211,816	**198,105**

Of the trade receivables balance at the end of the year 2018, EUR 285 k (2017: EUR 179 k) were due from the Group's largest customer. No customer individually represents more than 1.2 % of the total balance of trade receivables.

7. Cost of sales

Below, cost of sales are shown per region:

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
DACH	403,328	201,721
International	37,064	24,687
	440,392	**226,407**

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Cost of goods sold	436,979	224,425
Employee benefit expenses	3,413	1,983
	440,392	**226,407**

The Group operates in two principal geographical areas: DACH and International (European markets outside Germany, Austria and Switzerland).

8. Other income

For the year ending 31 December 2018, the other income relates mainly to services rendered by subsidiary nu3 GmbH. (EUR 0.2 m). For 2017, other income relates to transactions provided to EUROPA APOTHEEK Venlo B. V. (EUR 3.0 m)

* Total selling & distribution expenses shown in segment reporting excludes depreciation.
** Administrative expenses shown in segment reporting excludes depreciation.

9. Selling & distribution

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Selling & distribution without employee benefit expenses and depreciation	67,628	46,659
Employee benefit expenses	26,741	13,758
Depreciation expenses	11,196	6,000
Total selling & distribution*	**105,564**	**66,417**

The main categories within Selling & Distribution are marketing expenses, distribution cost, operations and marketing personnel expenses.

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Depreciation of property, plant and equipment	3,080	2,119
Amortisation of intangible assets	8,116	3,881
	11,196	**6,000**

10. Administrative expenses

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Administrative expenses without employee benefit expenses and depreciation	13,789	8,984
Employee benefit expenses	6,914	3,335
Depreciation expenses	1,976	1,059
Total administrative expenses**	**22,679**	**13,378**

The main categories within Administrative expenses are personnel expenses e. g. for management, finance, HR, IT as well as other IT related cost, operations overhead cost and facility expenses.

Reconciliation Employee benefit to selling & distribution, administrative expenses and cost of sales

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Selling & distribution	26,741	13,758
Administrative expenses	6,914	3,335
Cost of sales	3,413	1,983
	37,068	**19,076**

The number of employees of the Group as at the end of the year converted to full-time equivalents was as follows:

	Year 2018	Year 2017
	EUR 1,000	EUR 1,000
FTEs (full-time equivalents) as at 31 December	843	639

All employees are involved in providing the Group's services relating to its online pharmacy and e-commerce activities. As at 31 December 2018, 211 out of the 843 FTE's were working outside the Netherlands (31 December 2017: 189 out of 639).

Retirement benefit plan – defined contribution plan: The total expense recognised in profit or loss represents contributions payable to the plan by the Group. As at 31 December 2018, contributions of EUR 7 k (2017: EUR 7 k) due in respect of the reporting period had not been paid over to the plan.

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Depreciation of property, plant and equipment	543	374
Amortisation of intangible assets	1,432	685
	1,975	**1,059**

Depreciation and amortisation expenses

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Depreciation of property, plant and equipment	3,623	2,493
Amortisation of intangible assets	9,547	4,566
	13,171	**7,059**

11. Finance expenses

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Other finance expenses	6,185	2,246
	6,185	**2,246**

Finance expenses relate to expenses incurred in relation to interest expenses of EUR 3,116 k for the convertible bond and the accounts receivable financing by online payment methods such as credit card companies and Paypal. Part of the fees paid to these companies that relate to the financing (prepayment) element has been reported as other finance expenses, the remainder as selling and distribution cost. In 2018, EUR 339 k leasing cost have been included in other finance expenses (2017: 205 k).

12. Income tax expenses

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Result before tax	– 34,591	– 21,403
Temporary difference fiscal amortisation goodwill	– 460	– 584
Temporary difference fiscal amortisation software	263	272
Temporary difference intangible assets from business combination	5,634	832
Fiscal results other countries	2,685	112
Use of tax loss carry forward Germany	0	– 97
Taxable result before tax	**– 26,469**	**– 20,868**
Income tax expense:		
Effect of tax during the year Netherlands	6,617	5,217
No deferred tax due to uncertainty	– 6,617	– 5,217
Effect of tax loss carry forward Netherlands	0	0
Effect of taxes in other countries	– 312	– 44
Effect of tax loss carry forward Germany	0	– 29
Effect from movement deferred taxes	1,294	118
Current tax expense in profit and loss	**982**	**45**

Deferred tax balances

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20.5 % in the Netherlands and 30 % in Germany (2017: 25 % and 30 % respectively). For the Netherlands, calculations are based on a tax rate that will apply as of 2021, since taxable profits are not expected earlier.

The movement on the deferred tax account is as shown below:

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Balance 1 January	– 9,264	0
Recognised in profit and loss	1,294	89
Recognised in shareholder's equity	0	0
Arising on business combination	– 1,898	– 9,353
Balance 31 December	**– 9,868**	**– 9,264**

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where management believes it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

	Asset 2018	Liability 2018	Net 2018	(Charged)/ credited to profit and loss 2018	(Charged)/ credited to equity 2018	Arising on business combination 2018
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Available losses	973	0	973	– 2,466	0	0
Temporary difference fiscal amortisation goodwill	0	– 842	– 842	69	0	0
Temporary difference fiscal amortisation software	0	0	0	0	0	0
Business combinations	0	– 9,999	– 9,999	3,701	0	– 1,898
Tax assets/(liabilities)	973	– 10,841	– 9,868	1,304	0	– 1,898
Set off of tax	0	0	0	0	0	0
Net tax assets/(liabilities)	**973**	**– 10,841**	**– 9,868**	**1,304**	**0**	**– 1,898**

	Asset 2017	Liability 2017	Net 2017	(Charged)/ credited to profit and loss 2017	(Charged)/ credited to equity 2017	Arising on business combination 2017
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Available losses	3,447	0	3,447	– 41	0	2,665
Temporary difference fiscal amortisation goodwill	0	– 910	– 910	– 146	0	0
Temporary difference fiscal amortisation software	0	0	0	68	0	0
Business combinations	0	– 11,801	– 11,801	208	0	– 12,009
Tax assets/(liabilities)	3,447	– 12,711	– 9,264	89	0	– 9,354
Set off of tax	0	0	0	0	0	0
Net tax assets/(liabilities)	**3,447**	**– 12,711**	**– 9,264**	**89**	**0**	**– 9,354**

The Company has carry-forward losses in The Netherlands for an amount of EUR 83.8 m at the end of 2018 and EUR 48.5 m at the end of 2017. Of these, EUR 10.4 m can be used for the period up to 2024, EUR 26.1 m can be used for the period up to 2025, EUR 21.7 m can be used for the period up to 2026 and EUR 25.6 m can be used for the period up to 2027. The anticipated applicable tax rate is the Dutch corporate tax rate of 25 % payable by corporate entities in The Netherlands on taxable profits for all periods up to 2019, of 22.55 % for the year 2020 and of 20.5 % for all years including and following 2021, and the corporate tax rate of 30 % payable by corporate entities in Germany on taxable profits.

A deferred tax asset has not been recognised for the following:

Netherlands	2018	2017
	EUR m	EUR m
Unused tax losses	83.8	48.5
The expiry date of the unused tax losses is as follows:		
31 December 2024	10.4	6.8
31 December 2025	26.1	19.2
31 December 2026	21.7	22.5
31 December 2027	25.6	0

In addition, a deferred tax loss has not been recognised for EUR 13.5 m for German tax loss carry-forward that do not expire.

Deferred tax liabilities

As per 31 December 2018, the deferred tax liability for goodwill relates to the acquisition of the Shop Group in 2010 which was an asset deal under Dutch jurisdiction with an initial (at acquisition) duration of 10 years (EUR 841 k), to the intangible assets identified in the purchase price allocation to the acquisition of EHS in 2017 (EUR 8,523 k) and to the intangible assets identified in the purchase price allocation to the acquisition of nu3 in 2018 (EUR 1,473 k).

Deferred tax assets

For fiscal entity SA Europe B. V., a deferred tax asset (EUR 841 k) relates to losses carried forward that are recognised only as far as they can be offset against deferred tax liabilities for the same fiscal entity.

For fiscal entitiy RedTecLab GmbH, a deferred tax asset from losses carried forward (EUR 140 k) is recognised due to the historical development of the financial results of this entity, together with thorough forecast data: this information is considered sufficient basis for recognizing this deferred tax asset.

13. Earnings per share

Basic and diluted earnings

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Result for the year attributable to owners of the Company	– 33,609	– 21,358
Earnings used in the calculation of basic and diluted earnings per share	– 33,609	– 21,358
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	– 33,609	– 21,358
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	12,046,124	9,498,318

Basic and diluted earnings per share

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	Euro per share	Euro per share
From continuing operations	– 2.79	– 2.25
From discontinued operations	0.00	0.00
Total basic and diluted earnings	**– 2.79**	**– 2.25**

As outlined in note 22, SHOP APOTHEKE EUROPE N. V. issued a EUR 75 m convertible bond on April 12, 2018. Assuming full conversion of the convertible bond 1,606,464 new shares would be issued in future. In addition the annual general meeting on April 26, 2018 authorized SHOP APOTHEKE EUROPE'S Managing Board to issue up to 500,000 stock options, which were subsequently completely issued in the course of 2018, and a respective expense of EUR 1.450 k for share-based payment was recognized in the 2018 result. Assuming full execution of these options, an additional 500,000 new shares would be issued in future, and assuming full conversion of the convertible bond and full execution of all stock options, the total number of shares issued as at 31 December 2018 (12,074,926) would increase to 14,152,588. The respective diluted earnings per share would respectively be EUR – 2.37.

14. Property, plant and equipment

A summary of the movements of property, plant and equipment is given below.

