ANNUAL REPORT 2020.

INTRODUCING THE CUSTOMER-CENTRIC E-PHARMACY PLATFORM FOR EUROPE.

SEVENUM/VENLO | COLOGNE | BERLIN | MUNICH | TONGEREN | PARIS | MILAN | WARSAW

OUR MISSION.

ENABLING EVERYONE TO LIVE THE HEALTHIEST LIFE POSSIBLE.

KEY FIGURES 2020.

CONTINUOUSLY INCREASING OUR STRONG GROWTH ACROSS EUROPE.

SALES FY 2020:
EUR 968.1 MILLION (+38.1 %).

PARCELS SENT IN 2020:
MORE THAN 45,400 PARCELS A DAY.

GROSS MARGIN:
INCREASED TO 22.7 %.

REPEAT ORDERS:
82 %.

ACTIVE CUSTOMERS:
6.3 MILLION.
1.6 MILLION NEW CUSTOMERS.
GAINED IN 2020 (+34 %).

AVERAGE SHOPPING BASKET SIZE INCREASED TO:
€ 66.

SITE VISITS GREW BY:
74.5 MILLION TO 208.3 MILLION.

CUSTOMER SATISFACTION:
NET PROMOTER SCORE (NPS) OF 70.

THE ONLINE PHARMACY FOR EUROPE AT A GLANCE.

GROWING STEADILY IN ALL OUR MARKETS.

MORE THAN 6.3 MILLION ACTIVE CUSTOMERS ACROSS EUROPE.

As one of Europe's leading online pharmacies, SHOP APOTHEKE EUROPE is dedicated to **enabling everyone to live the healthiest life possible.** This became especially vital with the Coronavirus pandemic when many people were unwilling or unable to go to traditional pharmacies, leading to a rapid rise in orders.

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. **The online sales of prescription drugs are projected to increase over the years following the expected introduction of electronic prescriptions in our largest market, Germany, in the summer of 2021.**

We have set up a team of experts for our Rx First project to make the most of this opportunity – and **acquiring SMARTPATIENT earlier this year, we are further building up our know-how in supporting patients in living with their diseases,** thereby making our offering even more attractive for people suffering from chronical illnesses.

SHOP APOTHEKE EUROPE's comprehensive offering is being recognized by both the markets and by customers: The company was **promoted to Germany's second most important stock index, the MDAX,** while also once again being named **'Online Pharmacy of the Year'** in major consumer surveys in several of our markets.

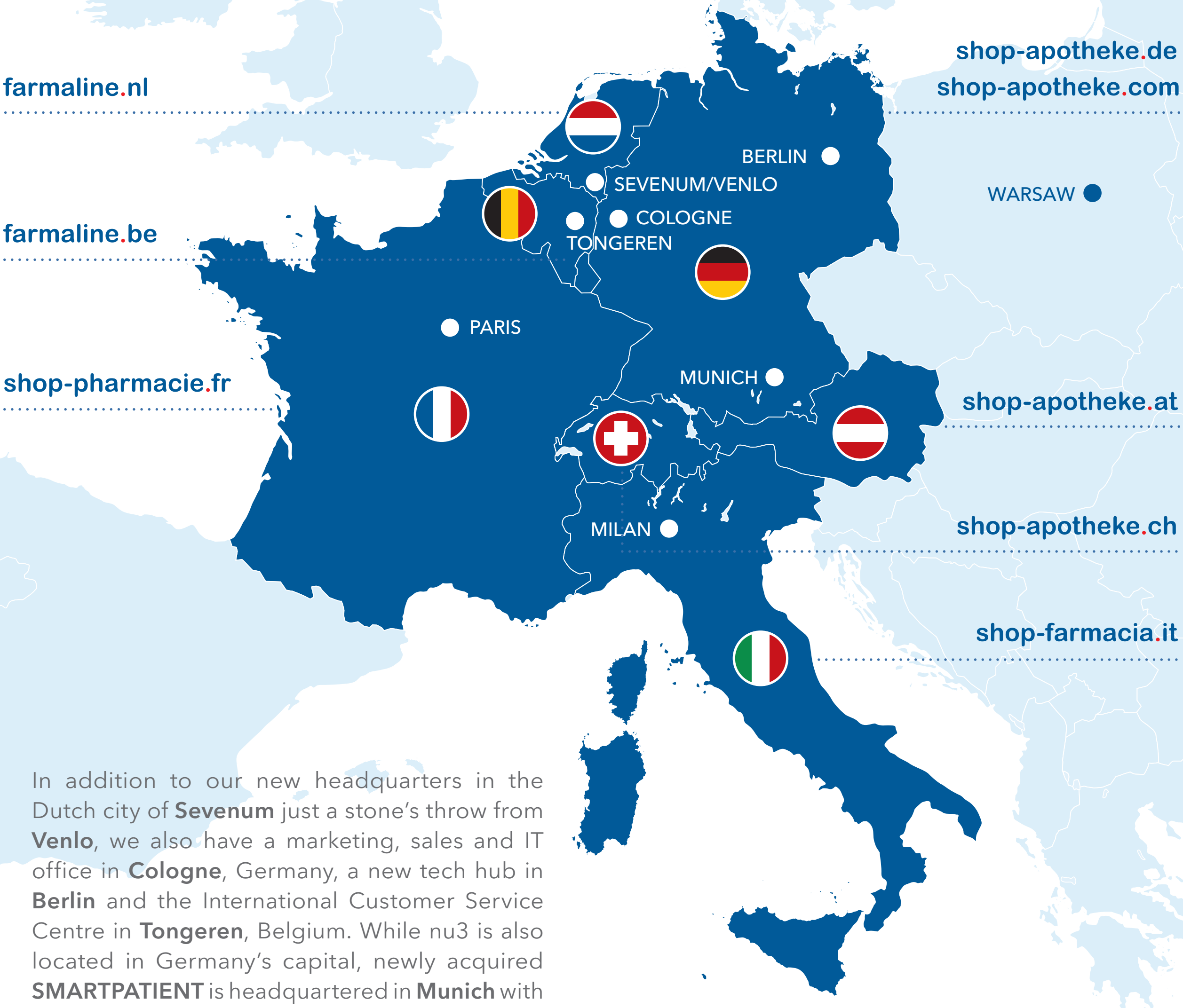
- EUROPE'S FAST-GROWING ONLINE PHARMACY FOR OTC & BEAUTY AND PERSONAL CARE PRODUCTS.
- ONE OF THE LEADING MAIL ORDER PHARMACIES FOR PRESCRIPTION MEDICATIONS IN GERMANY.
- EARLY MOVER, PIONEERING THE ONLINE PHARMACY MARKET SINCE 2001.
- HEADQUARTERED IN THE NETHERLANDS WITH OFFICES IN GERMANY, BELGIUM, FRANCE, ITALY AND POLAND.
- MARKET LEADER IN GERMANY, AUSTRIA AND BELGIUM (OTC AND BPC PRODUCTS).
- HIGHEST STANDARDS OF PHARMACEUTICAL SAFETY.
- OUTSTANDING CUSTOMER COUNSELLING.

* Online consumer survey in Germany in the period from May 28 until September 3, 2020, conducted by Q&A Research BV. A total of 91,628 ratings in 40 categories.

NUMBER ONE IN GERMANY, AUSTRIA & BELGIUM.

LEADING THE WAY IN EUROPE.

SEVEN COUNTRIES, ONE ENTREPRENEURIAL SPIRIT.



In addition to our new headquarters in the Dutch city of **Sevenum** just a stone's throw from **Venlo**, we also have a marketing, sales and IT office in **Cologne**, Germany, a new tech hub in **Berlin** and the International Customer Service Centre in **Tongeren**, Belgium. While nu3 is also located in Germany's capital, newly acquired **SMARTPATIENT** is headquartered in **Munich** with an office in **Warsaw**, Poland.

smart patient

Recently acquired Munich-based specialist for digital medication management with 1.4 million patients actively using SMARTPATIENT's MyTherapy app to better manage medications and improve adherence. **www.smartpatient.eu**

nu3 Intelligent Nutrition.

Founded in 2011 and part of the SHOP APOTHEKE EUROPE GROUP since 2018, nu3 specializes in the fast-growing market segment of functional nutrition products.

www.nu3.com

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Disclaimer PDF print – this document is only a 'printed version' and is not the original annual financial reporting including the audited financial statements pursuant to article 361 of Book 2 of the Dutch Civil Code. These original annual financial reporting, including the audited financial statements and the auditor's report thereto are included in the single report package which can be found at: https://shop-apotheke-europe.com/de/investorrelations/publikationen/

In any case of discrepancies between this 'printed version' and the report package, the single report package prevails.

01

MESSAGE TO OUR SHAREHOLDERS.

SHOP APOTHEKE EUROPE'S MANAGEMENT BOARD.

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN.

Venlo, 2 March 2021

In 2020, the world and society were severely impacted by the Corona pandemic to an unpredictable extent. SHOP APOTHEKE EUROPE's business model proved to be resilient and robust during this period. We are grateful and proud that we were able to execute and reinforce our essential complementary role in the health-care system continuing to serve our customers across the geographies we operate in, also during the most challenging times. After we already entered the year optimistically with a targeted increase in sales of around 20%, we raised our growth projection three times over the course of the year, ultimately to an aim of growing by at least 35%. We ended the fiscal year with sales of more than EUR 968 million, up 38.1% versus 2019. The number of active customers rose strongly; up 1.6 million from 4.7 million at the end of 2019 to 6.3 million this year. The entire growth was organic, thus without business acquisition additions. We achieved a significantly better profitability at the same time as well; while our guidance at the start of the year was to break-even at the adjusted EBITDA level for the first time since our IPO in 2016, we ended at an adjusted EBITDA margin of +2.2%. This was an improvement from 2019's –1.9% to +2.2% of 4.1 percentage points (from EUR –13.6 million by EUR 35.2 million to EUR +21.6 million), driven by better margins, efficiency and scale. Equally impressive was the improvement of the company's cash power – from an operating cash flow of EUR –30.7 million in 2019 to EUR 17.8 million last year (+EUR 48.5 million).

Financially, we completed a successful capital raise of €65 million on April 7, and our decision for an earlier incentivized conversion of our EUR 135 million 4.5% convertible bond, originally due in 2023, was another important milestone. In January 2021, shortly after the balance sheet date, we successfully placed new convertible bonds in a principal amount of EUR 225 million. Terms improved significantly with a zero coupon for seven years and a conversion premium of 50% were another vote of confidence by our investors. As a result, besides substantially lower financing cost, we have significantly improved our financial robustness and flexibility to execute our strategy and act upon additional growth opportunities. In the first week of January 2021, we announced the acquisition of Munich based SMARTPATIENT allowing us to accelerate the development of medication management as one pillar of SHOP APOTHEKE EUROPE's future success – especially in light of the introduction of electronic prescriptions in Germany this year. We are convinced that best-in-class medication management will result in better health outcomes, and, hence, be a meaningful contributor to our mission to enable everybody to live their healthiest lives possible.

"We thank our employees for their exceptional commitment."
The favorable business development was of course also driven by the surge in demand in the eCommerce sector related to the Corona pandemic. Nevertheless, our excellent performance cannot be taken for granted, as we also faced numerous challenges, in which safeguarding the health of our employees and serving the needs of our customers in the best way possible have been and still are the fundamental principles of our approach. In this context, once again we want to express our sincere thanks to our employees for their really exceptional commitment in these challenging times.

"In the past year, we have made important decisions to further develop our company."
During the past year, we made substantial progress in developing SHOP APOTHEKE EUROPE from a pure online retailer to a truly customer-centric e-pharmacy platform. In this respect we are also happy to announce that the construction of our new headquarters and logistics centre in Sevenum near Venlo was completed last year and the transition of all logistics activities is on track. Despite the challenging Corona times, and we managed to send the first parcels out of the new facility already in October.

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In order to offer our customers convenient access to medical consultations we entered into a cooperation with Zava, one of the leading European telemedicine providers already in 2019 and expanded the collaboration in 2020. Furthermore, we were happy with the launch of our own brand RedCare. We expect our own brand business to grow significantly over the coming years. We successfully rolled-out our same-day delivery option under the SHOP APOTHEKE NOW! brand, an important element of our marketplace strategy, which allows customers to receive selected products on the same day they placed their order. The service is already available in the Rhein-/Ruhr-region, Berlin, Munich and Stuttgart. And parallel to this, we of course worked on getting prepared for the start of electronic prescriptions in Germany, scheduled for mid-2021. The required legislative framework was firmly established by the end of last year. We will be ready to go.

"Sustainability is an integrated part of our strategy."
It's about doing the right things and acting responsibly. We want to be successful in the right way. Our sustainable development approach focuses on creating awareness and knowledge among our employees aiming to take economic, social, environmental, and governance aspects into account in our way of doing business, at all levels of the company. We know that a healthy life is only possible on a healthy planet. Measuring our corporate carbon footprint was one of the first steps. Facing the urgency of climate change, we do offset all Scope 1, 2 and 3 emissions from October 1, 2020 onwards. However, we know that offsetting is not enough. In 2021 we will therefore define our science-based emission reduction targets aligning our company's path to the Paris Climate Agreement and a well below 2° Celsius economy. Sustainability challenges are and will continue to be complex, but we are addressing them as fast and ambitious as our growth story.

We participate actively in the UN Global Compact and the Leaders for Climate Action (LFCA). For the first time, the principles of the underlying annual report are based on internationally acknowledged sustainability reporting standards; this report includes our UN Global Compact Communication of Progress (CoP) and has been prepared in accordance with the GRI Standards: Core option (GRI 102–14, 102–49, 102–54).

"The capital markets have rewarded our success story."
We are also proud that our successful growth story is attracting more and more attention on the capital markets. Just two years after the inclusion of SHOP APOTHEKE EUROPE's shares to the Frankfurt SDAX, we were promoted again, and are in the MDAX since September 2020. Drivers were a significantly increased daily trading volume at the stock exchange, and a continuously growing market capitalisation that stood at around EUR 4 billion at the date of this report.

The start of 2021 continued as we ended 2020 – high customer satisfaction across our markets and double-digit growth. But the world, society and financial markets are volatile, specifically in light of the ongoing Corona pandemic. We will continue to deliver on our strategy towards the leading European customer-centric e-pharmacy platform. At the end of 2020, Germany imposed a ban on bonuses for prescription medicines (Rx), which is a real disappointment for many of our chronically ill customers because their out-of-pocket expenses increased considerably. We remain convinced that the bonus ban represents a violation of European law and are considering all legal options – not the least in the interest of our customers. The bonus ban could have an unfavourable impact on our prescription sales in Germany. On the other hand, Germany is working hard to introduce a digital solution replacing the current paper prescription flows in the course of 2021, aiming to improve lives of patients in Germany and making it easier for customers to choose the pharmacy of their choice. We have exciting plans in our other six countries in which we operate too. Always with a focus on SHOP APOTHEKE EUROPE's mission – to enable people to live their healthiest lives possible. We are confident that 2021 will be another important chapter in SHOP APOTHEKE EUROPE's path forward. We know we can only achieve our ambitions with the best people, those people who have achieved a spectacular 2020.

SHOP APOTHEKE EUROPE N.V.
The Management Board

Signed
Stefan Feltens | Jasper Eenhorst | Theresa Holler | Marc Fischer | Stephan Weber

SHOP APOTHEKE's Management Board combines extensive expertise and many years of experience in the pharmaceutical sector with vast know-how in e-commerce. The five-member-board collaborates closely with a strong and dynamic team to further develop the company.

Stefan Feltens Marc Fischer Theresa Holler Jasper Eenhorst Stephan Weber

Stefan Feltens is the company's **Chief Executive Officer (CEO)** since the beginning of 2019. He 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 US$ 20 billion.

Stephan Weber is **Chief Commercial Officer (CCO)**. He is one of the founders of SHOP APOTHEKE EUROPE 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.

Jasper Eenhorst is the company's **Chief Financial Officer (CFO)**. He joined the company in February 2020 from leading food retailer Ahold Delhaize where he most recently served as CFO for the rapidly growing e-commerce unit of top Dutch supermarket chain Albert Heijn. He studied Economics at Erasmus University Rotterdam, the Netherlands.

Theresa Holler is SHOP APOTHEKE EUROPE'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 since 2008. She previously worked for Doc Morris where she helped build the company's webshop. 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 Information Officer (CIO)** is responsible for SHOP APOTHEKE EUROPE'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.

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 2020 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 2020, and of the 2020 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 2020 and the state of affairs during the financial year 2020, together with a description of the principal risks faced by the Group.

02

OUR COMPANY.

LOOKING BACK ON AN EXTRAORDINARY 2020.

Last year has been a highly unusual year for both the planet and for SHOP APOTHEKE EUROPE. The Coronavirus pandemic impacted people's lives on multiple levels and we rose to the challenge to contribute to safeguarding **the safe supply of medicines to customers in all our markets:** We rapidly expanded our capacities to meet rising demand and already had a robust IT infrastructure in place that meant **our site was available at all times**, leading to an increase in our active customer base of 1.6 million to 6.3 million. By quickly installing a **Corona Crisis Management Team, we also ensured our people stayed safe with no outbreaks at any of our sites.**

INTRODUCING NEW HEALTH SERVICES TO FURTHER INCREASE CUSTOMER LOYALTY AND PROFITABILITY.

While responding to the crisis we always kept our eyes on the future and our goal of **developing from a pure online retailer into a customer-centric e-pharmacy platform** that provides an even bigger array of health-related products and services.

Key to this is our new headquarters and logistics centre in Sevenum, where we are already processing orders for several of our markets and which will more than double our capacity to meet future demand that we are already preparing for in several areas:

- The **introduction of electronic prescriptions in Germany** this summer is projected to grow online pharmacies' share of the Rx market. Our RxFIRST project team of experts is working diligently to make sure we will be able to seize this opportunity from day one.

- Thanks to the acquisition of SMARTPATIENT in January 2021, we will be able to **support patients even better with their medication management,** thereby further distinguishing us from the competition. Our focus is on digital service offerings that support patients in taking their medications regularly and, hence, improving health outcomes.

- **Our online marketplace** will provide an even broader range of health-related and beauty and personal care products to our customers. SHOP APOTHEKE NOW!, our same-day service, will be expanded to cover all metro areas in Germany this year.

"The expansion of medication management is one of our strategic pillars. Together with SMARTPATIENT, we are taking on a pioneering role in this area, continuing to advance our company's development into a customer-centric e-pharmacy platform."

Stefan Feltens,
CEO, **SHOP APOTHEKE EUROPE.**

PRESENTING THE E-PHARMACY PLATFORM OF TOMORROW.

ENABLING EVERYONE TO LIVE THE HEALTHIEST LIFE POSSIBLE.

Enabling people to live the healthiest lives possible means much more than just selling them products they could buy in any traditional bricks-and-mortar pharmacy. That's why our teams of experts are continuously working on expanding our portfolio of products and services – something that has become even more important during the Coronavirus pandemic when many people are concerned about venturing outside.

RedCare
SHOP APOTHEKE

- We are always looking to grow our offering – and that includes adding more and more products to RedCare, our own brand label that provides consumers with high quality OTC medications at lower prices.
- We are also continuously expanding our functional foods and nutrition supplement portfolio through our nu3 brand.
- The launch of our marketplace will massively increase the type and number or products we can offer our customers by partnering with third-party suppliers, transforming SHOP APOTHEKE EUROPE into a one-stop shop for all their health-related as well as beauty and personal care products.

SHOP APOTHEKE NOW!

- SHOP APOTHEKE NOW! Provides same-day delivery to customers in the Berlin, Rhine-Ruhr, Munich and Stuttgart regions, with the service to be rolled out to further metropolitan areas across Germany.
- The acquisition of SMARTPATIENT, a company specializing in digital medication management, means we will be able to support patients living with chronic diseases better than ever before – an important differentiator, especially with electronic prescriptions to be launched in Germany this summer. The MyTherapy app is the world's fastest-growing disease management app and serves as the operating system for digital patient solutions. Thanks to this technological expertise, we will now further expand and fully digitise our medication management offerings.

"We have been offering therapy support programmes for chronically ill patients in Germany for more than ten years. Our aim is not just to supply our customers with their important medicines, but to always be on their side and help them to manage their medications every day."

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

NEW LOGISTICS CENTRE TO MEET EVER-HIGHER DEMAND.

AMPLE CAPACITY FOR OUR AMBITIOUS GROWTH PLANS.

The Coronavirus pandemic shows, it is vital to have sufficient capacity to ensure customers and patients quickly receive their orders even with a rapid increase in demand. This will remain true even in the post-Covid era as more and more people shift to online shopping. Futhermore, we will expecting a ten-fold increase in the number of prescription medications sold following the launch of electronic prescriptions in Germany this summer – with our other markets likely to follow suit later. Our new state-of-the-art logistics centre in Sevenum is the solid foundation for ensuring we will be able to meet our ambitious growth plans and keep up with the growing demand of the coming years.

- Compared to our current site, we will more than double our capacity, meaning we will be able to process and ship over 100,000 parcels a day (old site: ca. 39,000 parcels), i. e., more than 35 million parcels a year.
- This massive increase in capacity is made possible by a new warehouse management system specifically designed for future demand in-house plus a new level of automation that will make work both faster and easier for our employees.
- The move to the new facility, which we plan to complete in summer, is ahead of schedule with parcels already being shipped to several of our markets. Because we concurrently keep operations going at the old logistics site, the move is seamless, meaning customers do not experience significant delays or other negative impacts on their orders.

Theresa Holler,
COO and chief pharmacist,
SHOP APOTHEKE EUROPE.

STRONG FINANCIAL PERFORMANCE.

BALANCING RAPID SALES GROWTH AND MARGINS.

2020 was also an extraordinarily successful year from a financial perspective with rapid growth across all our markets and as well a successful capital increase and the early redemption of € 135 million worth of convertible bonds. In a clear sign of SHOP APOTHEKE EUROPE'S business success, the company was promoted to the MDAX, Germany's second most important stock market in September, just two years after SHOP APOTHEKE EUROPE was included in the SDAX.

Some highlights:

- We broke even on the adjusted EBITDA margin level for the first time since our IPO.
- The company raised its adjusted EBITDA guidance twice in 2020 to finish the year at the upper end of the range with a positive 2.2 %.
- Thanks to rapidly seizing business opportunities, SHOP APOTHEKE EUROPE'S sales growth guidance was raised even three times for a year-end result of almost € 1 billion in sales.
- Margins were further boosted by gains in efficiency, leveraging effects of scale and better sourcing conditions.
- The company also benefitted from its successful capital market activities with a capital increase of € 65 million in April and the early redemption of € 135 million worth of convertible bonds with a coupon of 4.5 % originally planned for 2023. In early January 2021 new convertible bonds worth € 225 million with a zero coupon (0.0 %) were placed.

Jasper Eenhorst,
CFO, **SHOP APOTHEKE EUROPE.**

TECHNOLOGY IS IN OUR DNA.

LEADING THE WAY IN THE DIGITISATION OF PHARMACIES.

Customer-centricity is at the core of our philosophy – and technology provides us with the tools to deliver an easy-to-use and seamless customer journey. Furthermore, IT is a driver of our operational efficiency. We are one of the leaders in the digitisation of pharmacies. A megatrend that is expected to continue as healthcare systems leverage digital services to boost efficiency and patient outcomes. Because our technology is proprietary and developed in-house, we can quickly respond to changing customer needs and continuously improve the customer experience as well as analyse all data to further fine-tune our marketing activities.

- We believe strongly that everyone at our different IT sites can do everything. Rather than thinking in silos, this means colleagues can work together across borders and departments to develop optimal solutions without extensive ramp-up times.
- At the same time, dedicated product teams enable us to step up agility. This helped us in setting up a new, even more user-friendly front end as well as quickly respond to emerging needs as well as different demands in each of our markets.
- We are constantly expanding our technological expertise. In addition to our established IT teams in Venlo/Sevenum and Cologne we have opened a technology hub in Berlin, a major recruiting ground and centre of e-business. The acquisition of SMARTPATIENT with offices in Munich and Warsaw instantly injected vast know-how in the increasingly important medication management segment as well as access to talent in these major information technology hubs.

ADVANCING THE BUSINESS STRATEGY WITH EXCELLENT TECHNOLOGY AND FAIL FAST CULTURE.

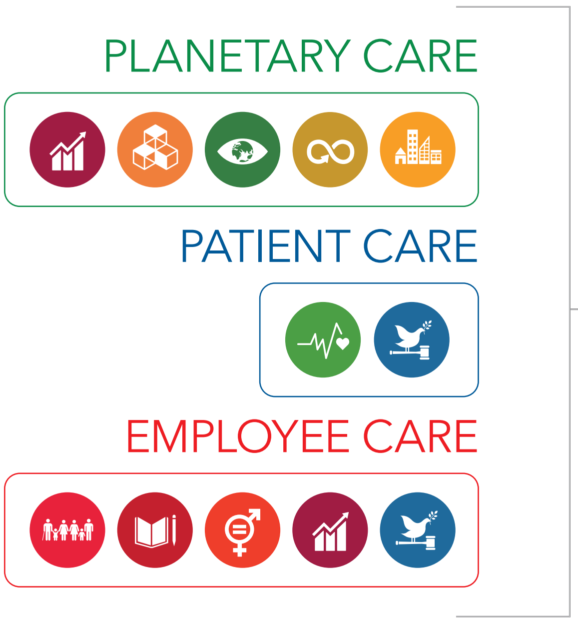
IT has been instrumental in driving operational efficiency in all steps of the pharmacy process and now even more so in the new logistics centre.