	Land & Buildings	Machinery	Other	Prepayments/ under construction	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Cost					
Balance 1 January 2017	0	589	6,511	0	7,100
Acquisitions	0	3	845	0	848
Additions	0	13	6,797	501	7,311
Disposals	0	– 3	– 3,547	0	– 3,550
Balance 31 December 2017	**0**	**602**	**10,605**	**501**	**11,709**
Reclassification	6,508	– 421	– 7,199	– 61	– 1,173
Additions	4,964	0	2,698	– 440	7,222
Acquisitions	0	0	48	0	48
Disposals	0	0	0	0	0
Balance 31 December 2018	**11,472**	**181**	**6,152**	**0**	**17,805**
Accumulated amortisation and impairment					
Balance 1 January 2017	0	159	4.328	0	4.487
Depreciation	0	126	2.367	0	2.493
Disposals	0	– 3	– 3.546	0	– 3.549
Balance 31 December 2017	**0**	**282**	**3.149**	**0**	**3,431**
Reclassification	1,437	– 254	– 2.147	0	– 964
Depreciation	2,343	18	1.053	0	3,414
Disposals	0	0	0	0	0
Balance 31 December 2018	**3.780**	**46**	**2.055**	**0**	**5.881**
Carry value					
Balance 31 December 2017	0	320	7,457	501	8,278
Balance 31 December 2018	7,692	135	4,097	0	11,924

In the calculation of depreciation, the following useful lives are used:

- Machinery, leasehold improvements, furniture, office equipment: 10 years
- IT- and communication equipment, cars, other: 5 years
- Right of use assets (according to IFRS16): depending on underlying contracts

During 2018, a detailed review of property, plant and equipment as well as intangible assets has led to a further standardization of useful lives and to a reclassification of individual assets to reporting categories.

This reclassification included a transfer of (IFRS16-related) right of use assets from intangible assets to property, plant and equipment. The asset-review also caused a net book value reduction for property, plant and equipment of EUR 209 k that was accounted for through depreciation expenses in the reporting period.

15. Intangible assets

Intangible assets consist of finite-lived intangible assets, except for goodwill. A summary of the movements of intangible assets is given below.

	Startup expenses	Software, technology & contracts	Brand	Customer base	Goodwill	Prepayments	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Cost							
Balance 1 January 2017	0	16,995	3,605	0	10,955	0	31,555
Acquisitions	0	4,830	5,228	38,383	117,231	0	165,672
Additions	0	3,527	0	0	5	3,019	6,551
Disposals	0	– 4,327	0	0	0	0	-4,327
Balance 31 December 2017	**0**	**21,026**	**8,833**	**38,383**	**128,191**	**3,019**	**199,451**
Reclassification	0	869	331	0	0	0	1,200
Additions	6	4,636	0	0	0	4,290	8,926
Acquisitions	0	114	5,123	2,475	2,975	0	10,687
Disposals	0	– 27	0	0	0	0	– 27
Balance 31 December 2018	**6**	**26,618**	**14,287**	**40,858**	**131,166**	**7,309**	**220,244**
Accumulated amortisation and impairment							
Balance 1 January 2017	0	7,399	107	0	1,879	0	9,385
Amortisation	0	3,428	748	390	0	0	4,566
Disposals	0	– 4,327	0	0	0	0	– 4,327
Balance 31 December 2017	**0**	**6,500**	**855**	**390**	**1,879**	**0**	**9,624**
Reclassification	0	993	147	0	0	0	1,140
Amortisation	1	3,500	3,264	2,842	0	0	9,607
Disposals	0	– 20	0	0	0	0	– 20
Balance 31 December 2018	**1**	**10,973**	**4,266**	**3,232**	**1,879**	**0**	**20,352**
Carry value							
Balance 31 December 2017	0	14,526	7,978	37,993	126,312	3,019	189,827
Balance 31 December 2018	5	15,645	10,020	37,626	129,287	7,309	199,892

In the calculation of amortisation the following useful lives are used:

- Startup expenses:
  10 years
- Software licenses:
  depending on the license contract
- ERP-software:
  7 years
- Customer database:
  7 – 17 years depending on the nature
- Smart Technology:
  15 years
- Brand name:
  2 – 10 years depending on the brand
- Favorable contracts/agreements:
  8 years
- Goodwill:
  infinite life subject to impairment

During 2018, a detailed review of property, plant and equipment as well as intangible assets has led to a further standardization of useful lives and to a reclassification of individual assets to reporting categories.

This reclassification included a transfer of (IFRS16-related) right of use assets from intangible assets to property, plant and equipment. The asset-review also caused a net book value increase for intangible assets of EUR 60 k that was accounted for through depreciation expenses in the reporting period.

16. Impairment Tests for Goodwill

16.1 Description of the impairment test process

At the end of each reporting period, the SHOP APOTHEKE EUROPE N. V. (the Group) reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Growth rates used for impairment analysis are assessed by existing customer development and acquisition of new customers based on our customer data model as well as external market research to estimate future market size and online penetration. Furthermore, all variable cost like marketing budgets, delivery cost and operations expenses for impairment analysis are planned performance-based. Non performance based cost like finance, management and facility etc. are planned according to business growth including economies of scale.

Taking into account the requirements of IAS 36.49, the company has identified the main drivers for future cash-flows. Specifically, the recent announcement of the German health minister to introduce electronic prescriptions in 2020 and his statement to support an eRx share of 5 % has as an external source confirmed a huge sales upside potential for the served German market. In order to come up with best estimates for total cash-flows, respective customer acquisition and order processing costs were applied respectively.

16.2 Going concern

The impairment analyses are all based under the assumption of going concern, which is defined in IAS 1.25 and 1.26.

Based on the current cash status and the plan 2019, the Group is financed, however, needs to obtain additional growth financing, if it pursues the growth perspectives expected from the planned introduction of the e-script in Germany in 2020.

16.3 Determination of Cash generating units (CGU's)

In order to perform impairment tests, SHOP APOTHEKE EUROPE N. V. defined the cash generating units (CGU's) from which the cash-flows needed to assess the valuation of the respective goodwill was derived. The following CGU's were determined:

- CGU SHOP APOTHEKE and EUROPA APOTHEEK
- CGU Farmaline
- CGU Farmanatur
- CGU Hygee Sante
- CGU nu3

Following the definition of CGU's the following analyses were performed:

In 2017, SHOP APOTHEKE (SA) and EUROPA APOTHEEK (EAV) were tested as separate CGU's since EUROPA APOTHEEK was taken over by SA Europe only in November 2017. In 2018 common branding for SA and EAV was developed to be rolled out in 2019. Due to EAV's future of EAV under the brand of SA and the forward-looking nature of the impairment test, both CGU's were integrating into one CGU SA&EAV.

Hygee Santé and Farmanatur were both acquired in 2017. As their respective goodwill is not material compared to the Group's total goodwill, no specific impairment tests were carried out for these CGU's.

CGU Nu3 was acquired in 2018 and therefore is treated as a CGU nu3 for the first time. The value of the goodwill related to was determined as part of the purchase price allocation performed with the support of external consultants.

16.4 Overview goodwill

As a result, the following table shows the goodwill existing in the GROUP as at 31 December 2018:

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
SHOP APOTHEKE/ EUROPA APOTHEEK	121,962	121,962
Farmaline	4,179	4,179
Farmanatur	166	166
Hygee Sante	5	5
nu3	2,975	0
	129,287	**126,312**

The goodwill reflects the value of the GROUP overall market and competitive positioning, which is described in the following strategic information:

Strategic information

SHOP APOTHEKE is the fastest growing online pharmacy in Continental Europe. With the acquisition of EUROPA APOTHEEK Venlo in November 2017, SHOP APOTHEKE EUROPE significantly extended its European market leadership. The product range for the whole family in the OTC, beauty and personal care products as well as prescription drugs segments is supplemented by high quality natural food and health products, low carb products and sports nutrition following the acquisition of nu3 GmbH in July 2018.

SHOP APOTHEKE EUROPE already operates online pharmacies in Germany, Austria, France, Belgium, Italy, Spain, the Netherlands and Switzerland.

SHOP APOTHEKE EUROPE delivers a broad range of more than 100,000 original products to over 3.5 million active customers fast and at attractive prices. In addition, SHOP APOTHEKE EUROPE provides comprehensive pharmaceutical consulting services. With the integration of EUROPA APOTHEEK Venlo under the SHOP APOTHEKE brand in the German market, marketing synergies will be realized. SHOP APOTHEKE's goal is to gain a relevant share of the online prescription market growth that is expected from the introduction of electronic prescriptions in Germany in 2020, as stated by the German Health Minister in December 2018, potentially growing to EUR 1 bn sales in the next years both organically and (on an opportunistic basis) by acquisitions of suitable targets.

In order to assess the potential impairments on the listed goodwill, the Group follows a 10-year forecasting process:

Internal process for preparing the 10-year forecast to perform impairment tests

The forecasting process is based on internal data, in particular a detailed customer data model working with customer acquisition costs from previous periods and expected customer activation rates as well as external market research forecasting future market size and online penetration rates in advanced online markets e. g. in the United States or Sweden. Assumptions on sales growth and profitability were checked against third-party reports and tested with sensitivity analyses in order to make the test robust:

Historical financial information

The health sector is very conservative and driven by regulations that result in high barriers of entry and loyal, long-term customers with high customer lifetime values. As the online market is expected to stay in a growth mode for a number of years due to a aging population in the continental European markets, the length of the forecasting period needs to reflect this. A 10-year forecast period is considered appropriate to reflect this adequately with robust assumption due to the nature of the industry and also the long-term growth phase expected from the introduction of electronic prescriptions.