Marc Fischer,
CIO and co-founder,
SHOP APOTHEKE EUROPE.

ENVIRONMENTAL SOCIAL GOVERNANCE.

SUSTAINABILITY IS THE RIGHT THING TO DO AND MAKES GOOD BUSINESS SENSE.

As an e-pharmacy, we care – about our patients, about our planet and of course about our employees. Doing so is in our DNA and also an increasingly important factor for consumers when they decide which businesses they want to use. Therefore, our increased focus on environmental social governance is not just the correct thing to do; it will also positively impact our long-term profitability as well as our ability to recruit and retain talents.



BECAUSE we care

Since October last year we are a climate neutral company.

In 2020, we introduced a carbon management process:

- We measured our carbon footprint for the first time and have it monitored by renowned third party auditors TÜV to ensure we can draw the right lessons from it to further optimise this annually recurring process.
- We have been offsetting 100 % of our CO_2 emissions since October 2020, making SHOP APOTHEKE EUROPE a climate neutral company. We have also implemented an "internal carbon tax", measuring environmental costs and then incentivize departments to meet specific reduction goals to reach the below 2° C scenario.
- In light of our rapid growth rate, we are working on decoupling our carbon footprint from our growth: We are becoming a well below 2° C company in line with the Paris Climate Agreement, which is geared towards reducing global warming and climate change.

Because our employees are the backbone of our success, we take all steps necessary to provide them with a safe and rewarding working environment. This is especially critical during the Corona crisis where we quickly set up a Crisis Management Team to develop, implement and clearly communicate safety measures to keep everyone safe and successfully prevent outbreaks at our sites. We also provide our staff members with the opportunity to grow professionally and to change departments or get promoted to and trained for positions with more responsibility. Other benefits at different sites include pension plans and job tickets that let staff use public transport for free.

WELL-PREPARED FOR THE LAUNCH OF E-SCRIPTS IN GERMANY.

FURTHER BOOSTING GROWTH THROUGH ELECTRONIC PRESCRIPTIONS.

After years of preparations, Germany – our biggest market – is planning to launch electronic prescriptions or e-scripts this summer – resulting in better convenience for our customers and a variety of compelling benefits for Germany's healthcare system. This is a huge growth opportunity for SHOP APOTHEKE EUROPE, especially with e-scripts expected to become mandatory on 1 January 2022. Currently, only around 1 % of prescriptions are filled by e-pharmacies. Looking at other countries that have shifted to electronic prescriptions such as Sweden and the Baltics, that number is expected to rise to 10 % in coming years – a massive business opportunity, especially considering that patients who regularly need their medications are generally very loyal customers and thereby provide steady revenues.

We are in pole position to reap the benefits of this shift to patient-friendly electronic prescriptions.

- SHOP APOTHEKE EUROPE has many years of experience in dealing with prescription medications. So, we are hitting the ground running rather than having to build up expertise, e-pharmacy is what we are.
- We are especially experienced in supporting patients suffering from chronic diseases thanks to our SMART programme, which helps people manage and live better with their illnesses. This support will become even more comprehensive following our acquisition and integration of SMARTPATIENT and their MyTherapy app, which will be a true differentiator from our competition.
- We will also be ready to process e-scripts technologically from day one: Our in-house team of experts, the Rx First project team is dedicated to ensuring a smooth and easy-to-use transition for patients as soon as the telematic infrastructure goes live – no matter what device they use, app, mobile or desktop.
- The experience gained from processing e-scripts in Germany will also help us rapidly adapt our system when other countries follow suit in launching them.

03

THE SHOP APOTHEKE EUROPE SHARE.

THE SHOP APOTHEKE EUROPE SHARE.

Outstanding share price performance in 2020.

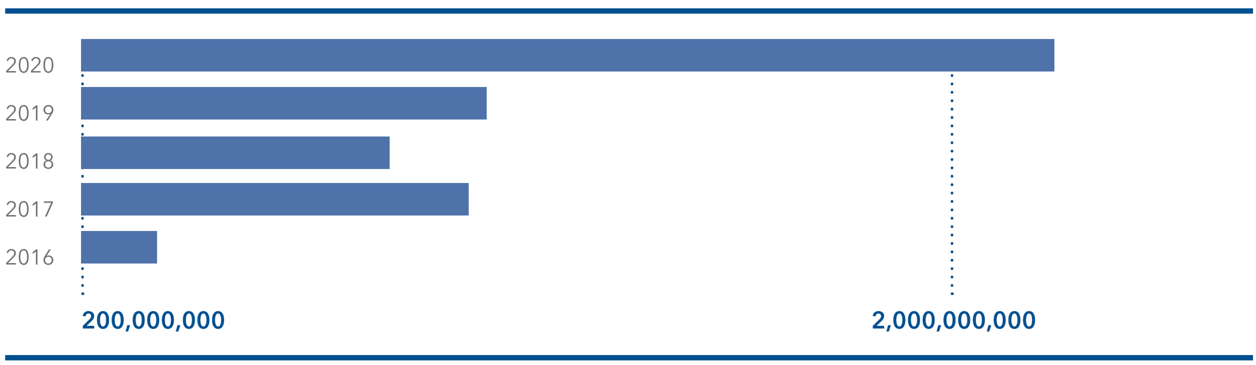
During 2020, the share price of SHOP APOTHEKE EUROPE N.V. more than tripled. An increase of 228% from EUR 43.80 at the start of the year to EUR 148.20 at the end of 2020, at the same time, German stock index DAX ended the year virtually flat, after a highly volatile year. SHOP APOTHEKE EUROPE was at the top of all MDAX listed companies in 2020. The strong price increase of SHOP APOTHEKE EUROPE shares was supported by a generally positive market environment for the eCommerce sector in connection with the Corona pandemic, but it was also driven by positive company news on strategic developments, the dynamic growth and market share gains, and positive developments in Germany's regulatory framework and preparations for digital prescriptions (eRx). Moreover, the break-even at the adjusted EBITDA level was achieved earlier than planned and SHOP APOTHEKE EUROPE ended with margin of +2.2% for the full year 2020.

On 7 April 2020, SHOP APOTHEKE EUROPE N.V. successfully completed a capital increase with a volume of EUR 65 million. As part of the transaction, SHOP APOTHEKE EUROPE placed approximately 1.12 million new bearer shares in the company – equivalent to around 8.3% of the company's outstanding share capital prior to the transaction – with institutional investors via accelerated book-building. Another 0.459 million shares have been issued to serve existing employee stock option plans. Furthermore, a successful offer for an earlier conversion of the convertible bonds issued in 2018 and 2019 with a total nominal volume of EUR 135 million (coupon 4.5%, original maturity 2023) was submitted to the bond holders in September, which at the end resulted into a full conversion of the bonds. Through this initiative, 2.9 million bearer shares were issued according to the original Terms & Conditions of the bonds..

In total, the number of shares outstanding increased by 4,471,306 during 2020 to 17,935,121 at year-end. The combination of a rising share price and a higher number of shares resulted in an increase of SHOP APOTHEKE EUROPE's market capitalization by more than 350% in the year under review from EUR 586 million to EUR 2,658 million.

On average the share's daily trading volume on XETRA amounted to 109,076 units per day in 2020. Compared to 2019, this is an increase of more than 600% (2019: 15.583 units). The strong performance of the share's liquidity and the narrowing of the daily average spread between bid and ask orders on XETRA (from 0.6% in early 2019 to 0.3% by the end of 2020) are contributing to the tradability, making SHOP APOTHEKE EUROPE's shares even more attractive for investors.

Development of MarketCap (in EUR)



SHOP APOTHEKE EUROPE shares included in the MDAX.

Only two years after the shares of SHOP APOTHEKE EUROPE had been included in one of the DAX family's select indices, the SDAX, the shares of the company qualified for the MDAX index of Deutsche Börse AG. This was the result of an increased market capitalization and the significantly higher turnover of the share. Both are reflective of an undoubtedly increased interest of investors in SHOP APOTHEKE EUROPE.

With the promotion from the SDAX to the MDAX in September 2020, SHOP APOTHEKE EUROPE is now one of the 90 largest listed companies in Germany in terms of market capitalization and stock exchange turnover. Within Deutsche Börse AG's stock indices, the share is also assigned to the overarching Consumer Services sector, to the Retail sector, and the Retail Internet subsector.

Shareholder structure.

SHOP APOTHEKE EUROPE has a global investor base, until 2020 with institutional investors mainly from Europe and the United States of America, but now increasingly from other parts of the world too. Its largest individual investor is the former CEO Michael Köhler, with a stake of 12.2 % according to the latest voting rights announcement. As per the definition of the German Stock Exchange where the shares are listed, the remainder of 87.8 % belongs to the free-float.

Analyst coverage 2020.

The company appeals to many financial institutions, investors and analysts, and the number of analysts covering SHOP APOTHEKE EUROPE even increased to 12. In early 2021, Bank of America (BofA) started the coverage of SHOP APOTHEKE EUROPE with a "Buy"-recommendation and an initial price target of EUR 200. An overview of the latest analyst recommendations is provided in the table below:

Institution	Latest Update	Recommendation	Target Price (in EUR)
Metzler	08.09.2020	Buy	158
Deutsche Bank	27.11.2020	Buy	200
Barclays Capital	11.01.2021	Overweight	195
Stifel	11.01.2021	Buy	223
Commerzbank	11.01.2021	Buy	188
Jefferies	12.01.2021	Hold	175
Warburg Research	18.01.2021	Hold	169
Berenberg Bank	19.01.2021	Buy	205
Citi	27.01.2021	Buy	250
Bank of America (BofA)	09.02.2021	Buy	270
Hauck & Aufhäuser	17.02.2021	Hold	210
Kepler Cheuvreux	17.02.2021	Reduce	134

SHOP APOTHEKE investor relations provides comprehensive information.

With the outbreak of the coronavirus pandemic, investor conferences and roadshows started to be conducted digitally. In response to an increasing interest in the SHOP APOTHEKE EUROPE share and the capital market's steadily increasing information need on the business model, the strategy, the regulatory environment and on growth and profitability developments, the company and accompanying investment banks organized a number of virtual roadshows and investors' conferences in Europe and North America. The managing board furthermore answered investors' and analysts' questions in numerous individual meetings and telephone or video conferences. The quarterly earnings releases were presented by the CEO S. Feltens and CFO J. Eenhorst including Q&A's. In the course of the year the traditional quarterly conference calls changed into live video meetings.

The elevated interest in SHOP APOTHEKE EUROPE also led to broader and more frequently media coverage. Management participated in several interviews with high-profile publications.

The company will continue to provide additional disclosures to enhance transparency of its key business drivers and strategy, while at the same time protecting competitively sensitive information. It is the goal of Investor Relations to provide transparent financial communications to all market participants in order to further build and foster understanding and trust in the quality of the business model and the company's management. The Managing 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.

04

REPORT OF THE SUPERVISORY BOARD.

REPORT OF THE SUPERVISORY BOARD.

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 Hanover, Germany, in 1978.

Mr. 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 at Bombardier, Inc. where he remained until 2006. From 2007 to 2011, he worked for McKinsey & Company, where he served as engagement manager. 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 Marketing in 2013. In 2015 he founded Zalando Marketing Services which he ran as its Managing Director. Since 2018, he works at dunnhumby, a customer data science and consulting company, as Chief Solutions Officer. 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 from 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 Beteiligungs-beratung 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.

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 Managing 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 2020, six regular sessions of the Supervisory Board took place. Against the background of the coronavirus pandemic, most of the meetings took place virtually. All sessions were attended in full, so the presence percentage of each Supervisory Board Member was 100%. The members of the Managing Board took part in the Supervisory Board meetings unless otherwise determined by the Supervisory Board Chairman. With respect to an equity offering of new bearer shares amounting to EUR 65m, the Supervisory Board consulted several times on short-notice via telephone, videocall and email and passed written resolutions. Other key subjects were the earlier incentivized conversion offering for the company convertible bonds originally due in 2023, the update of the company´s remuneration policy, and possible M&A opportunities. In addition, several update calls between the Supervisory Board and the Managing Board have been taken place, which were all attended in full.

Between meetings, the Chairman of the Supervisory Board maintains regular contact with the Managing Board 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. Two Supervisory Board members hold long-term share positions. The following table shows the actual composition of the Supervisory Board of SHOP APOTHEKE EUROPE:

Name	Last appointment	Scheduled for reappointment	Position
Mr. Jan Pyttel	2019	general meeting 2021	chairman
Mr. Björn Söder	2019	general meeting 2023	vice-chairman
Mr. Frank Köhler	2019	general meeting 2023	member
Mr. Jérôme Cochet	2019	general meeting 2023	member

Audit Committee held 3 meetings in 2020.