In the past, SHOP APOTHEKE has shown c. 50 % sales growth p. a. in the German OTC/BPC online markets but calculates with c. 30 % sales growth p.a. going forward. The growth of the prescription medication (Rx) sales were 10 – 15 % p. a., but it is expected that Rx sales will grow at a pace similar to OTC online once the electronic prescriptions are introduced in the German market.

2018 was an exceptional year both in terms of building capacity to reach all-time-high sales and integrating the prescription business of EUROPA APOTHEEK as well as the functional food business of that was acquired in July. All these activities led to "growth pains", i. e. higher than expected operations and IT costs. In addition a hot summer and a mild fall made extraordinary marketing campaings necessary to reach the 2018 sales guidance. As a result, the Group had to adjust its EBITDA profit goal to – 2 % of sales.

For the most important goodwill, i. e. SHOP APOTHEKE and EUROPA APOTHEEK, long-term forecasts were produced to perform respective impairment tests.

Support for main assumptions

Future revenue growth is planned in a two-step approach: First the total and online market potential 2020 (€ 38 bn) based on the 2017 Sempora market research is determined for the served markets and multiplied with a target market share for the Group. Resulting target sales 2020 are then broken down into target sales for the years 2019 and 2020. In a second step, sales growth rates resulting from these calculations are compared with organic growth rates realized historically. The lower of the two is then taken unless there are specific reasons/actions why the higher growth rate is chosen.

Target EBIT profitability, towards which the company is growing until 2027, is based on the benchmark of local German pharmacies showing a 6 % EBIT margin in a steady-state/very low growth mode, as published by the ABDA German pharmacists' association in 2018.

COGS are based on historic information plus annual improvements expected from economies of scale in purchasing and manufacturer discounts.

Operations personnel is calculated on the number of parcels taking into account usual efficiency gains until the new pharmacy site goes live, and based on calculations from an external general planner after the go-live of the new site.

Marketing personnel is calculated on a country basis, variable marketing expenses are based on sales growth and the respective number of new customers with their respective acquisition costs.

Administrative personnel and IT infrastructure personnel is calculated taking into account economies of scale and typical efficiency gains. Internal and external IT personnel is calculated from the mandays resulting from the list of projects needed to achieve the Group's annual goals.

CAPEX is calculated based on the capacity required to enable future sales. Finally the business plan is on high level compared to patterns experienced by peers.

Upsides and downsides

The downside risk of the impairment test for SA&EHS is a potential, though very unlikely (as in conflict with European law) ban of mail order for prescription medications in Germany. In addition, a potential cap on the bonus provided to prescription medication customers could have a negative impact on the acquisition of new customers.

The upside potential is in the first place the planned implementation of the electronic script in 2020, as announced by the German health minister Mr. Spahn.

WACC

The calculation of the WACC follows the Capital Asset Pricing Model applying current interest rates, market premiums and Beta's, benchmarked by a peer-group analysis performed by independent experts, resulting in a 9,3 % WACC post tax for the Group. From the post-tax discounted cash-flow analysis pre-tax rates were determined using the goal-seek method according to "IAS36.BCZ85 Determining a pre-tax discount rate". The respective pre-tax WACC was 11 % for the SHOP APOTHEKE impairment test and 10.8 % for the Farmaline impairment test.

16.5 Impairment test

Impairment tests on goodwill in line with IAS 36 have been made for the goodwill related to

- SHOP APOTHEKE and EHS Europe Health Services/EUROPA APOTHEEK,
- Farmaline

as respective cash-generating units by analyzing the headroom between the enterprise value calculated and the carrying amounts. As the EUROPA APOTHEEK business is integrated into the SHOP APOTHEKE business in 2019, the impairment test was carried out for the combined goodwill of the combined SHOP APOTHEKE and EHS/EUROPA APOTHEEK cash generating unit as opposed to two separate cash generating units in the previous year.

For Farmanatur, Hygee Sante and no impairment tests were performed as explained above.

As the SHOP APOTHEKE and EHS Europe Health Services/EUROPA APOTHEEK goodwill is only related to the German business the respective CGU only relates to the "DACH" segment. The main assumption for the related impairment test is the sales growth expected from the introduction of electronic prescriptions in 2020 as publicly announced by the German health minister Jens Spahn in December 2018, the total number of annual prescriptions in Germany as well as c. 10 % online penetration rates of electronic prescriptions in markets such as Switzerland, Sweden and the United States. The related cash-flow projections include projected investment in capacity expansion as well as increased personnel cost and working capital needs in line with the expected sales growth. Due to the long-term growth perspective based on demographic factors, i. e. market studies projecting an ageing population with a respective higher need for prescription medication, the respective calculations are based on a ten-year forecasting period.

The assumptions used in the impairment test as at 31 December 2018 are summarized in the table below:

As a result of the above impairment test the recoverable amounts were in all cases higher than the carrying amounts. So that management concludes that no impairment of goodwill is applicable. Management also performed a sensitivity analysis on the sales growth rates and WACC's, the individual estimates and assumptions and concluded that a reasonable possible change in the estimates does not result in an impairment.

17. Accounting for Joint Ventures

The Company has a 50 % (2017: 50 %) interest in two joint ventures, König IDV GmbH and König IT Systeme GmbH, both incorporated and located in Germany. The primary business of König IDV GmbH is data processing. The primary business of König IT Systeme GmbH is IT Services.

The contractual arrangement provides the group with the rights to the net assets and liabilities of the joint venture. Under IFRS 11 this joint venture has been included in the consolidated financial statements using the equity method.

	Country of incorporation principal place of business	Proportion of ownership interest held as at 31 December	
		2018	2017
König IDV GmbH[1]	Germany	50 %	50 %
König IT-Systeme GmbH[2]	Germany	50 %	50 %

König IDV GmbH had a result after taxes of EUR 217 k in financial year 2018 (2017: EUR 201 k).

König IT Systeme GmbH had a result after taxes of EUR 16 k (2017: EUR 10 k).

CGU	Terminal sales growth	Revenue growth rate	EBITDA margin	Discount rate
SHOP APOTHEKE/EUROPA APOTHEEK	1 %	10 % – 24 %	– 1.2 % – 5.9 %	11.0 %
Farmaline	1 %	10 % – 75 %	– 3.6 % – 8.0 %	10.8 %

[1] The primary business of König IDV GmbH in Gottmadingen, Germany, is data processing. The 50 % share was acquired as part of the acquisition of EHS Europe Health Services B. V. on 8 November 2017.

[2] The primary business of König IT GmbH in Gottmadingen, Germany, is IT services. The 50 % share was acquired as part of the acquisition of EHS Europe Health Services B. V. on 8 November 2017.

Summarised financial information in relation to the joint venture is presented below:

	As at 31. 12. 2018	As at 31. 12. 2017
	EUR 1,000	EUR 1,000
Non-Current assets	36	38
Current assets	833	646
Total assets	**869**	**684**
Equity	735	501
Current liabilities	134	183
Total equities and liabilities	**869**	**684**

18. Inventory

The cost of inventories recognised as an expense during the year in respect of continuing operations was EUR 440.4 m (2017: EUR 226.4 m).

No inventories are expected to be recovered after more than twelve months.

19. Trade and other receivables

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Trade receivables	23,071	20,546
Prepayments	5,387	1,249
Other current assets and deferred income	6,138	5,275
	34,596	**27,070**

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Trade receivables	25,524	22,387
Allowance for doubtful debts	– 2,453	– 1,840
	23,071	**20,547**

The average credit period on sales of goods and services is 15 days in 2018 (2017: 14 days).

Since most receivables relate to German customers that by law are only obliged to pay after 30 days, no impairment is made for receivables between 11 and 29 days, except for manufacturer related receivables from EUROPA APOTHEEK revenue, where due to disputes 100 % of outstanding receivables has been impaired. On the other hand, receivables from health insurance companies are considered fully receivable even if they are overdue. Therefore no impairment applies for receivables from health insurance companies.

No interest is charged on trade receivables. The Group has recognised an allowance for doubtful debt as stated above.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer scoring. Limits and scoring attributed to customers are reviewed periodically; in addition customer orders are checked automatically by defined algorithms to prevent fraud.

Of the trade receivables balance at the end of the year 2018, EUR 283 k (2017: EUR 179 k) was due from the Group's largest customer. No customer individually represents more than 1.5 % of the total balance of trade receivables.

There are no trade receivables disclosed above that include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised a provision for impairment.

Age of receivables that are past due but not impaired:

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
30 – 60 days	2,237	2,337
61 – 90 days	337	40
91 – 120 days	480	41
121 days and older	2,673	-9
	5,727	**2,409**
Average age (in days)	58	47

Movement in the provision for impairment:

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Balance beginning of the year	1,840	242
Impairment losses recognised	3,255	2,574
Amounts written off as uncollectible	– 2,291	– 976
Balance end of the year	**2,453**	**1,840**

Age of impaired receivables:

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
0 – 30 days	66	76
30 – 60 days	60	92
61 – 90 days	231	229
91 – 120 days	163	155
121 days and older	1,934	1,288
	2,453	1,840
Average age (in days)	157	147

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

20. Other financial assets and Cash and cash equivalents

Other financial assets
EUR 34.4 m short-term securities are shown in other financial assets according to IAS 7 (2017: EUR 12.5 m).

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and on hand.

All cash balances are at free disposal of the Group, except for a rent guarantee of EUR 33.6 k at RedTecLab GmbH.

21. Shareholders' equity

Share capital
The share capital of the Group as at 31 December 2018 amounts to EUR 241.5 k (31 December 2017: EUR 240.4 k) divided into 12,074,926 shares (31 December 2017: 12,020,456 shares each) with a nominal value of EUR 0.02 all of which have been issued and fully paid.