The audit committee of SHOP APOTHEKE EUROPE N.V., established in December 2018, consists of two members, Frank Köhler and Dr. Björn Söder who report their findings to the supervisory board. The Audit Committee is charged with overseeing financial reporting and disclosure, selection of the independent auditor and the receipt of audit results. The Committee held three meetings during financial year 2020. All meetings were attended in full, so the presence percentage of each Committee Member was 100%. Main issues were discussion of the audit findings with the external auditor and management, discussion of initial audit plan of external auditor, obtain understanding of latest financial figures and planning, selection of external auditor for 2020 and discuss risks and controls.

Individualized disclosure of meeting attendance

Supervisory Board

Name	Total: 6 Meetings	Attendance %
Mr. Jan Pyttel	6/6	100 %
Mr. Björn Söder	6/6	100 %
Mr. Frank Köhler	6/6	100 %
Mr. Jérôme Cochet	6/6	100 %

Audit Committee

Name	Total: 3 Meetings	Attendance %
Björn Söder	3/3	100 %
Frank Köhler	3/3	100 %

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 Managing Board or personal interests or other duties of the Supervisory Directors, vis-à-vis the company. For the sake of completeness, it might be noted that a member of the Supervisory Board (Frank Köhler) recently joined a voting pool agreement with other shareholders, representing a total of around 26.4 % of the outstanding voting rights of SHOP APOTHEKE EUROPE.

Activities during the financial year 2020.

Agenda items of the meetings held in 2020 were the overall strategy of the group, performance against the financial and business targets for 2020, the general and the financial risk assessment, including the early conversion offering for the company’s convertible bonds originally due in 2023, a new remuneration policy for the Managing board and the Supervisory board, the financial planning, the corporate calendar 2021, the annual audit 2020 and corporate governance. The Supervisory Board also met and engaged Mazars Accountants N. V., elected as auditors for the fiscal year 2020 by the general meeting held on 30 April 2020 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, a new stock option plan for members of the Managing board of SHOP APOTHEKE EUROPE N. V. was adopted and implemented in 2020.

Furthermore, the Supervisory Board considered the terms and conditions of the agreements for the April 2020 issuance of new shares. Both, Supervisory and Managing Board consulted with and received the advice of financial, legal and tax advisors as well as auditors, and considered a variety of factors, taking into account the interests of the company's stakeholders.

Furthermore, the Supervisory Board has retained an international compensation firm to conduct a Remuneration benchmark. The Supervisory Board had several meetings in connection with that benchmarking study and discussed the finding with the external advisor as well as the Managing Board.

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.

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 Managing 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. The company complies with the regulations and requirements of both, the Dutch and the German Corporate Governance Codes. Nevertheless, some deviations are emerging due to legal and 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 across all management levels. Last year, several key management positions were filled with female candidates in order to enhance the management's gender diversity. We do not see diversity merely as 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 will focus on further enhancing diversity across all management levels, including future appointments to its Supervisory Board and Managing Board diversity, without compromising our commitment to hiring the best individuals for positions. 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 in serving a highly diverse society and our diverse stakeholders.

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. During 2020 the Supervisory Board has worked on setting up a more regular evaluation system for the effectivness review of both the Supervisory Board and the Managing Board and their members.

Audit of the financial statements, Audit Committee.

Appointed by the Annual General Meeting on 30 April 2020 to audit the financial statements for the 2020 financial year, Mazars Accountants N.V. audited the company and the group's consolidated financial statements for the financial year 2020 prepared by the Managing Board in accordance with IFRS-EU, and the Managing Board report and other information. The auditors issued an unqualified audit opinion. The financial statements, the management and CSR report as well as the auditor´s report were available to the audit committee and to the Supervisory Board for its own review.

In its meeting on 22 February 2021, the audit committee had a separate meeting to independently discuss the findings with the auditors and provided a report to the Supervisory Board which approved the financial statements and the management and CSR report prepared by the Managing 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 2020, SHOP APOTHEKE EUROPE successfully dealt with growing the group strongly in an unforeseeable challenging environment with respect to the coronavirus pandemic. At the same time, the company consistently progresses on its strategy of evolving the business to a customer-centric e-pharmacy platform and recorded strong improvements in profitability.

Venlo, 2 March 2021
On behalf of the Supervisory Board

Jan Pyttel
Chairman of the Supervisory Board

05

REMUNERATION REPORT.

REMUNERATION REPORT.

Remuneration Report 2020 (➔ GRI 102-28).

Introduction.

This report explains how the remuneration policy of SHOP APOTHEKE EUROPE N.V. as approved by the Annual General Meeting of shareholders on April 30, 2020 was put into practice in the past financial year 2020. In this remuneration report we provide an overview of remuneration awarded or due in the preceding financial year to individual members of the Managing Board and Supervisory Board based on the remuneration policy.

Renumeration policy of SHOP APOTHEKE EUROPE.

The Shareholders Rights Directive in Dutch legislation was implemented as of December 1, 2019. In SHOP APOTHEKE EUROPE's upcoming Annual General Meeting of shareholders on April 21, 2021, updates to the remuneration policy will be proposed to adjust to the new legislation. The remuneration report for the financial year 2020 is in accordance with the new legislation.

Objective of the remuneration policy.

The remuneration policy of SHOP APOTHEKE EUROPE has the objective of attracting and maintaining the best talent by offering a payment structure that considers our strategy of extending our position as a leading European e-Pharmacy platform, growing fast, relentlessly focusing on customer satisfaction, and pursuing our sustainable development agenda emphasizing planetary health, people's health and organizational health.

Our remuneration policy is consistent with and promotes sound and effective risk management. It is aligned with our strategy to evolve from an online Pharmacy into a customer-centric e-Pharmacy platform driven by best-in-class IT solutions. The remuneration design for the Managing Board, determined by the Supervisory Board, supports our short- and long-term business objectives as well as our emphasis on creating long-term value for our company and our customers. By establishing an entrepreneurial risk and reward framework, the remuneration of the Managing Board is closely aligned with the interests of our shareholders.

Remuneration package.

The amount of an individual contract is based on the employee's skills, the scope of responsibilities, experience and performance, and local market circumstances, which may differ across our geographies.

A remuneration package may consist of a base salary, other benefits, if applicable, like a contribution to pension insurances, stock options functioning as long-term incentive, and for certain employees it may include a variable component.

In SHOP APOTHEKE EUROPE's design of remuneration, mitigation of short-term orientation is taken into account through focus on the long-term performance of the company. In particular, this is achieved by awarding certain key people, including the Managing Board members, with longer-term employee share option plans. For Managing Board members the 2020 employee share option plan includes an additional holding period of two years after exercise aligned with best practice principles of the Dutch Corporate Governance Code. Members of the Managing Board cannot exercise options or other share or share-based transactions for their own account during Closed Periods, which are disclosed on our corporate website.

Variable short-term remuneration is not common at SHOP APOTHEKE EUROPE at the moment and limited to certain employees. Variable remuneration, if awarded, will at all times meet best practice guidelines of relevant legislation and governance principles, specifically the Dutch Corporate Governance Code. In 2020, the only member of the Managing Board with a bonus component was CFO J. F. P. Eenhorst; in accordance to best practice governance the bonus cannot exceed the base salary, does include both financial (sales, EBITDA, working capital targets) and non-financial metrics (customer satisfaction target) and is subject to claw back from the employee pursuant to section 2:135 of the Dutch Civil Code. SHOP APOTHEKE EUROPE does not award variable remuneration to members of the Supervisory Board.

In the financial year 2020, across the Company, no variable remuneration has been adjusted or clawed back.

The total variable remuneration at SHOP APOTHEKE EUROPE for the year 2020 was EUR 1,090,918 (2019: EUR 98,896) compared to total employee labor costs of EUR 49,994,615 (2019: EUR 38,451,072).

Remuneration Managing Board.

In 2020, the total remuneration of the Managing Board amounted to EUR 2,281,197 (2019: EUR 1,503,928).

In the tables below the total remuneration of the Managing Board in 2020 and 2019 as well as the remuneration per individual members of the Managing Board are shown.

Members of the Managing Board did not receive any additional compensation from companies of the SHOP APOTHEKE EUROPE Group.

Total remuneration for Management Board in 2020

Name of Director, Position	Period	Fixed remuneration			Variable remuneration		Share based payment expenses (IFRS)**	Extra-ordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
		Base salary	Fees	Fringe benefits	One-year variable	Multi-year variable					
S. Feltens, CEO	01/01 – 31/12/2020	151,200	–	5,557	–	–	218,772	–	–	375,530	42 %/58 %
J. Eenhorst, CFO	01/02 – 31/12/2020	256,667	–	–	146,000	–	341,793	–	22,917	767,376	36 %/64 %
T. Holler, COO	01/01 – 31/12/2020	171,720	–	5,607	–	–	203,188	–	2,280	382,795	47 %/53 %
S. Weber, CCO	01/01 – 31/12/2020	172,939	–	2,394	–	–	203,188	–	–	378,521	46 %/54 %
M. Fischer, CTO	01/01 – 31/12/2020	172,069	–	1,718	–	–	203,188	–	–	376,975	46 %/54 %
Total compensation		924,595	–	15,275	146,000	–	1,170,130	–	25,197	2,281,197	

Total remuneration for Management Board in 2019

Name of Director, Position	Period	Fixed remuneration			Variable remuneration		Share based payment expenses (IFRS)*	Extra-ordinary items	Pension expense	Total remuneration*	Proportion of fixed and variable remuneration*
		Base salary	Fees	Fringe benefits	One-year variable	Multi-year variable					
S. Feltens, CEO	01/01 – 31/12/2019	151,200	–	5,520	–	–	141,515	–	–	298,235	53 %/47 %
U. Wandel, CFO	01/01 – 30/09/2019	119,568	–	4,765	–	–	101,082	148,000	–	373,415	33 %/67 %
T. Holler, COO	01/01 – 31/12/2019	171,720	–	5,580	–	–	101,082	–	2,280	280,662	64 %/36 %
S. Weber, CCO	01/01 – 31/12/2019	172,939	–	2,372	–	–	101,082	–	–	276,393	63 %/37 %
M. Fischer, CTO	01/01 – 31/12/2019	172,423	–	1,718	–	–	101,082	–	–	275,223	63 %/37 %
Total compensation		787,850	–	19,955	–	–	545,843	148,000	2,280	1,503,928	

* In the 2019 annual report this table did not include share-based payment expenses according to IFRS. Last year the information was disclosed in note 27. For improved clarity reasons this information is included now for both 2020 and 2019 in above table as well.

** The fair value according to IFRS of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The fair value is determined by an external agency. The expense for 2020 reflects this year's portion of share option grants which are not yet vested.

Share-based remuneration.

In 2018, share options were granted to the members of the Managing Board for the first time. These grants (plans 1a and 1b in the table below) are governed by the 2018 Shop Apotheke Long-Term Incentive Plan. The first tranche (1a) vested on January 1, 2020. The second tranche (1b) vested on January 1, 2021. Each option of the 2018 Long-Term Incentive Plan entitles the recipient to acquire one share of SHOP APOTHEKE EUROPE.

In February 2020, share options were granted to J. F. P. Eenhorst, CFO (plans 7a, 7b and 7c in the table below). This grant is governed by the 2019 Stock Option Plan, adopted by the April 30, 2019 Annual General Meeting. Each option entitles J. F. P Eenhorst to acquire one share of SHOP APOTHEKE EUROPE.

On October 1, 2020, share options were granted to the Managing Board (see 9a and 9b in the table below). These grants are governed by the 2020 Stock Option Plan, adopted by the April 30, 2020 Annual General Meeting. Each option of the 2020 Stock Option Plan entitles the recipient to acquire of share of SHOP APOTHEKE EUROPE.

For more details and parameters of the employee stock option programs, see the explanatory notes under Item 27 in the notes to the consolidated financial statements of this annual report.

The table below provides an overview of the SHOP APOTHEKE EUROPE share options of the Managing Board members including the 2020 opening balance, changes during 2020 and the 2020 end balance.