22. Non-current liabilities

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Loans and Borrowings	72,411	4,316
Deferred tax liabilities	10,841	12,711
	83,252	17,027

Loans and borrowings

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Amounts due to banks	149	183
Lease liabilities	4,764	3,033
Convertible bond	67,498	0
Farmaline acquisition remaining payment	0	1,100
	72,411	4,316

Due to the application of IFRS 16, all operating lease contracts (except for short-term leases and leases of low value assets) have been presented as right-of-use assets and lease liabilities respectively. Additional information on leases is disclosed in note 29.

On 19 April 2018, the Company issued a 4.5 % convertible bonds with an aggregate principal amount of EUR 75.0 m. Each bond entitles the holder to convert to ordinary shares at a conversion price of EUR 46.6864.

Conversion may occur in the period from and including 30 May 2018 and up to and including the earlier of the following days:

- the 35th Business Day prior to the Maturity Date (19 April 2023); or
- if the Bonds are redeemed by the Issuer, the 10th Business Day prior to the Redemption Date

or if such day falls within an Excluded Period, the 1st Business Day prior to the beginning of this Excluded Period.

To the extent the Bonds have not previously been redeemed, converted or repurchased and cancelled they will be redeemed at their Principal Amount plus accrued interest on the Maturity Date (19 April 2023). The Issuer will be entitled to fulfil its obligation to redeem the Bonds in cash by redeeming all, but not some only, of the Bonds, according to the Share Redemption Option. Interest of 4.5 % per annum will be paid semi-annually in arear on each Interest Payment Date, until the Bonds are converted or redeemed.

The Convertible Bonds contain two components: liability and equity elements.

The equity element is presented in equity under the heading of "option premium on Convertible Bonds".

The effective interest rate of the liability element on initial recognition is 6.0 % per annum.

	EUR 1,000
Proceeds of issue principal (amount minus costs)	73,499
Liability component at date of issue	– 69,056
Equity component	4,443
Liability component at the date of issue	69,056
Interest charged calculated at an effective interest rate of 6,0%	3,117
Interest paid	– 1,688
Liability component at 31 December 2018	**70,485**
– of which long-term position	67,490
– of which short-term position	2,995

23. Current liabilities

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Trade and other payables	28,436	28,855
Loans and Borrowings	6,488	2,722
Amounts due to banks	9,805	4,914
Tax liabilities	1,846	3,947
Employee benefit liabilities	2,173	1,054
Provisions	4,930	323
	53,678	**41,815**

Trade and other payables

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Trade payables	26,083	23,090
Liability due to customer loyalty program	502	43
Other payables and accrued expenses	1,851	5,722
	28,436	**28,855**

The average credit period on purchases is 23 days in 2018 (2017: 25 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Loans and borrowings

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Amounts due to banks	9,805	4,914
Lease liabilities	2,401	1,622
Convertible bond	2,987	0
Farmaline acquisition remaining payment	1,100	1,100
	16,293	**7,636**

Amounts due to banks are further disclosed in note 24.

Lease liabilities are reported under non-current and current liabilities as follows:

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Lease liabilities non-current	4,764	3,033
Lease liabilities current	2,401	1,622
	7,165	**4,655**

A further disclosure of leases can be found in note 29.

Tax liabilities

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Corporate income tax	145	66
Wage tax & soc. security charges	936	455
VAT	765	3,426
	1,846	**3,947**

Employee benefit liabilities

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Employee benefit liabilities	2,173	1,054

The employee benefit liabilities include the accruals for bonus payments, vacation days and several other accruals.

Provisions

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Provisions	4,930	323

Provisions include short-term provisions of € 502 k for SHOP APOTHEKE'S RedPoints loyalty program.

24. Amounts due to banks

In accordance with IAS 7 the overview below shows the changes arising from cash-flows and non-cash changes:

IAS 7 – Statement of cashflows

			Non-cash changes			
	31.12.2017	Cash flows	Acquisition	Initial recognition	Fair value changes	31.12.2018
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Long term borrowings	183	– 134	0	0	0	149
Short term borrowings	4,914	4,891	0	0	0	9,805
Lease liabilities (non-current)	3,033	0	0	0	0	4,764
Lease liabilities (current)	1,622	0	0	0	0	2,401
Convertible Bond	0	– 1,688	0	69,056	1,429	70,485
	9,752	**3,069**	**0**	**69,056**	**1,429**	**87,604**

25. Financial instruments

Categories of financial instruments

	Financial assets at fair value through profit or loss		Loan and receivables		Available for sale	
	Year ended 31. 12. 2018	Year ended 31. 12. 2017	Year ended 31. 12. 2018	Year ended 31. 12. 2017	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Trade and other receivables	0	0	34,596	27,070	0	0
Other financial assets	0	0	34,422	12,510	0	0
Cash and cash equivalents	0	0	24,338	15,783	0	0
Total financial assets	**0**	**0**	**93,356**	**55,363**	**0**	**0**

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	
	Year ended 31. 12. 2018	Year ended 31. 12. 2017	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Non-current liabilities (excluding lease)	0	0	72,262	1,606
Trade and other payables	0	0	28,436	28,855
Loans and borrowings (excluding lease)	0	0	13,892	6,014
Other current liabilities	0	0	2,173	1,054
Total financial liabilities	**0**	**0**	**116,763**	**37,529**

Information on risks

The following financial risks can be identified: interest rate risk, credit risk, liquidity risk and currency risk.

This note provides information on these financial risks to which the Group is exposed, the objectives and policy for managing risks arising from financial instruments as well as the management of capital.

Interest rate risk

The interest rate risk includes the influence of positive and negative changes to interest rates on the profit, equity, or cash flow in the current or a future reporting period. Interest rate risks from financial instruments can arise within the Group mainly in connection with financial liabilities. A change in the market risk at reporting date by 100 BP, would have an effect of circa EUR 0 in 2018 on the Group profit or equity, since the credit facility is only partly used for a very short period and the convertible bond has a fixed interest rate of 4.5 % p. a.

Credit risk

Credit risk is the risk of a loss being incurred because a counterparty is unable or unwilling to meet its obligations. The Group is exposed to credit risk; this risk mainly relates to non-payment by customers for services provided. Credit risk also arises from cash, cash equivalents and other financial assets. For banks and financial institutions only independently rated parties with minimum rating A are accepted.

The risk of default on receivables has been reflected in provisions for bad debt. Due to constant close monitoring of potential default risks, additional receivables risk is very limited. Receivables which are past due, but for which no provision has been recognised, are without exception trade receivables from normal sales. For provision for doubtful debts see note 18 of the Consolidated Financial Statements.

The other receivables and the prepayments and accrued income do not contain any accounts older than one year.

Liquidity risk

Liquidity risk is the risk that the Group is unable to obtain the financial resources required to meet its financial obligations on time. In this connection, the Group regularly assesses the expected cash flows over a period of several years. These cash flows include operating cash flows, dividends and share premium repayment, interest payments e. g. on the convertible bond, replacement capital expenditure and the effects of a change in the Group's creditworthiness. The aim is to have sufficient funds available at all times to provide the required liquidity.

The Group's liquidity needs are affected by many factors, some of which are based on the normal ongoing operations of the business, and others that relate to the uncertainties of the global economy and the industry. Although cash requirements fluctuate based on the timing and extent of these factors, the Group believes that cash generated from operations, together with the liquidity provided by existing cash and cash equivalents are sufficient to satisfy the current requirements, including the 2019 capital expenditures.

Currency risk

The Group's sales are only denominated in euros. The cost of raw materials and consumables used and other expenses are mostly denominated in euros and to a very limited extent in other currencies. Therefore, foreign currency exchange risk is considered to be limited.

Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest curves at the end of the reporting period. The contractual maturity is based on the earliest day on which the Company may be required to pay.

The following table sets out the maturities (representing undiscounted cash flows) of financial liabilities:

	Up to 1 Year	1 – 5 Years	Over 5 Years	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
At 31 December 2018				
Non-current liabilities (excluding lease)	0	72,577	0	72,577
Trade and other payables	28,436	0	0	28,436
Loans and borrowings (excluding lease)	13,892	0	0	13,892
Other current liabilities	6,865	0	0	6,865
Total financial liabilities	**49,193**	**72,577**	**0**	**121,771**
At 31 December 2017				
Non-current liabilities (excluding lease)	0	1,566	40	1,606
Trade and other payables	28,855	0	0	28,855
Loans and borrowings (excluding lease)	6,014	0	0	6,014
Other current liabilities	1,054	0	0	1,054
Total financial liabilities	**35,923**	**1,566**	**40**	**37,529**

Capital management

The Group manages its equity to ensure it will be able to continue as going concern while maximising the return to it. After the acquisition of the Farmaline business, the successful listing in the Prime Standard market segment of the Frankfurt Stock Exchange on 13 October 2016 and the acquisition of the EUROPA APOTHEEK business on 8 November 2017 through issuance of new shares, the Group's overall strategy is leadership in all relevant European markets. The Group is subject to reporting and governance rules of the Dutch Autoriteit Financiële Markten (AFM) and the Frankfurt Stock Exchange and has been listed in the SDAX of the Frankfurt Stock Exchange since 24 September 2018.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities are not measured at fair value on a recurring basis.

The Company considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. The fair values are the same as the carrying amounts since all trade and other receivables are due within 30 days and all trade and other payables are paid within 30 days.

26. Related party transactions

In the annual report 2018 no related parties with outstanding balances are presented since outstanding balances to related parties do not exist as at 31 December 2018.