Name of Director, Position	The main conditions of the share option plans					Information regarding the reported financial year					
						Opening balance	During the year		Closing balance	Costs (IFRS) during the year	Value of options exercised in 2020
	Specification of plan	Grant date	Vesting date	Expiry date	Strike price of the share in EUR	Share options outstanding 1.01.2020	Share options awarded	Share options exercised	Share options outstanding 31.12.2020		
S. Feltens, CEO	1a	26.04.2018	01.01.2020	01.01.2022	45.20	17,500	–	-17,500	–	–	2,061,168
	1b	26.04.2018	01.01.2021	01.01.2022	45.20	17,500	–	–	17,500	54,545	–
	9a	01.10.2020	01.10.2023	01.10.2027	149.40	–	20,000		20,000	91,710	–
	9b	01.10.2020	01.10.2024	01.10.2027	149.40	–	20,000		20,000	72,518	–
J. Eenhorst, CFO	7a	01.02.2020	01.02.2022	11.06.2027	46.40	–	10,000	–	10,000	78,170	–
	7b	01.02.2020	01.02.2023	11.06.2027	46.40	–	10,000	–	10,000	55,550	–
	7c	01.02.2020	01.02.2024	11.06.2027	46.40	–	10,000	–	10,000	43,846	–
	9a	01.10.2020	01.10.2023	01.10.2027	149.40	–	20,000	–	20,000	91,710	–
	9b	01.10.2020	01.10.2024	01.10.2027	149.40	–	20,000	–	20,000	72,518	–
T. Holler, COO	1a	26.04.2018	01.01.2020	01.01.2022	45.20	12,500	–	-12,500	–	–	591,688
	1b	26.04.2018	01.01.2021	01.01.2022	45.20	12,500	–	–	12,500	38,961	–
	9a	01.10.2020	01.10.2023	01.10.2027	149.40	–	20,000	–	20,000	91,710	–
	9b	01.10.2020	01.10.2024	01.10.2027	149.40	–	20,000	–	20,000	72,518	–
S. Weber, CCO	1a	26.04.2018	01.01.2020	01.01.2022	45.20	12,500	–	-12,500	–	–	708,600
	1b	26.04.2018	01.01.2021	01.01.2022	45.20	12,500	–	–	12,500	38,961	–
	9a	01.10.2020	01.10.2023	01.10.2027	149.40	–	20,000	–	20,000	91,710	–
	9b	01.10.2020	01.10.2024	01.10.2027	149.40	–	20,000	–	20,000	72,518	–
M. Fischer, CTO	1a	26.04.2018	01.01.2020	01.01.2022	45.20	12,500	–	-12,500	–	–	708,600
	1b	26.04.2018	01.01.2021	01.01.2022	45.20	12,500	–	–	12,500	38,961	–
	9a	01.10.2020	01.10.2023	01.10.2027	149.40	–	20,000	–	20,000	91,710	–
	9b	01.10.2020	01.10.2024	01.10.2027	149.40	–	20,000	–	20,000	72,518	–

In accordance to best practice Dutch Corporate Governance Code guidelines, the 2020 share option plan for the Managing Board is in addition to above vesting period subject to a two-year holding period after share options have been exercised.

Table below provides an overview of share options granted to previous board members of SHOP APOTHEKE EUROPE:

Name of Director, Position	The main conditions of the share option plans					Information regarding the reported financial year				
						Opening balance	During the year	Closing balance	Costs (IFRS during the year)	Total value (exercised options)
	Specification of plan	Grant date	Vesting date	Expiry date	Strike price of the share in EUR	Share options outstanding 01.01.2020	Share options exercised	Share options outstanding 31.12.2020		
U. Wandel, CFO	1a	26.04.2018	01.01.2020	01.01.2022	45,20	12,500	-12,500	–	–	549,002
	1b	26.04.2018	01.01.2021	01.01.2022	45,20	12,500	–	12,500	38,961	–

Short term incentives and performance criteria.

The Supervisory Board may award variable remuneration to members of the Management Board. In those cases, rules will be subject to financial and non-financial criteria aligned with the company's strategy, long-term goals and sustainable development objectives, or other specific areas of focus. The Supervisory Board determines the weighting of the financial and non-financial targets on an annual basis at the beginning of the financial year, and will, before an award is made assess company and individual performance over the preceding financial year. Variable remuneration will be maximized at maxima provided by law for members of the Management Board subject to vesting and retention periods consistent with relevant laws and regulations. Variable remuneration awarded to members of the Management Board will be subject to claw-back from the employee pursuant to section 2:135 of the Dutch Civil Code. In 2020, in the Managing Board only the remuneration package of J. F. P. Eenhorst, CFO, included a variable element in the form of an annual performance related bonus. Metrics included both financial (sales, EBITDA, working capital targets) and non-financial variables (customer satisfaction target).

Extraordinary items.

During the financial year no extraordinary remuneration items were paid to Managing Board members.

Pension.

T. Holler, COO, received pension benefits via payment of the employer's contribution to the Dutch "Pensioenfonds Medewerkers Apotheken" (SPOA). J.F.P. Eenhorst, CFO, received pension benefits and related insurances via payment of the employer's contribution to a private pension fund maximized at € 25 k in 2020. The other members of the Managing Board did not receive any contributions towards pension or similar retirement benefits.

Insurance.

SHOP APOTHEKE EUROPE insured the members of the Managing Board through a D&O insurance policy against damages resulting from their conduct when acting in their capacities as directors of the company.

Right to reclaim.

Annual cash incentives as well as the long-term equity-based incentives for the Managing Board are subject to claw-back provisions pursuant to Dutch law. No such reclaim has occurred during the financial year.

SHOP APOTHEKE EUROPE Pay Ratio.

The pay ratio is calculated as the total salary of the respective Managing Board member divided by the average remuneration per employee. This standardized approach, using the IFRS financial statements, makes external comparisons possible and represents the ratio of the following two calculations.

- Total remuneration of the Managing Board as published in the remuneration report;
- The average employee compensation based on salaries, fringe benefits, share-option expenses and pension costs divided by the average number of FTEs of the year, as published in note 8 of the consolidated financial statements.

The development of the pay ratio on a full-time equivalent basis over the last five years is shown in the table below. The aim is to present and compare developments of remuneration of board members and employees other than board members. In years with changes in the composition of the Managing Board, the remuneration shown is the annualization of the most recent function holder.

To understand the relative performance of remuneration developments compared to the company performance developments the table below is included. It shows the changes in comparative remuneration and company performance over the last two reported financial years.

Annual change	2020 vs 2019	2019 vs 2018
Directors' reemuneration		
CEO	–	298,235
CFO	377,115	160,200
COO	100,993	32,435
CCO	102,128	32,875
CTO	101,752	32,161
Company performance (EUR * 1,000)		
Net revenue	+ 267,052	+ 161,300
EBITDA	+ 33,780	–/– 3,023
Market capitalisation	+ 335%	+ 264%
Average remuneration on FTE basis (in EUR)		
Wages and salaries/FTE	2,926.09	3,461.89

Position	FY 2020		FY 2019		FY 2018		FY 2017		FY 2016	
	Director's remune-ration	Pay Ratio (incl./excl. share based payments	Director's remune-ration	Pay Ratio (incl./excl. share based payments	Director's remune-ration***	Pay Ratio (incl./excl. share based payments	Director's remune-ration	Pay Ratio	Director's remune-ration	Pay Ratio
CEO	375,530	9.1 4.2	298,235	7.8 4.4	60,000	1.7 1.8	60,000	1.6 n/a	30,000	0.6 n/a
CFO	767,376	18.6 11.3	373,415	9.8 7.7	213,215	6.1 4.4	176,302	4.7 n/a	168,570	3.6 n/a
COO	382,795	9.3 4.8	280,662	7.3 5.1	248,227	7.1 5.4	177,300	4.7 n/a	176,520	3.8 n/a
CCO	378,521	9.2 4.7	276,393	7.2 5.0	243,518	7.0 5.3	188,122	5.0 n/a	181,572	3.9 n/a
CTO	376,975	9.2 4.6	275,223	7.2 4.9	243,062	7. 5.3	186,615	4.9 n/a	182,201	3.9 n/a

** The fair value according to IFRS of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The fair value is determined by an external agency. The expense for 2020 reflects this year's portion of share option grants which are not yet vested.

*** The comparative figures of director's remuneration for financial year 2019 and 2018 have been adjusted. Last year's numbers did not include share-based payment expenses according to IFRS. This information is included for 2020, 2019 and 2018 now in the above table.

Remuneration of the Supervisory Board.

Supervisory Board members receive non-performance-related remuneration paid annually in the amount of EUR 20k. The chair of the Supervisory Board receives EUR 30k. SHOP APOTHEKE EUROPE does not award variable remuneration or shares or share-linked options to the members of the Supervisory Board. In the year under review, the members of the Supervisory Board received the following compensation corresponding to their membership in committees,

Other including loans.

Neither the company nor its subsidiaries have granted loans, made advance payments or granted guarantees to members of the Managing Board or the Supervisory Board.

Supervisory Board	Audit Commitee	Year ended 31.12.2020	Year ended 31.12.2019
Jan Pyttel, chairman		30,000	30,000
Björn Söder, Vice-chairman	V	20,000	20,000
Frank Köhler	V	20,000	20,000
Jerome Cochet		20,000	20,000
Total		90,000	90,000

06

COMBINED MANAGEMENT REPORT.

DEVELOPING SHOP APOTHEKE EUROPE FROM AN ONLINE RETAILER TO A CUSTOMER-CENTRIC E-PHARMACY PLATFORM.

Founded in 2001 as an online shop of a local pharmacy in Cologne, SHOP APOTHEKE EUROPE was a pioneer of the industry and has become one of **Europe's leading online pharmacy brands** with the **highest international presence** in Europe, namely in seven countries: Germany, Austria, Switzerland, Belgium, The Netherlands, France, and Italy.

From this strong position, we have set ourselves the goal to further advance the digitization of the healthcare sector, because we are convinced that this is inevitable and improves the life of patients. In every corner of the world, young and old are using smart devices to perform banking transactions, make purchases, watch movies, plan their travels, be connected with friends and family and much more.

In our latest strategy review, we reaffirmed our ambition to significantly expand our business. Last year, we expanded our business activities with Zava, one of Europe's leading telemedicine providers, we rolled-out our same-day delivery option under the SHOP APOTHEKE NOW! brand to the first metropolitan areas in Germany, and we launched another own brand under the RedCare brand. Furthermore, and most importantly, we prepared for the start of electronic prescriptions in Germany, expected for mid-2021.

About this report.

This annual report was written up by order of the Managing Board of SHOP APOTHEKE EUROPE N.V. *(➔ GRI 102-1)*. The Board reviewed and released the content of this report. It comprises the reporting period 1 January 2020 – 31 December 2020 *(➔ GRI 102-50)* and it includes a description of the economic, ecological, and social aspects of the company's activities. The report was compiled in accordance with the GRI standards for sustainability reporting of the Global Reporting Initiative (GRI). It has been prepared in accordance with the GRI Standards: Core option *(➔ 102-49, 102-54)*. The GRI index will be provided on the corporate website.

The document contains 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", "assume" or "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. As a consequence, actual results may differ significantly from those described in this report.

In addition to "SHOP APOTHEKE EUROPE Group" or "SHOP APOTHEKE EUROPE N.V.", the terms "the company", "the Group" or the short form "SHOP APOTHEKE" or "SHOP APOTHEKE EUROPE" are also used.

Market data used in this report is based on studies from Sempora Consulting (Market study "Euro-pean Pharmacy Market" 2017) and Daedal-Research (January 2018), if not mentioned otherwise.

Company profile.

Corporate structure.

SHOP APOTHEKE EUROPE N.V. *(➔ GRI 102-1)*, the parent company of the SHOP APOTHEKE EUROPE Group, is one of the leading European online pharmacies, acting in a sector, where few other established pan-European offline or online brand currently exist. Our vision is to create the leading e-pharmacy brand focused on prescription medications (Rx), over-the-counter medications (OTC) and pharmacy-related beauty and personal care (BPC) products that mostly fall within a typical pharmacy portfolio. We also sell healthy and nutritional food solutions, specifically under our own brand nu3. Furthermore, we are and will increasingly become a player in delivering digital health services to our customers.

Being based in the Netherlands offers the company the advantage of a favorable regulatory regime concerning the mail order of pharmaceuticals, which could serve as a platform for our expansion into additional European markets. The location in the heart of Europe is also an excellent base for serving as the central logistics hub for Europe.

Within the context of IFRS 8, we consider two business segments for external reporting purposes since fiscal year 2018: our "DACH" segment, (Germany, Austria and Switzerland) and our "International" segment (Belgium, The Netherlands, France, Italy). Until 2020, only in Germany we sell prescription medications (Rx).The DACH segment continued to be the Group's biggest market with around 84 % of total sales in 2020 (2019: 88 %) *(➔ GRI 102-06)*.

For the first time, this year the report was compiled in accordance with the GRI standards for sustainability reporting of the Global Reporting Initiative (GRI). It thus complies with the GRI core option *(➔ GRI 102-49, 102-54)*.

Business activity.

SHOP APOTHEKE EUROPE is one of the leading online pharmacies in Continental Europe with total group sales of EUR 968.1 million in 2020 and an active customer base of 6.3 million as of 31 December 2020. Our overriding business objectives are continuous and dynamic growth in our existing markets, assessing and if warranted moving into additional Continental European markets, while continuing on our path toward sustainable profitability and doing good according the ESG standards. We are currently expanding our business by developing SHOP APOTHEKE EUROPE from an online retailer to a customer-centric e-pharmacy platform, which will open up new revenue streams for the company.