26.1 Compensation of key management personnel

The remuneration of Management Board and Supervisory Board members was as follows:

Year ended 31 December 2018	Short-term employee benefits	Share-based payments	Total
Management board member			
Marc Fischer	186,754	68,647	255,401
Theresa Holler	189,309	68,647	257,956
Michael Köhler	70,319	0	70,319
Ulrich Wandel	153,959	68,647	222,606
Stephan Weber	190,039	68,647	258,686
Total	**790,381**	**274,588**	**1,064,969**

Year ended 31 December 2017	Short-term employee benefits	Share-based payments	Total
Management board member			
Marc Fischer	186,705	0	186,705
Theresa Holler	188,997	0	188,997
Michael Köhler	69,533	0	69,533
Ulrich Wandel	185,560	0	185,560
Stephan Weber	189,625	0	189,625
Total	**820,420**	**0**	**820,420**

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
Supervisory Board		
Jan Pyttel (Chairman)	30,000	30,000
Björn Söder	20,000	20,000
Frank Köhler	20,000	20,000
Jerome Cochet	20,000	20,000
Total	**90,000**	**90,000**

There was no remuneration for other long-term benefits and termination benefits.

The remuneration of directors was determined by the Supervisory Board.

26.2 Loans to key management personnel

The Group has not provided any loans to its key management in 2018.

26.3 Loans from related parties

As in 2017, no loans from related parties were obtained in 2018.

27. Share-based payments

Employee share option plan of the Company

Details of the employee share option plan of the Company

As of 2018, the company has a share option scheme for a selected group of employees (mostly senior management) of the Company and its subsidiaries.

In accordance with the terms of the plan, as approved by shareholders at the annual general meeting of April 26, 2018, certain employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted has been decided by the Management Board and approved by the Supervisory Board.

The following share-based payment arrangements were in existence during the current year:

Options series	Quantity	Grant date	Vesting date	Expiry date	Exercise price	Fair value grant date
1a	171.000	26.04.2018	01.01.2020	01.01.2022	45,20 €	8,36 €
1b	171.000	26.04.2018	01.01.2021	01.01.2022	45,20 €	8,36 €
2	36.000	26.04.2018	01.01.2020	01.01.2022	34,81 €	12,09 €
3a	30.000	12.07.2018	01.01.2020	01.01.2022	45,20 €	14,58 €
3b	30.000	12.07.2018	01.01.2021	01.01.2022	45,20 €	14,58 €
4a	29.500	13.06.2018	01.01.2020	01.01.2022	45,20 €	10,06 €
4b	29.500	13.06.2018	01.01.2021	01.01.2022	45,20 €	10,06 €
5a	1.500	24.08.2018	01.01.2020	01.01.2022	45,20 €	15,16 €
5b	1.500	24.08.2018	01.01.2021	01.01.2022	45,20 €	15,16 €

Options from series 1a, 2, 3a, 4a and 5a vest on January 1, 2020 and expire on January 1, 2022. Options from series 1b, 3b, 4b and 5b vest on January 1, 2021 and expire on January 1, 2022.

Fair value of the share options granted in the year

The weighted average fair value of the share options granted during the year is EUR 9,20 (2017: N/A).

The actuarial valuation was performed using best estimate assumptions developed by the management of SHOP APOTHEKE EUROPE N. V..

For the valuation of the expected real value of the option, the Black-Scholes valuation method for option valuation was used. The employee stock option agreement shows that the employee preserves the right to exercise, even if the employee becomes disabled, deceased or retires. Moreover, no withdrawal rates were used. Therefore, no probabilities relating to an early leave of service before the vesting date or early exercising before the expiry date were used for the valuation of the employee stock option. Calculations are based on the employees exercising the option at the expiry date. This assumption is reasonable, because it is never optimal to exercise before maturity with these kind of options.

Inputs to the model

Inputs to the model	Series 1a	Series 1b	Series 2	Series 3a	Series 3b	Series 4a	Series 4b	Series 5a	Series 5b
Grant date share price	39,30 €	39,30 €	39,30 €	50,20 €	50,20 €	42,80 €	42,80 €	51,20 €	51,20 €
Exercise price	45,20 €	45,20 €	34,81 €	45,20 €	45,20 €	45,20 €	45,20 €	45,20 €	45,20 €
Expected volatility	34,89 %	34,89 %	34,89%	34,89%	34,89%	34,89%	34,89%	34,89%	34,89%
Option life	3 years	2 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Dividend yield	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Risk-free interest rate	– 0,19 %	– 0,19 %	– 0,19 %	– 0,40 %	– 0,40 %	– 0,30 %	– 0,30 %	– 0,37 %	– 0,37 %

Since the underlying stock of the option has limited historical prices, the stock's standard deviation is based on a different (but comparable) stock than the underlying. The long-term standard deviation of the underlying stock is determined using historical daily returns between June 18, 2014 up until June 18, 2018.

The dividend yield is equal to 0.00%, since the company has not been profitable so far.

Movements in share options during the year
The following reconciles the share options outstanding at the beginning and end of the year:

	Number of options	Weighted average exercise price
Balance at beginning of the year	0	
Granted during the year	500,000	44.45 €
Forfeited during the year	0	
Exercised during the year	0	
Expired during the year	0	
Balance at end of year	500,000	44.45 €

268.000 options are exercisable as of January 1, 2020 and 232.000 options are exercisable as of January 1, 2021.

Share options outstanding at the end of the year
The share options outstanding at the end of the year had a weighted average exercise price of EUR 44,45 and a weighted average remaining contractual life of 536 days.

Regarding the share option plan, an expense-amount of EUR 1.450 k was recognised in the 2018 result.

28. Business combinations during the period

a **Subsidiaries acquired**
During 2018, the following entities were acquired by the SHOP APOTHEKE Group:
- 100 % of the shares of nu3 GmbH and nu3 Schweiz GmbH,

b **Acquisition of nu3 GmbH**
On 12 July 2018, the SHOP APOTHEKE Group acquired 100 % of the shares of nu3 GmbH (nu3) in order to further expand the product range to a younger target group with functional nutrition products.

SAE acquired by way of a combination of cash and new shares of SAE, created via a capital increase.

The total consideration transferred is 54,470 new shares, which is based on the share price at acquisition date (EUR 50.20 per share) = EUR 2.734,4 k, plus a cash payment of EUR 5.363 k.

The results of are consolidated effective from 12 July 2018 (and directly contributed to the earnings per share). The acquisition has been financed from issuing new shares and cash.

Consideration transferred

	Book value	Adjustment	Fair value
	EUR 1,000	EUR 1,000	EUR 1,000
Tangible fixed assets	48	0	48
Intangible fixed assets	114	7,593	7,707
Financial fixed assets – participations	25	0	25
Inventory	3,488	0	3,488
Trade receivables	1,574	0	1,574
Other receivables	785	0	785
Cash	984	0	984
Provisions	– 1,034	0	– 1,034
Non-current liabilities	0	0	0
Trade payables	– 3,131	0	– 3,131
Other payables and current liabilities	– 3,421	0	– 3,421
Goodwill on acquisition	0	2,975	2,975
Deferred tax liabilities	0	– 1,898	– 1,898
Total consideration	**– 568**	**8,670**	**8,102**

No contingent consideration arrangements apply.

The goodwill arising on the nu3 acquisition is not deductible for tax purposes.

Impact of acquisition on the results of the Group.

Included in the Gross Profit for the year is EUR – 3.1 m attributable to the additional business generated by the nu3 acquisition. Revenue for the year includes EUR 13.0 m in respect of the nu3 business.

Should the acquisition have been at 1 January 2018, contribution to the revenue would have been EUR 28.5 m.

The group incurred acquisition related costs for an amount of EUR 1.1 m (2017: EUR 4.7 m).

These costs have been included in Sales & Distribution expenses (EUR 924 k) and Administrative expenses (EUR 134 k).

29. Business combinations in prior periods

Subsidiaries acquired

During 2017, the following entities were acquired by the SHOP APOTHEKE Group:
- 100% of the shares of Farmanatur Productes S. L.
- 100% of the shares of Hygée Santé SARL
- 100% of the shares of EHS Europe Health Services B. V.

2017	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred EUR 1.000
Farmatur Products S.L.	Trade of parapharmacy products in Spain	17 April 2017	100 %	258
Hygee Sante SARL	Trade of parapharmacy products in France	1 August 2017	100 %	10
EHS Europe Health Services B. V.	Online mail order pharmacy in Germany, focussing on prescription medication	8 November 2017	100 %	168,183

Acquisition of Farmanatur Productes S.L. and Hygee Sante SARL

On 17 April 2017, the SHOP APOTHEKE Group acquired 100 % of the shares of Farmanatur Productes S. L. ("Farmanatur") via a cash payment. The principal reason for this acquisition was to speed up the market penetration in Spain. No significant synergy effect are expected for the Group.

The results of Farmanatur Productes S. L. are consolidated effective from 17 April 2017 (and directly contributed to the earnings per share). The acquisition has been financed from existing credit facilities.

On 1 August 2017, the SHOP APOTHEKE Group acquired 100 % of the shares of Hygée Santé SARL ("Hygée Santé") via a cash payment. The principal reason for this acquisition was to speed up the market penetration in France. No significant synergy effects are expected for the Group.

The results of Hygée Santé SARL are consolidated effective from 1 August 2017 (and directly contributed to the earnings per share). The acquisition has been financed from existing credit facilities.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows (for the aggregate of the Farmanatur and Hygee Sante acquisition):

	Book value	Adjustment	Fair value
	EUR 1,000	EUR 1,000	EUR 1,000
Tangible fixed assets	7		7
Financial fixed assets – deferred taxes	8		8
Inventory	90		90
Other receivables	1		1
Cash	32		32
Trade payables	– 32		– 32
Other payables and current liabilities	– 4		– 4
Goodwill on acquisition		166	166
Total consideration	**102**	**166**	**268**

The goodwill arising on the Farmanatur acquisition is not deductible for tax purposes.

Acquisition of EHS Europe Health Services B. V.

On 8 November 2017, SHOP APOTHEKE EUROPE N. V. ("SAE") acquired 100 % of the shares of EHS Europe Health Services B. V. ("EHS"), aiming to create Europe's largest online pharmacy by adding the EUROPA APOTHEEK prescription medication and OTC mailorder business, and to significantly strengthen its position in the German core market The combination of the prescription and the OTC business is expected to positively influence sales growth in both ways.

SAE acquired EHS by way of a contribution in kind of EHS shares against new shares of SAE, created via a capital increase. SAE issued 2.72 (rounded) new SAE shares for each EHS share.

The total consideration transferred is 2,950,578 new shares, which is based on the share price at acquisition date (EUR 57.00 per share) = EUR 168.2 m.

The results of EHS are consolidated effective from 8 November 2017 (and directly contributed to the earnings per share). The acquisition has been financed from issuing new shares.

Consideration transferred

	Book value	Adjustment	Fair value
	EUR 1,000	EUR 1,000	EUR 1,000
Tangible fixed assets	364	0	364
Intangible fixed assets	484	48,038	48,522
Financial fixed assets – participations	882	0	882
Financial fixed assets – deferred taxes	2,735	0	2,735
Trade debtors	10,042	0	10,042
Other receivables	5,416	0	5,416
Cash	1,489	0	1,489
Provisions	– 23	0	– 323
Non-current liabilities	– 201	0	– 201
Trade payables	– 872	0	– 872
Other payables and current liabilities	– 4,927	0	– 4,927
Goodwill on acquisition		117,065	117,065
Deferred tax liabilities		– 12,010	– 12,010
Total consideration	**15,089**	**153,093**	**168,182**

No contingent consideration arrangements apply.

The goodwill arising on the EHS acquisition is not deductible for tax purposes.

On acquisition EHS Europe Health Services B. V. held trade receivables with a book and fair value of EUR 10,042 k representing contractual receivables of EUR 11,460 k. The provision for impairment includes receivables related to mandatory manufacturer rebates, for which the Group considers a realistic receipt potential. Impact of acquisition on the results of the Group

Included in the Gross Profit for the year is EUR 4.0 m attributable to the additional business generated by the EHS acquisition. Revenue for the year includes EUR 25.3 m in respect of the EHS business.

Should the acquisition have been at 1 January 2017, contribution to the revenue and the Gross Profit would have been EUR 167.6 m and EUR 20.1 m respectively.

30. Leases

Due to the application of IFRS16, all operating lease contracts (except for short-term leases and leases of low value assets) have been presented as right-of-use assets and lease liabilities respectively.

As part of the review/adjustment of property, plant and equipment and intangible assets, the right-of-use assets have been reclassified from intangible assets to property, plant and equipment (mainly land and buildings).

Initial recognition values were based on the net present value of the contractually agreed lease payments as per 1 January 2017 for existing contracts, and on the net present value of the remaining contractually agreed lease payments as per applicable starting dates for lease contracts with a later starting date.

The development of right-of-use assets and lease liabilities in the year was as follows:

	Right of Use Asset	Lease Liability
	EUR 1,000	EUR 1,000
Balance 1 January 2017	0	0
Initial recognition IFRS 16	4,643	4,643
Additions	1,160	1,160
Depreciation charge	– 1,261	0
Interest expense	0	204
Cash out lease payments	0	– 1,352
Balance 31 December 2017	**4,542**	**4,655**
Additions	4,401	4,401
Depreciation charge	– 2,238	0
Interest expense	0	330
Cash out lease payments	0	– 2,221
Balance 31 December 2018	**6,705**	**7,165**

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Lease liabilities non-current	4,764	3,033
Lease liabilities current	2,401	1,622
	7,165	4,655

The following table sets out the maturities (representing undiscounted cash flows) of financial lease liabilities:

	Up to 1 Year	1 – 5 Years	Over 5 Years	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
As at 31 December 2017	1,640	3,090	302	5,032
Movements 2018	804	1,941	219	2,964
As at 31 December 2018	**2,444**	**5,031**	**521**	**7,996**

31. Contingent liabilities

Guarantees

Guarantee obligations have been provided by the Group for EUR 65 k (RedTecLab GmbH), EUR 35 k (nu3 GmbH), EUR 240 k (EUROPA APOTHEEK Venlo B. V.)

Credit facility

The Deutsche Bank EUR 20 m credit facility agreement was in addition secured by a EUR 20 m pledge over assets.

Fiscal unity

For the purpose of value added tax, SHOP APOTHEKE EUROPE N. V., SA Europe B. V., SHOP APOTHEKE B. V., Shop-Apotheke Service B. V., VitaZita B. V. and EuroService Venlo B. V. are associated in a fiscal unity and are therefore severally liable for the value added tax owed of the entire fiscal unity. With the acquisition of 100 % of EHS Europe Health Services B. V., a second value added tax fiscal unity consisting of EHS Europe Health Services B. V., EHSC B. V., EUROPA APOTHEEK Venlo B. V. and Europa Apotheek Service Venlo B. V. has been added and is severally liable for the value added tax owed by that entire fiscal unity.

For the purpose of corporate income tax, SA Europe B. V., SHOP APOTHEKE B. V., Shop-Apotheke Service B. V., VitaZita B. V. and EuroService Venlo B. V . are associated in a fiscal unity and are therefore severally liable for the corporate income tax owed of the entire fiscal unity as of October 2015 (subsequent to this date and not for the prior period). With the acquisition of 100 % of EHS Europe Health Services B. V., a second corporate income tax fiscal unity consisting of EHSC B. V., EUROPA APOTHEEK Venlo B. V. and Europa Apotheek Service Venlo B. V. has been added, and its members are severally liable for the corporate income tax owed by that fiscal unity, and EHS Europe Health Services B. V. has been added as an additional separate corporate income tax unit.

Article 403 of the Dutch Civil Code

As of its incorporation on 30 September 2015, SHOP APOTHEKE EUROPE N. V. is liable for the Dutch group companies SA Europe B. V., SHOP APOTHEKE B. V., Shop-Apotheke Service B. V., VitaZita B. V. and EuroService Venlo B. V. according to Article 403 of the Dutch Civil Code. The according declaration 2018 will be filed with the trade register.

Rental commitments buildings and other (lease) agreements

The obligations for lease of property as at 31 December 2018 (except for short-term leases and leases of low value assets) have been presented as lease liabilities in the Statement of financial position.

Legal proceedings

SHOP APOTHEKE EUROPE and its subsidiaries are parties to a number of other legal proceedings arising out of their business operations. SHOP APOTHEKE EUROPE believes that the ultimate resolution of these proceedings will not, in the aggregate, have a material adverse effect on SHOP APOTHEKE EUROPE'S financial position, results of operations or cash flows. Such other legal proceedings, however, are subject to inherent uncertainties and the outcome of individual matters is unpredictable. It is possible that SHOP APOTHEKE EUROPE could be required to make expenditures, in excess of established provisions, in amounts that cannot reasonably be estimated.

32. Provisions

Provisions are recognised if an outflow of economic benefits for settlements is probable and the amount is reliably estimable. If should be understood that, in light of possible future developments, such as potential lawsuits, possible future settlements, and rulings or judgments in pending lawsuits, certain cases may result in additional liabilities and related costs. At this point In time, we cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow the recognition of this amount. While the outcome of said cases and disputes cannot be predicted with certainty, we believe based upon legal advice and information received, that the final outcome will not materially affect our financial position but could be material to our results of operations or cash flows in any future accounting period.

33. Events after the reporting date

On 1 January 2019, Stefan Feltens took over the position of the CEO (Chief Executive Officer) of SHOP APOTHEKE EUROPE N. V. from the previous CEO Michael Köhler. He has to be appointed by the annual general meeting on 30 April 2019.

In January 2019 Shop Apotheke Service B. V. signed a 15-year building rental agreement with a break option after 10 years under the condition of receiving a building permit.

34. Other Information

Auditor's fees

The Company's 2018 financial statements were audited by BDO Audit & Assurance B. V. (2017: BDO Audit & Assurance B. V.)

The following auditor's fees were expensed in the Statement of Profit and Loss in the reporting period:

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
Audit of the financial statements	265*	180
Other audit procedures – Capital increase/acquisitions	36.7	235
Total	**301.7**	**415**

*This amount includes 50 k relating to the 2017 audit.

Approval and signing
of the Consolidated Financial Statements

Venlo, 27 February 2019

Management Board Members

Marc Fischer
Theresa Holler
Dr. Ulrich Wandel
Stephan Weber

Supervisory Board Members

Jan Pyttel (Chairman)
Jerome Cochet
Frank Köhler
Björn Söder

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COMPANY FINANCIAL STATEMENTS.