Since our foundation in 2001 we have continually expanded our business and geographic reach across 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. At the time of the acquisition, Europa Apotheek used to be one of the largest online mail order pharmacies in Germany with acustomer profile focusing on chronically ill patients with low churn rates. Meanwhile, Europa Apotheek customers have been successfully migrated to shop-apotheke.com as the two online shops have been merged. In 2018, our offering expanded with the acquisition of Berlin based nu3 GmbH, a specialist for functional nutrition products. The high-quality product range of nu3, which comprises of natural food and health products, low carb products and sports nutrition provides us with an USP in a fast-growth market with good margins *(➔ GRI 102-2)*.

Since 2020, our headquarters are located in Sevenum, a village close to Venlo, close to the Dutch-German border *(➔ GRI 102-3, 102-10)*. It not only makes shipping orders to Germany efficiently, but also acts as a central processing and distribution hub from which we ship to our customers in our different Continental European markets. We further operated offices in Cologne, Berlin (Germany), Tongeren (Belgium), Pont-A-Marcq (France), Milan (Italy) and Lachen (Switzerland) *(➔ GRI 102-04)*.

With more than 1,200 employees, SHOP APOTHEKE EUROPE delivers a broad range of more than 100,000 original products to over 6.3 million active customers (as per 31 December 2020) fast, secure, and at attractive prices. In addition, SHOP APOTHEKE provides comprehensive pharmaceutical consulting services. SHOP APOTHEKE EUROPE N.V. has been listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard) since 13 October 2016 and has moved up to the MDAX index on 21 September 2020. The market capitalization as per 31 December 2020 was EUR 2.6 billion *(➔ GRI 102-07)*.

The Group's business success is to a large extent measured in growing both its German core market and its European market leadership. Result-oriented key financial performance indicators are used in managing the Group, besides sales growth these include gross profit, EBITDA, and adjusted EBITDA, as well as cash flow focused metrics. To measure customer satisfaction, we closely monitor our NPS (Net Promoter Score).

Our business is supported by 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 scalable. They were designed to support the continuous growth that is key in the company's strategy. In addition, the company's infrastructure is designed to deliver economies of scale.

Strong growth drivers support our business.

Demographic changes, growing health awareness, and the trend towards self-medication are all driving the

Number of active customers (in millions)

SHOP APOTHEKE EUROPE's continuously growing active customer base.

demand for OTC medications and pharmacy-related beauty and personal care products. Furthermore, there is a clear offline-to-online shift in retailing that positively influences the growth of our target markets. This trend was already strong from the rapidly growing use of mobile devices, which allow customers to conveniently shop from any place, at any time, but the shift seems to have been accelerating by the Corona pandemic and measures of social distancing. SHOP APOTHEKE EUROPE is in a pole position to actively drive the market with its strong backbone and country-specific cultural know-how.

The Rx business has been boosted – in addition to demographic changes and the elder generation moving online – by the 2016 European Court of Justice's (ECJ) ruling to allow pharmacies based within the European Union (such as SHOP APOTHEKE and Europa Apotheek) to sell Rx medications to consumers based in Germany with a price incentive. Last December, however, the German parliament passed a law to ban bonuses for Rx medications. This is a real disappointment for many of our chronically ill customers because their out-of-pocket expenses increased considerably. We remain convinced that the bonus ban represents a violation of European law and are considering all legal options – not the least in the interest of our customers. The bonus ban could have an unfavourable impact on our prescription sales in Germany.

On the other hand, the gains in customer convenience and the mandatory roll-out of electronic prescriptions in Germany in January 2022, is likely to make SHOP APOTHEKE EUROPE and attractive option for many more Rx customers, who will be able to benefit from our services, quality, and broad assortment.

Our key competitive strengths.

The currently still low online penetration rate for Rx and OTC medications as well as pharmacy-related BPC products in many Continental European markets, the increasing demand for pharmaceutical products in general and the absence of leading online and offline brands in these markets 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 now gradually moving online.
- We pioneered the OTC and BPC online pharmaceutical retail markets in Germany and Continental Europe and have over the years developed market-leading expertise in online pharmacy B2C retail, which we will leverage for the emerging Rx online retail opportunity.
- We have a strong value proposition for customers that includes attractive prices for a convincing and comprehensive and product range while offering a convenient customer journey and superior product information, expert consultation services and high pharmaceutical safety standards.
- Our ability to offer attractive prices is supported by our efficient cost structure as well as economies of scale we achieve across the value chain.
- Our parcels and services include personalization to the customer that contain relevant product instructions and alert customers to any medication interactions or side-effects detected by our automated checks.
- Our operating platform and corresponding high market entry barriers have been developed over time, which give us an advantage now.
- 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 reduce the blended customer acquisition costs.
- We have a management team with expert know-how in the pharmacy and eCommerce space and a proven track record of successfully growing our business through excellence in execution and strategic insights.
- Our technology platform, including our web-shop and app, reflect an industry-leading customer focus. We will continue to focus on IT and invest where necessary to stay ahead of the competition
- We focus on attracting top talent by offering them opportunities to play an active role in shaping the future of SHOP APOTHEKE EUROPE.

SHOP APOTHEKE EUROPE to become Europe's leading e-pharmacy platform.

SHOP APOTHEKE EUROPE'S value-added process.

Our corporate strategy is geared to business success. We aim to reconcile and integrate the interests of our employees, customers and investors as well as society and minimizing ethical, economic and social risks. Our Sustainable Development strategy is an integral part of our corporate strategy.

The concept of the company's value-added process is the procurement of medications as well as beauty and personal care products, which are then sold via country-specific online shops to consumers. In order to operate in a sustainable manner and to work with the right suppliers, SHOP APOTHEKE EUROPE attaches great importance to sustainable supply chain management. The number of our suppliers is around 950. More than 99 % of our suppliers are based in a member state of the Organization for Economic Cooperation and Development (OECD). The OECD brings together 35 countries committed to the economic and social well-being of people worldwide *(➔ GRI 102-09)*.

The three main pillars of the sales process are SHOP APOTHEKE EUROPE's pharmaceutical and e-commerce know-how, its IT-expertise in designing and running online webshops and its sophisticated logistics system. 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 brick-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 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 comprehensive medication interaction checks.

Sustainability is an integrated part of our strategy.

As a pharmacy, we contribute to the security of medical care. Nevertheless, we are aware that our business activities have an impact on our environment and on the people around us. That is why we have anchored responsible action in our corporate culture. This responsibility also forms the basis for our sustainable economic success.

We are committed to behaving responsibly and with integrity – including our interactions with political parties and non-governmental organizations. We represent our political interests in line with the positions we express publicly. In doing so, we are open to dialog with democratic parties.

To support our principles and targets, we joined the following associations and interest groups:

- European Association of Mail Service Pharmacies
- UN Global Compact
- Leaders for Climate Action
- Allianz für Cyber Sicherheit des Bundesamtes für Informationstechnik
- Bitkom – Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V.
- Wirtschaftsrat

Within the scope of SHOP APOTHEKE EUROPE's strategic positioning as a sustainable company, a direct report function to the Managing Board ensures the comprehensive and holistic integration of sustainability into the overall strategy *(➔ GRI 102-12, 102-13, 102-18)*.

Developing SHOP APOTHEKE EUROPE from an online pharmacy to an e-pharmacy platform.

Our vision is to become the leading customer-centric e-pharmacy platform player in Continental Europe, focused on prescription and OTC medications, pharmacy-related BPC products, other healthcare-related products via a future marketplace as well as certain digital health services. We aim to achieve this by pursuing the following strategy:

- Continuously elevating our customer satisfaction with our products and services.

- Attaining and expanding market leadership in existing markets.

- Assessing and if warranted entering new markets.
- Continuing to invest in our logistics, fulfilment and distribution infrastructure as well as our front-end platform.
- Yielding efficiency gains in procuring products and services.
- Enhancing the accuracy and efficiency of our fulfilment processes and reducing cost of sales.
- Investing in our technology to stay ahead of the competition.
- Developing new revenue streams by expanding the product range, including our own brand business, as well as operating a marketplace for healthcare-related products and digital health services.
- A focus on becoming cash-flow positive in the coming years and generating a target EBIT profitability in excess of 6%.

Strategic review 2020: consistent execution of our strategy.

In 2020, we have taken further steps in implementing our business strategy:

- We organically grew our business by 38.1%, and generally achieved market shares gains.
- We completed the construction of and started the transition to our new logistics center, providing additional capacity and a significantly higher degree of automation in the end stage, which will have a positive impact on our future cost per order.
- We launched RedCare, an additional own brand label.
- We expanded our cooperation with Zava, a leading European telemedicine provider.
- We rolled out our same-day delivery option under the SHOP APOTHEKE NOW! brand to the first metropolitan areas in Germany.
- We generated purchasing savings, which increased margins by 0.6 percent of sales.

General and industry-specific economic environment.

Macroeconomic situation affected by coronavirus pandemic.

The coronavirus pandemic caused large parts of the global economy to collapse drastically in the spring, with the declines in many places being sharper than during the Great Recession. It has led Germany's economy – like the global economy – into a recession. Before, Germany's economy had been growing for the 10 years and unemployment was at its lowest level since German reunification in 1990. As a result of the measures taken to contain the coronavirus pandemic, German economic output fell dramatically in the first half of the year, especially in March and April. After a strong rebound the recovery came to a halt and gross domestic product is likely to shrink again in the final quarter. All in all, economic output is expected to slump by 5.1 percent in 2020. It has been assumed that the infection control measures in place since November will remain in force unchanged until March 2021 and will then be gradually eased. Against this background, price-adjusted gross domestic product is expected to grow by + 4.2 percent in 2021 (Source: Ifo Institute).

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 in line with Continental European GDP over the next four years. We believe that such growth will be supported by increasingly greater drive towards e-commerce by consumers.

[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.

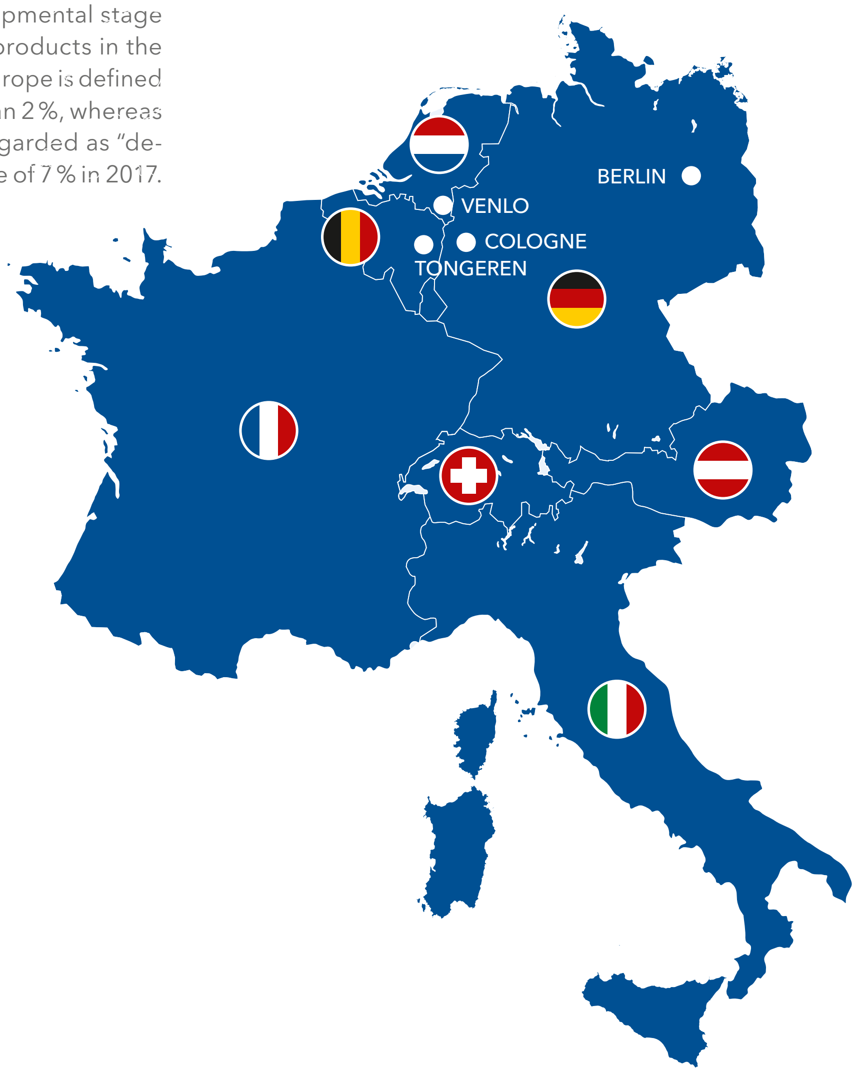
Overview of the online pharmacy market.

The e-commerce penetration for Rx medications and OTC and BPC products is still relatively 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 more 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). During the period 2019 – 2025, the online pharmacy market in Europe is expected to grow at a CAGR of over 14 % (source: ResearchAndMarkets, "Online Pharmacy Market in Europe 2020 – 2025").

Competitive environment in the online pharmacy market.