COMPANY BALANCE SHEET

for the year ended 31 December 2018

	Notes	Year ended 31. 12. 2018	Year ended 31. 12. 2017
		EUR 1,000	EUR 1,000
Assets			
Financial fixed assets			
Subsidiaries	3	181,971	211,585
Current assets			
Trade and other receivables		518	61
Receivables from Group companies	4	66,640	17,841
Tax receivables (VAT)		1,241	0
Other financial assets		34,422	12,510
Cash and cash equivalents	5	146	181
		102,967	103,861
Total Assets		**284,938**	**242,178**
Equity and Liabilities			
Capital and reserves			
Issued capital		241	240
Share premium		291,803	289,076
Legal reserves		4,748	12,524
Equity part on convertible bonds		4,443	0
Reserve for stock option plan		1,450	0
Retained earnings		– 55,100	– 41,517
Net income for the year		– 33,609	– 21,358
Shareholders' equity	6	213,976	238,965
Current liabilities			
Convertible bond	7	67,498	0
		67,498	0
Current liabilities			
Trade and other payables		144	946
Payables to Group companies	8	0	970
Other liabilities	9	3,320	1,297
		3,464	3,213
Total equity and liabilities		**284,938**	**242,178**

COMPANY STATEMENT OF PROFIT AND LOSS

for the year ended 31 December 2018

	Year ended **31. 12. 2018**	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
General & administrative expenses	– 1,386	– 4,205
Total expenses	**– 1,386**	**– 4,205**
Other income	1	0
Financial income	1,243	220
Financial expenses	– 3,854	– 14
Result before tax	**– 3,996**	**– 3,999**
Income tax expenses	0	– 864
Share of post-tax results of subsidiaries	– 29,613	– 16,495
Net result	**– 33,609**	**– 21,358**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. General

The Company is registered at the Venlo Chamber of Commerce under Commercial register Number 63986981.

The description of the Company's activities and the Company structure, as included in the Notes to the Consolidated financial statements, also apply to the Company financial statements.

2. Summary of significant accounting policies

The company financial statements of SHOP APOTHEKE EUROPE N. V. are prepared in accordance with the legal requirements of Part 9, Book 2 of the Dutch Civil Code. The company has made use of the possibility based on Article 362, paragraph 8, Part 9, Book 2 of the Dutch Civil Code to prepare company financial statements based on the accounting policies used for the Consolidated financial statements.

The summaries of applications of new and revised reporting standards, significant accounting policies and critical judgements are given in Notes 3, 4 and 5 respectively of the notes to the Consolidated financial statements.

An investment in a subsidiary is accounted for using the equity method from the date on which the investee becomes a subsidiary. On acquisition of the investment in a subsidiary, any excess of the cost of the investment over the Group's share of the net fair value of the identified assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

Receivables are mainly receivables on Group companies. The accounting policy on trade and other receivables is included in note 19 of the notes to the Consolidated financial statements.

3. Financial fixed assets

Subsidiaries

A summary of the movements in the subsidiaries is given below:

	SA Europe B. V.	EHS Europe Health Services B. V.	Total
	EUR 1,000	EUR 1,000	EUR 1,000
Balance, 1 January 2017	0	0	0
Acquisition	0	168,182	168,182
Informal capital	59,898	0	59,898
Result 2017	– 16,479	– 16	– 16,495
Balance 31 December 2017	43,419	168,166	211,585
Result 2018	– 22,767	– 6,847	– 29,614
Balance, 31 December 2018	**20,652**	**161,319**	**181,971**

Informal capital

Following a decision by the shareholder meeting of SA Europe B. V. on 19 December 2017, an amount of EUR 62.0 m has been transferred from intercompany liabilities due to the parent company SHOP APOTHEKE EUROPE N. V. to share premium. For SHOP APOTHEKE EUROPE N. V. this means, that intercompany receivables due from SA Europe B. V. are transferred to subsidiary value of SA Europe B. V.

4. Receivables from Group companies

Regarding receivables and payables from/to Group companies, no repayment schedules have been agreed and no interest applies. Debit and credit amounts may be netted.

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
SA Europe B. V.	66,640	17,841
Balance 31 December	**66,640**	**17,841**

5. Cash and cash equivalents

Cash and cash equivalents of EUR 146 k at immediate free disposal of the company.

6. Shareholders' equity

The total authorised number of ordinary shares is 12,074,926 at 31 December 2018 (31 December 2017: 12,020,456) with a par value of EUR 0.02 per ordinary share. The issued and paid-up share capital of the Company amounts to EUR 241,498,52 divided into 12,074,926 ordinary shares of EUR 0.02 each.

Additional information is given in the Consolidated statement of changes in shareholder's equity and in note 22 to the Consolidated financial statements.

Legal reserves

Based on Dutch law, a legal reserve needs to be established for capitalized costs of development of software. The legal reserve cannot be used for dividend distribution and is therefore restricted in usage.

Movements during 2018 relate to the net balance of capitalization and amortization of software development.

7. Non-current liabilities – convertible bond

On 19 April 2018, the Company issued 4.5 % convertible bonds with an aggregate principal amount of EUR 75.0 m. Each bond entitles the holder to convert to ordinary shares at a conversion price of EUR 46.6864. Further information is given in note 21 to the Consolidated financial statements.

8. Payables to Group companies

Regarding receivables and payables from/to Group companies, no repayment schedules have been agreed and no interest applies. Debit and credit amounts may be netted.

	Year ended 31. 12. 2018	Year ended 31. 12. 2017
	EUR 1,000	EUR 1,000
EHS Europe Health Service B. V.	0	970
Balance 31 December	**0**	**970**

9. Other current liabilities

The other current liabilities include EUR 2.987 k regarding the convertible bond. (31 December 2017: EUR 0).

10. Personnel

The number of employees employed by SHOP APOTHEKE EUROPE N. V. at 31 December 2018 was 0. (31 December 2017: 0).

11. Commitments and contingencies

SHOP APOTHEKE EUROPE N. V. forms a fiscal unity together with its Dutch subsidiaries SA Europe B. V., Euroservice Venlo B. V., SHOP APOTHEKE B. V., VitaZita B. V. and Shop Apotheke Services B. V., for the purposes of Dutch value-added tax laws. As a consequence, the company bears joint and several liability for the debts with respect to value-added taxes of the fiscal unity.

SHOP APOTHEKE EUROPE N. V. is liable for its Dutch group companies, i. e. SA Europe B. V., Euroservice Venlo B. V., SHOP APOTHEKE B. V., VitaZita B. V. and Shop-Apotheke Services B. V. according to Article 403 of the Dutch Civil Code, the according declaration has been files with the trade register.

Guarantee obligations have been provided by the Group for EUR 65 k (RedTecLab GmbH), EUR 35 k (nu3 GmbH), EUR 240 k (EUROPA APOTHEEK Venlo B. V.)

Credit facility

The Deutsche Bank EUR 20 m credit facility agreement was in addition secured by a EUR 20 m pledge over assets.

12. Remuneration of the Board of Directors

See note 26 of the notes to the Consolidated financial statements.

13. Auditor's fees

See note 34 of the notes to the Consolidated financial statements.

14. Events after the balance sheet date

On 1 January 2019, Stefan Feltens took over the position of the CEO (Chief Executive Officer) of SHOP APOTHEKE EUROPE N. V. from the previous CEO Michael Köhler. He has to be appointed by the annual general meeting on 30 April 2019.

In January 2019 Shop-Apotheke Service B. V. signed a 15-year building rental agreement with a break option after 10 years under the condition of receiving a building permit.

15. Signing of the financial statements

Venlo, 27 February 2019

Signed: Statutory directors
Marc Fischer
Theresa Holler
Dr. Ulrich Wandel
Stephan Weber

Signed: Supervisory Board members
Jan Pyttel (Chairman)
Björn Söder
Frank Köhler
Jerome Cochet

OTHER INFORMATION

Statutory rules concerning appropriation of result
According to the articles of the Company's statutory regulations the appropriation of the result for the year is at the disposal of the general meeting.

Appropriation of result for the period 1 January 2018 – 31 December 2018
The board of directors proposes that the loss for the period 1 January 2018 – 31 December 2018 amounting to EUR 33.609 k should be deducted from the other reserves.

Independent auditor's report
Reference is made to the auditor's report as included herinafter.

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INDEPENDENT AUDITOR'S REPORT.

Independent auditor's report

To: the shareholders and Supervisory Board of SHOP APOTHEKE EUROPE N. V.

Report on the audit of the financial statements 2018

Our opinion

We have audited the financial statements 2018 of SHOP APOTHEKE EUROPE N. V., based in Venlo. The financial statements include the consolidated financial statements and the company financial statements.

We have audited	Our opinion
The consolidated financial statements which comprise: 1. the consolidated statement of financial position as at 31 December 2018; 2. the following consolidated statements for 2018: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and 3. the notes comprising a summary of the significant accounting policies and other explanatory information.	In our opinion the enclosed consolidated financial statements give a true and fair view of the financial position of SHOP APOTHEKE EUROPE N. V. as at 31 December 2018 and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.
The company financial statements which comprise: 1. the company balance sheet as at 31 December 2018; 2. the company profit and loss account for 2018; and 3. the notes comprising a summary of the applicable accounting policies and other explanatory information.	In our opinion the enclosed company financial statements give a true and fair view of the financial position of SHOP APOTHEKE EUROPE N. V. as at 31 December 2018 and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements"-section of our report.

We are independent of SHOP APOTHEKE EUROPE N. V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Our audit approach

Overview and context

SHOP APOTHEKE EUROPE N. V. is an international online pharmacy. The Group comprises of several operating companies and therefore we considered our group audit scope and approach as set out in "Scope of the group audit" section. We paid specific attention to the areas of focus driven by the operations of the Company as set out below.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we assessed the areas where the Management Board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain (see Note 5 to the financial statements). Our audit and the determination of key audit matters was shaped by the Company's online pharmacy activities. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Management Board that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competencies which are needed for the audit of an online pharmacy. The group uses an ERP IT system. The adequacy and effective operation of controls over this IT system is an important element of the integrity of financial reporting within the Group. We utilized IT specialists in our audit to evaluate the adequacy and effective operation of these controls. Furthermore, we included specialists in areas requiring valuation expertise.

Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 3,000 thousand. The materiality is based on 0.6 % of reported revenue. We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that revenue is an important metric for the financial performance of the Company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of € 150 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

SHOP APOTHEKE EUROPE N. V. is the head of a group of entities. The financial information of this group is included in the consolidated financial statements of SHOP APOTHEKE EUROPE N. V.

Our group audit mainly focused on significant group entities. We consider a component significant when:

- it is of individual financial significance to the group; or
- the component, due to its specific nature or circumstances, is likely to include significant risks of material misstatement, whether due to fraud or error of the group financial statements.

To this extend we:

- performed audit procedures ourselves at significant group entities;
- we have not used the work of other auditors;
- performed review procedures or specific audit procedures at other group entities.

By performing the procedures mentioned above, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our 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. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

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.

Business combinations	Our audit approach
In 2018, SHOP APOTHEKE EUROPE N. V. has acquired the Nu3 business. The company prepared a purchase price allocation for this acquisition, by which the total consideration is allocated to the assets and liabilities of the acquired company. The acquisition and the purchase price allocation are disclosed in note 27 to the financial statements. Given the significance of the consideration paid and the management estimates that are required to prepare a purchase price allocation, we consider the business combination to be a key audit matter. Furthermore, the financials of the newly acquired company are converted to SHOP APOTHEKE EUROPE N. V. accounting policies and consolidated in the SHOP APOTHEKE EUROPE financials as of acquisition date.	In our audit of the accounting of the acquisition, we assessed the purchase agreement and verified the payment of the purchase price to the sellers. An important element of our audit relates to the identification of the acquired assets (e. g. valuation of brand and customer database) and liabilities (provisions, other liabilities). We tested this identification based on our understanding of the business of the acquired company and the explanations and plans of the company that supported the acquisition. Subsequently, we tested the fair values of the acquired assets and liabilities based on common valuation models. We involved our valuation specialists in the audit of the fair values. Furthermore, we assessed the appropriateness of the disclosures in the financial statements regarding the acquisitions.

Valuation of goodwill	Our audit approach
At December 31, 2018 the Group's goodwill balance is valued at € 129 million. Under EU-IFRS, the company is required to annually test for impairment of goodwill. This annual impairment test is significant to our audit because the assessment process is complex and involves significant management judgement. These judgements involve assumptions that are affected by expected future market and developments in economic conditions. Based on the annual goodwill impairment test the Management Board concluded that no goodwill impairment was needed. The key assumptions and sensitivities are disclosed in note 16 to the consolidated financial statements.	Our audit procedures included obtaining an understanding of the management's process for valuation of goodwill. Our substantive procedures include, amongst others an assessment of the mathematical accuracy of the calculations and a reconciliation to the long term forecast as approved by the Management Board. We used our valuation experts to assist us in evaluating the assumptions and methodologies used in the annual impairment test prepared by the company. We have challenged management, primarily on their assumptions applied where upon which the outcome of the impairment test is most sensitive, including, for example, projected revenue growth, EBITDA margin, discount rate, marketing spend, number of sales transactions, the development of basket sizes, gross margin and terminal value growth. Furthermore, we challenged management by comparing the assumptions to historic performance of the company, comparing to the company's historical data, industry and market information, taking into account the sensitivity of the goodwill balances to changes in the respective assumptions. We also focused on funding which is a prerequisite for the realization of the strategy, by obtaining, analyzing and challenging the various funding alternatives and interviewing management in view of the scenarios presented to us. We also focused on the adequacy of the company's disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The company's disclosures concerning impairment and goodwill are included in note 16 to the consolidated financial statements.

Report on other information included in the annual report

Next to the financial statements and our opinion thereon, the annual report consists of other information, including:

- the Management Board report as defined on page 82 of the Annual Report
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code
- Other information included in the sections: our company, our core competences, our members of the board, the SHOP APOTHEKE Share report of the Supervisory Board sections.

Based on the procedures as mentioned below, we are of the opinion that the other information:
- is consistent with the financial statements and contains no material deficiencies;
- includes all information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information and based on our knowledge and understanding obtained from the audit of the financial statements or otherwise, we have considered if the other information contains material deficiencies.

With these procedures, we have complied with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Auditing Standard 720. These procedures do not have the same scope as our audit procedures on the financial statements.

Management is responsible for the preparation of the Management Board report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of SHOP APOTHEKE EUROPE N. V. as of the audit for year 2017 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5 (1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from errors or fraud 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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifyin g and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining 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 errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtaining 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;

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Management Board and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the Audit Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board 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, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Eindhoven, 27 February 2019

For and on behalf of BDO Audit & Assurance B. V.,

Signed P. P. J. G. Saasen RA

GLOSSARY.

Active customers
Unique customers who have placed at least one order in the 12 preceding months

Adjusted EBITDA
EBITDA before certain non-recurring items related to the re-organization and the offering

Administrative expenses
Corporate overhead costs related to IT, finance and management and excluding depreciation and amortization

AFM
Dutch Authority for the Financial Markets (Autoriteit Financiële Markten)

Articles of Association
Articles of Association (statuten) of the company

BPC
Beauty and personal care

Bricks-and-mortar harmacies
Traditional pharmacies with a local/physical presence

CAGR
Compound annual growth rate

Combined segment EBITDA
The total segment EBITDA for our operating segments

Continental Europe
Germany, France, Italy, Spain, Poland, Romania, the Netherlands, Belgium, Portugal, the Czech Republic, Hungary, Sweden, Bulgaria, Denmark, Slovakia, Norway and Austria

CRM
Customer relationship management

Delimitation agreement
Agreement with the purpose of defining the future businesses of both groups and to restrict an overlap

DFSA
Dutch Financial Supervision Act (Wet op het financieel toezicht)

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortisation

ERP
Enterprise resource planning

EU member states
All member states of the European Union

EUROPA APOTHEEK (Group)
EHS Europe Health Services B. V. including its direct and indirect subsidiaries

Farmaline acquisition
Acquisition of all relevant assets and agreements of the online business of the Belgian online pharmacy Farmaline

Farmaline
Belgian online pharmacy Farmaline N. V.

FRSA
Dutch Financial Reporting Supervision Act (Wet toezicht financiële verslaggeving)

GDP
Gross domestic product

General Meeting
General meeting (algemene vergadering) of the company

Greenshoe shares
Such over-allotment shares for which the Greenshoe option has been exercised

Group or our Group
SHOP APOTHEKE EUROPE N. V., Venlo, the Netherlands together with its consolidated subsidiaries

IFRS
International Financial Reporting Standards as adopted by the European Union

Management Board
The company's Management board

Medicinal Products Directive
EU Directive on the Community Code Relating to Medicinal Products for Human Use (2001/83/EC)

Medicines Importation Act
Medicines Act and the Act relating to the Importation of Medicinal Products (Arzneiwareneinfuhrgesetz 2010)

Mobile visits
Site visits originating from tablets and smartphones as well as other non-desktop computer based means of visiting our sites, such as smart TVs

Non-GAAP measures
Measures not defined by IFRS used as key figures by our management to monitor the performance of the Group included in the prospectus

Number of orders
Number of customer orders containing at least one product, placed during the measurement period

OTC medications
Medicines sold to a customer without a prescription from a healthcare professional, as compared to prescription-only medicines, which may be sold only to customers who have a valid prescription

Personal care
Industry that manufactures consumer products used for personal hygiene as well as beautification

Pharmacy-related BPC products
Personal care products that are almost exclusively distributed through pharmacies

Return rate
Percentage of billed orders that incorporated a return or reclamation of total billed orders in a given time period

SEA
Search engine advertising

Segment EBITDA
Defined as EBIT for each segment before depreciation and amortization expenses and administrative expense. "Administrative expenses" relates to corporate overhead costs relating to IT, finance and management and excludes depreciation and amortization

SEO
Search engine optimization

Service agreements
Four service agreements with companies in the EUROPA APOTHEEK Group; pursuant to which Shop-Apotheke Service B. V. provides the IT pharmaceutical services, marketing services and finance, accounting and internal control services

Share of mobile visits
Mobile visit as a percentage of site visits

Share of repeat orders
Percentage of total orders billed during the measurement period that are not the initial order bill to the customer

Site visits
Interaction of a visitor on our website; a visit is considered terminated when the visitor leaves the browser tabor has not interacted with the page for more than 30 minutes

Supervisory Board
Company's Supervisory Board

Supervisory Board member
Any member of the Supervisory Board

VAT
Value-added tax

Wholesale agent agreement
Agreement which our subsidiary, EuroService Venlo B. V. entered into with EUROPA APOTHEEK Venlo B. V.

As of 1 October 2015

WPG
Medicines Prices Act (Wet geneesmiddelenprijzen)

FINANCIAL CALENDAR. EVENTS.

30 April 2019
Annual General Meeting, Venlo

15 May 2019
Publication of the results for Q1 2019

14 August 2019
Publication of the results for H1 2019

14 November 2019
Publication of the results for Q3 2019

IMPRINT.

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Marc Fischer, Stephan Weber

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Responsible pharmacist:
T. Holler
(legal occupational title: pharmacist, entered in the Dutch pharmacy registry:
BIG number: 99054129717)

Awarded the title of pharmacist in Germany by the Landesamt für Soziales, Jugend und Versorgung of the federal state of Rhineland-Palatinate

Responsible health authority:
Staatstoezicht op de Volksgezondheid:
Inspectie voor de Gezondheidszorg, Regio Zuidoost

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0800 - 200 800 300
(toll-free for calls originating from Germany's fixed-line of mobile networks)
Monday to Saturday from 8 am to 8 pm

Fax:
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European Online Dispute Resolution Platform (ODR platform):
Based on the EU's Regulation 524/2013, the EU Commission has set up an interactive website through which consumers and traders can resolve disputes online out of court.
You can find the ODR-platform here:
http://ec.europa.eu/consumers/odr/

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