The e-commerce channel allows pharmacies to offer a broader range of products than local pharmacies because not being constrained by the amount 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. Not all brick-and-mortar pharmacies have great e-commerce capabilities. In addition, the restrictions on outside or corporate ownership of pharmacies in several Continental European countries limit the ability of both brick-and-mortar and online pharmacies to access 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 parapharmacies.

Overview of shop apotheke europe's current markets.

In 2020, SHOP APOTHEKE EUROPE was active in Germany, Austria, Switzerland, Italy, France, Belgium and The Netherlands (➔ *GRI 102-06*).

Although the regulatory environment is sometimes different in detail, we believe that the seven markets we are active in 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 fragmented, which we believe gives us the opportunity to accelerate penetration by replicating our established business model.

Regulatory environment.

Continuously subject to regulatory changes.

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 Germany in a decade[2].

On 19 October 2016, the ECJ passed a judgement allowing pharmacies based outside Germany, including SHOP APOTHEKE EUROPE to sell Rx medications to German consumers at discounted prices (the so-called bonus). This regulatory change allowed online pharmacies to partially offset a structural competitive disadvantage versus brick-and-mortar pharmacies. Nevertheless, with the latest regulatory changes in Germany, an Rx bonus ban came into force effective since December 2020. Although it is highly controversial whether this legislation is compliant with EU law, this might affect SHOP APOTHEKE EUROPE´s Rx business in 2021. In the following years, we expect Rx-sales to grow again as the electronic prescription, scheduled for 2022, will significantly enhance the benefits of our business case, irrespective of the further development of the bonus ban.

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, the pharmaceutical responsibility lies with the responsible pharmacist regardless of the pharmacy's ownership structure.

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

Economic report.

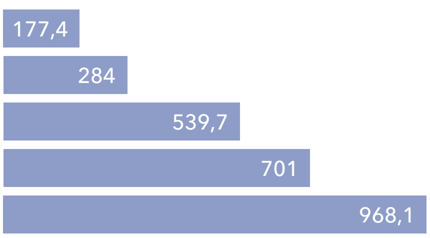
Forecast vs. Actuals.

Forecast	Actual	Target reached
Revenue growth of c. 20 %, increased three times in the course of the year to finally at least 35 %	+ 38.1 % to EUR 968.1 million	✔
Break-even on adjusted EBITDA level, increased to ultimately c. 2 % over the year	2.2%	✔
Develop SHOP APOTHEKE EUROPE from an online retailer to a customer-centric e-pharmacy platform	- Introduction of online-doctor service - Roll-out of sameday-delivery option - Expansion of portfolio by adding own brand products	✔

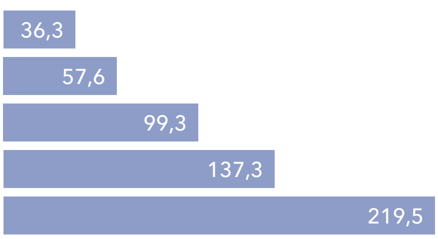
Business across the Group expanded, and against our original planning, which had been assuming a growth of c. 20 % and a break-even on the adjusted EBITDA-level, we increased our forecast three times during 2020, ending up with a forecast for sales growth of at least 35 % and an anticipated adjusted EBITDA margin of c. 2 % positive.

Revenues and earnings position.

Revenue (in millions of euros) 2016 – 2020



Gross profit margin (in millions of euros) 2016 – 2020



Following the acquisition of nu3 GmbH in July 2018, management reviewed the company's operating segments. As a result, the company started to report the following two business segments since 2018:

The "DACH" segment which includes medications and pharmacy-related BPC products sold to customers in the German, Austrian and Swiss market and the "International" segment which includes OTC medications and pharmacy-related BPC Products only, sold to customers in the Belgian, Dutch, French, Spanish (until end of 2019) and Italian markets.

Sales of prescription and non-prescription pharmaceuticals as well as medications and pharmacy-related beauty and personal care products are subject to seasonal fluctuations, with demand for pharmaceuticals especially high during the first and fourth quarters of the year. In 2020, however, typical seasonal patterns have been distorted by the effect of the Covid-19 pandemic.

Expenses in connection with preparing the issuance of new shares (2020 and 2019) as well as the issuance of additional convertible bonds (2019) have been recognized as expenses in the P&L. For better orientation, we also provide adjusted figures, which reflect extraordinary items (the non-cash IFRS expenses related to the Employee Stock Ownership Plan, and one-of costs related business projects, specifically the new logistics center of which the project name is Venlo 2020).

A detailed reconciliation of adjustments can be found in the following table:

Reconciliation of adjustments in EBITDA overview.

	Adjustments 2020					Adjustments 2019				
	Non-adjusted	1.	2a.	2b.	Adjusted	Non-adjusted	1.	2.	2b.	Adjusted
Revenue	968.062	–	–	–	968.062	701,010	–	–	–	701,010
Cost of sales	- 748.535	–	–	–	- 748.535	- 563,329	–	–	221	- 563,108
Gross profit	219.527	–	–	–	219.527	736	–	–	- 583	137,902
Other income	65	–	–	–	65	736			- 583	153
Selling & Distribution	- 171.941	–	–	–	- 171.941	- 130,758	–	–	222	- 130,536
Segment EBITDA	47.651	–	–	–	47.651	7,659	–	–	- 140	7,519
Administrative expenses	- 32.454	4.392	1.191	840	- 26.031	- 26,241	2,918	1,596	636	- 21,091
EBITDA	15.197	4.392	1.191	840	21.620	- 18,582	2,918	1,596	496	- 13,572
Depreciation	- 16.084	–	–	–	- 16.084	- 14,864	–	–	257	- 14,607
EBIT	- 887	4.392	1.191	840	5.556	- 33,446	2,918	1,596	753	- 28,179
Net finance cost and income tax	- 15.904	–	–	–	- 15.904	- 2,824	–	–	–	- 2,824
Net loss	- 16.771	4.392	1.191	840	- 10.348	- 36,270	2,918	1,596	753	- 31,003

Description of adjustment:
1. IFRS expenses of the employee stock option plans. Also see note 27. These expenses are non-cash for Shop Apotheke Europe.
2a. One-off external project expenses specifically related to our new logistics center project "Venlo 2020".
2b. One-off external project expenses related to other projects. This mainly concerns external advisory costs.

During the reporting period, sales surged more than 38% from EUR 701 million in 2019 to EUR 968.1 million in 2020. The sales increase was a fully organic growth, reflected in a higher number of active customers and of orders versus prior year.

Consolidated gross income climbed 59.4 % in the year under review from EUR 137.7 million to EUR 219.5 million. Hence, as a proportion of sales, gross margin improved from 19.6 % in 2019 by 3.1 percentage points (pp) to 22.7 % in 2020. The improvement in the gross margin is largely driven by net pricing improvements and better sourcing conditions, but also by a different product mix with a higher proportion of sales of OTC and BPC products, high-margin functional food products of our nu3 subsidiary.

Selling and distribution (S&D) expenses rose by EUR 42.2 million, from EUR 143.4 million in the financial year 2019 to EUR 185.6 million, an increase of 29.4 %. As percentage of sales, S&D expenses improved by 1.3 pp to 19.2 %. This is partly related to considerably lower marketing spending, particularly in March 2020 related to the Corona outbreak. In the second half of 2020, we intentionally increased marketing expenses again to support SHOP APOTHEKE EUROPE´s strategical initiative to further boost organic growth.

The main categories within S&D are marketing expenses, distribution cost, operations and personnel expenses for marketing. A more detailed split of S&D costs is provided in the consolidated financial statements, note 7.

Administrative costs including depreciation and amortization increased in absolute terms, by EUR 6.3 million from EUR 28.5 million to EUR 34.8 million. Despite the growth-driven increase in absolute terms, SHOP APOTHEKE EUROPE succeeded in lowering administrative costs as a proportion of sales from 4.1 % in 2019 to 3.6 % primarily through economies of scale.

Administrative expenses and selling and distribution costs have been adjusted by EUR 6.4 million (2019: EUR 5.2 million) for extraordinary items and one-off costs mainly related to non-cash expenses for stock options, the new logistics center and in 2019 also for impairments related to the exit from the Spanish market.

Other income decreased from EUR 0.7 million to EUR 0.1 million. Other income for 2019 was mainly related to an escrow release of EUR 0.6 million in connection with the nu3 acquisition.

The operating result improved significantly to EUR – 0.9 million after a loss of EUR – 33.4 million prior year. Considering extraordinary items this translates into a positive adjusted EBIT of EUR 5.6 million after an adjusted EBIT of EUR – 28.2 million in 2019.

Financing expenses rose by EUR 5.0 million, from EUR 10.2 million in 2019 to EUR 15.2 million in 2020. The financing expenses are predominantly related to interest and incentive payments for the convertible bonds issued in April 2018 and April 2019 (EUR 9.1 million) and fees for payment providers for SHOP APOTHEKE EUROPE (EUR 3.8 million). For the bonds issued in 2018 and 2019, we succesfully executed an initiative with an incentive for the bondholders to agree to an earlier conversion. In October 2020, the successful full redemption was announced.

The net loss amounted to EUR – 5.5 million after EUR – 36.3 million.

Revenues and earnings by segment.

SHOP APOTHEKE EUROPE's business activities are divided into two segments. The "DACH" core segment posts the highest sales and essentially consists of sales of prescription drugs, OTC pharmaceutical products, functional foods 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, functional foods and beauty and healthcare products

Segment information – non adjusted and adjusted

2020	DACH	International	Total
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	**815.400**	**152.662**	**968.062**
Cost of sales	– 635.757	– 112.778	– 748.535
Adjusted cost of sales	*– 635.757*	*– 112.778*	*– 748.535*
Gross profit	**179.643**	**39.884**	**219.527**
Adjusted gross profit	*179.643*	*39.884*	*219.527*
% of revenue	22,0 %	26,1 %	22,7 %
Other income	55	10	65
Adjusted other income	*55*	*10*	*65*
Selling & distribution	– 130.299	– 41.642	– 171.941
Adjusted S&D	*– 130.299*	*– 41.642*	*– 171.941*
Segment EBITDA	49.399	– 1.748	47.651
Adjusted segment EBITDA	*49.399*	*– 1.748*	*47.651*
Administrative expenses	– 20.622	– 11.832	– 32.454
Adjusted AE	*– 15.268*	*– 10.763*	*– 26.031*
EBITDA	**28.777**	**– 13.580**	**15.197**
Adjusted EBITDA	*34.131*	*– 12.511*	*21.620*
Depreciation	– 10.208	– 5.856	– 16.064
Adjusted depreciation	*– 10.208*	*– 5.856*	*– 16.064*
EBIT	**18.569**	**– 19.436**	**– 867**
Adjusted EBIT	*23.923*	*– 18.367*	*5.556*
Net finance cost and income tax			– 15.904
Net loss			**– 16.771**
Adjusted net loss			*– 10.348*

in our other European markets: Belgium, France, Italy, the Netherlands and Spain (until end of 2019).

The below statement of results by segment shows a significant expansion in business volume in both segments. The consolidated adjusted EBITDA amounts to of EUR 21.6 million compared to an adjusted EBITDA of EUR – 13.6 million in 2019. Relative to sales, the adjusted EBITDA-margin for the Group improved from – 1.9 % in 2019 to + 2.2 % in the reporting period.

Dach segment sales rose significantly and segment ebitda margin improved.

During the 2020 reporting period, DACH segment sales in the German, Austrian and the Swiss markets rose at a rate of 32.5 %. With sales of EUR 815.4 million in financial year 2020 the "DACH" segment generated around 84 % of total consolidated sales. In 2019, "DACH" segment sales accounted for EUR 615.4 million or around 88 % of total consolidated sales.

Costs of sales went from EUR 499.1 million in 2019 to EUR 635.8 million in 2020. The increase of 27.4 % was below the sales growth ratio. Thus, the segment's gross profit margin improved from 18.9 % to 22.0 % The increase of 3.1 percentage points was attributable to net pricing effects, better sourcing consditions and a higher proportion of OTC, BPC and functional food products in the product mix which typically have higher gross margin than prescription medicines.

Other income decreased from EUR 0.7 million to EUR 0.1 million. Other income for 2019 was mainly related to an escrow release of EUR 0.6 million in connection with the nu3 acquisition. For 2020, other income mainly related to services rendered by subsidiary nu3 GmbH.

Segment information – non adjusted and adjusted

2019	DACH	International	Total
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	**615,424**	**85,587**	**701,011**
Cost of sales	– 499,112	– 64,217	– 563,329
Adjusted cost of sales	*– 499,112*	*– 63,997*	*– 563,109*
Gross profit	**116,312**	**21,370**	**137,682**
Adjusted gross profit	*116,312*	*21,590*	*137,902*
% of revenue	18.9 %	25.0 %	19.6 %
Other income	647	89	736
Adjusted other income	*64*	*89*	*154*
Selling & distribution	– 103,247	– 27,511	– 130,758
Adjusted S&D	*– 103,025*	*– 27,511*	*– 130,536*
Segment EBITDA	13,711	– 6,052	7,659
Adjusted segment EBITDA	*13,350*	*– 5,832*	*7,519*
Administrative expenses	– 17.142	– 9.099	– 26,241
Adjusted AE	*– 13.778*	*– 7.313*	*– 21,091*
EBITDA	**– 3.431**	**– 15.151**	**– 18,582**
Adjusted EBITDA	*– 428*	*– 13.145*	*– 13,572*
Depreciation	– 9.710	– 5.154	– 14,864
Adjusted depreciation	*– 9.531*	*– 4.916*	*– 14,607*
EBIT	**– 13.141**	**– 20.305**	**– 33,445**
Adjusted EBIT	*– 9.959*	*– 18.062*	*– 28,179*
Net finance cost and income tax			– 2,824
Net loss			**– 36,270**
Adjusted net loss			*– 31,003*

Selling and distribution expenses (excluding depreciation and amortization) increased by 26.2 % from EUR 103.2 million in 2019 to EUR 130.3 million. Thus, the ratio of selling expenses to revenues decreased by 0.8 percentage points, from 16.8 % in 2019 to 16.0 % in 2020. This is partly related to considerably lower marketing spending, especially in March and April 2020, in connection with the Corona outbreak. In total, segment EBITDA for the "DACH" region climbed from EUR 13.7 million in 2019 to EUR 49.4 million in 2020. This translates into an segment EBITDA margin of 6.1 %, which represents an increase of 3.9 pp vs. prior year´s margin of 2.2 %. The adjusted EBITDA for the DACH segment rose from EUR – 0.4 million to EUR 34.2 million, an improvement of EUR 34.6 million. Thus, the adjusted EBITDA margin stood at 4.2 %, up 4.3 pp vs. prior year's – 0.1 %. EBIT improved by EUR 31.7 million to EUR 18.6 million.

International segment revenues rose significantly.

Revenues outside the DACH region, which are posted to the International segment consist sales in the Netherlands, Belgium, France, Italy and until end of 2019 in Spain. With 78.4 % they rose over-proportionally to total Group sales in the period under review from EUR 85.6 million to EUR 152.7 million. Thus, international sales accounted for around 16 % of 2020 consolidated sales versus 12 % in the year before.

Cost of sales in 2020 were EUR 112.8 million compared to EUR 64.2 million in 2019. This translates into gross profit of EUR 39.8 million compared to EUR 21.4 million in 2019. Thus, the gross margin was at 26.1 %, 1.1 pp higher than in the previous year with 25.0 %.

As a result of the expansion strategy the International segment saw a considerable increase in the number of new customers. Explained by a significantly higher proportion of orders from new clients, and other effects, the segment EBITDA remained to be negative with EUR – 1.7 million. Nevertheless, it improved by EUR 4.3 million against the previous year's figure of EUR – 6.1 million. Relative to sales, the segment EBITDA margin improved from – 7.1 % in 2019 to – 1.2 % in 2020. The adjusted EBITDA for the International segment improved by EUR 0.5 million from EUR – 13.1 million to EUR – 12.5 million, translating into a significantly better adjusted EBITDA margin of – 8.2 %, up 7.2 pp vs. prior year's – 15.4 %. EBIT stood at EUR 19.4 million after EUR 20.3 million in 2019.

Cash flow.

in EUR million	2019	2020
Operating loss for the period	– 33.7	– 0.9
Net cash flow for/from operating activities	– 30.4	17.8
Net cash flow for/from investing activities	– 33.4	– 40.3
Net cash flow for/from financing activities	102.4	50.3
Cash and cash equivalents at the beginning of the period	24.3	62.7
Change in cash and cash equivalents	38.3	27.8
Cash and cash equivalents at the end of the period	62.7	90.5

In the period under review, cash and cash equivalents increased from EUR 62.7 million to a year-end figure of EUR 90.5 million. As a safeguard against the unfavorable interest rate environment, EUR 37.8 million were invested in short-term securities and are shown in other financial assets (2019: EUR 50.6 million).

Operational cash flow was EUR 17.8 million compared to EUR – 30.7 million during fiscal year 2019. Operating result improved substantially from EUR – 33.4 million last year to EUR – 0.9 million, but within working capital especially inventory levels were higher, in part related to Corona-related products. Trade and other payables grew by EUR 21.4 million in the reporting period.

EUR – 40.3 million was used for investing activities in 2020 (previous year: EUR – 33.4 million). Investments in IT and the new distribution facility were in part offset by divestments of short-term securities amounting to EUR 13.1 million. EUR – 38.2 million were investments in property, plant and equipment, mostly for the new logistic facility including its automation.

Total cash flow from financing activities stood at EUR 50.3 million vs. EUR 102.4 million last year, essentially driven by the capital increase in April 2020 with a cash inflow of EUR 63.4 million. A further capital increase of EUR 12.4 million was related to the effect of an employee stock option programme. In the past year, a capital increase and the issuance of convertible bonds were also key contributors to the cash flow from financing activities. Interest payments are related to interest on the convertible bond and payment service providers. Last year's cash outflow of EUR – 1.1 million to meet payment obligations for the FARMALINE acquisition, which are fully satisfied by now, does no longer apply.

The working capital at 31 December 2020 was EUR 51.6 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 536.9 million after EUR 428.0 million at the end of fiscal year 2019.

Within the non-current assets, property, plant and equipment rose by EUR 61.4 million to EUR 74.5 million. Most of this increase is related to the lease accounting of the new logistics center in Sevenum (the Netherlands).

Within the current assets, inventories and trade receivables rose by EUR 24.6 million and EUR 3.7 million. This is primarily related to the expansion of the business, while inventories were also higher due to Corona related products. A decrease of EUR 12.8 million in other financial assets is mainly related to the sale of securities. With EUR 128.3 million, cash and cash equivalents – including investments in securities shown in other financial assets – were up EUR 15.1 million versus the balance of EUR 113.2 million on 31 December 2019.

Non-current liabilities at year-end 2020 totaled EUR 36.2 million compared to EUR 135.4 million in 2018. Loans and borrowings within the non-current liabilities decreased from EUR 131.5 million as per year end 2019 to EUR 32.8 million. The main reason for this development were the early conversion and the redemption of convertible bonds issued in 2018 and 2019, which were originally due in 2023.

Current liabilities rose from EUR 59.8 million as of 31 December 2019 to EUR 74.3 million at the end of 2020. This was mainly attributable to the fact that the expansion in business volume led to an increase in trade liabilities to EUR 53.2 million over the reporting period after EUR 32.0 million 2019 and to other liabilities which increased from EUR 10.1 million to EUR 16.8 million during the reporting period (for information on other liabilities see note 23 of the financial statements). Amounts due to banks decreased by EUR 10.2 million to EUR 0 million.

At year-end 2020, total equity was EUR 425.1 million compared to EUR 232.8 million at year-end 2019. The equity capital ratio was ca. 79 percent as of the reporting date.

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:

	2019	2020
Site visits	133,870,783	208,346,477
Mobile visits	89,827,590	142,670,048
KPI – mobile share	67 %	68 %
Number of orders	12,196,731	16,594,469
Repeat orders	81 %	82 %
Return rate	0.78 %	0.61 %
# Active customers	4,690,151	6,285,665
Average basket size	EUR 66.85	EUR 66.41

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.

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. The reduction of the average basket size is mainly related to the full-year consolidation of nu3, which has lower basket values and a higher proportion of OTC/BPC sales.

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 profit.

Return rate
One key advantage of trading in medicines and BPC products is a negligible return rate. As returns are a significant cost factor in e-commerce, there is a direct correlation with the company's profit and lower CO_2 footprint as well.

Human resources.

Our people bring SHOP APOTHEKE EUROPE's strategy to life. They ensure within their daily work and with the dedication they have, an exceptional customer experience – every day enabling our customers to live their healthiest life possible. That foresees building up a compelling employer brand, attracting the right talents and retain them by being market competitive in everything we offer – preparing ourselves for future growth and being an employer of choice. Understanding employee satisfaction as well as the driving factors of SHOP APOTHEKE EUROPE employees' satisfaction is key in retaining our people. Thus, in 2020 we conducted our first employee survey, measuring the recommendation rate as indicator for comprehensive satisfaction and a set of independent variables analyzing importance and perception of various factors influencing employee satisfaction as well employees' qualitative feedback. An extensive analysis of this feedback among leadership of various departments and the integration of these results into our human resources roadmap followed this survey (➔ *GRI 102-43*).

The following disclosures include permanent and temporary employees but do not include temporary workers which are employed by service providers helping to cover peak seasons in logistics:

As per 31 December 2020, SHOP APOTHEKE EUROPE employed 1379 people, (equivalating to 1220 FTEs), comprised as follows (➔ *GRI 102-8*):

31.12.2020			% of total
By gender (GRI 102-8, 405-1)	Number of employees (male)	563	40,8 %
	Number of employees (female)	816	59,2 %
	Number of female executives	1	20,0 %
By age group (GRI 102-8, 405-1)	Under 30 years	410	29,7 %
	30 – 50 years old	712	51,6 %
	Over 50 years old	257	18,7 %
By employment type (GRI 102-8)	Full-time employees	1,043	75,6 %
	Part-time employees	336	24,4 %
By region (GRI 102-8)	Netherlands	1,014	73,5 %
	Germany	303	22,0 %
	Belgium	55	4,0 %
	Other international locations	7	0,5 %

Social Protection

All Shop Apotheke Service GmbH employees are offered a company pension program on a voluntary basis and an individual and independent consultancy service going beyond the occupational pension topic. Employees are offered three different modern investment concepts including a green investment option.

From January 2021 onwards, a company pension plan will be launched for all employees with Dutch employment contracts whose pensions are not already covered by either the occupational pension fund for pharmacists SPOA or the scheme for pharmacist staff PMA.

Information regarding employee stock options plan is published in the remuneration report as integral part of the Annual Report. *(➔ GRI 103 1-3, 401-2)*

Equal Opportunities, Development and Training

We believe that diverse teams and a profound leadership style create the best value - no matter whether our people build online services for our customers, consult patients regarding their individual needs or deliver a best-in-class logistic experience. Being a part of SHOP APOTHEKE EUROPE gives employees a chance to set purpose into what they are working on. We take care of every single employee, providing them with the best space to grow.

The company offers opportunities for individual growth and internal career changes – notably via long-term employments and individual developments. Our culture allows people to engage and to bring in their full skillset. Enablement, intrinsic motivation and a value-adding cooperation are pillows we request from our people and are happy to give back.

For the second management layer, reporting to the executive board, individual leadership coaching opportunities are offered. For the third management level reporting having personnel responsibilities SHOP APOTHEKE EUROPE has launched a specialized training program strengthening leadership qualities. Aiming to cultivate a culture of learning at SHOP APOTHEKE EUROPE, in 2020 a pilot was launched covering 145 employees and offering full access to the online learning platform Udemy. Flexible, on-demand learning opportunities including 5,000+ top rated, engaging professional and personal development courses. In a company-wide initiative employee are offered and encouraged to take German and English language classes to foster their ongoing development, not only professionally, but personally as well. *(➔ GRI 404-2)*

For critical personal or work-related situations, the company has established a comprehensive, yet informal, network of 16 employee representatives. While all of them received a specialized training, two have been additionally trained and certified in the field of harassment. Employees are not covered by collective bargaining agreements. *(➔ GRI 102-41)*

Education to Promote Sustainable Development

The most crucial aspect of our Sustainable Development approach is to enable and empower every employee to take responsibility in all aspects of their day-to-day business instead of building a separate sustainability function. We are convinced that we can create even more impact when each and everybody within our organization can shape our development into a more sustainable direction. At the same time, we see it as our responsibility to use our reach to foster awareness within the broader society. This entails creating awareness and sharing knowledge and scientific insights. With regard to creating awareness, a set of initiatives such as an internal sustainable search engine or sustainable offices activities have been implemented in 2020. With regard to knowledge transfer, internal workshops have been conducted a deep-dive of the 17 UN Sustainable Development Goals and working on the implications and responsibilities for the departments such as Human Resources, Procurement, Marketing & Sales, Logistics, Customer Service and IT. In 2021 the goal is to develop a sustainable development course for all employees that take operative and strategic business decisions. Furthermore, it is planned to make sustainable development part of our leadership trainings.

Employee Health and Safety

We put an emphasis on occupational safety, security and health management as we believe that our pharmaceutical core needs to be reflected within our approach towards existing and future employees. Particularly focusing on the COVID-19 situation SHOP APOTHEKE EUROPE managed well to even expand the business whilst ensuring employees health at our locations or enabling people to work from home – in a quick and easy way, taking care of the peculiarities this change implies. Facing the exceptional challenges with regard to employee’s health and safety, crisis task force was established with responsibilities from various functions, analyzing international and local developments on a daily basis and in order to derive measures and investments to be taken at SHOP APOTHEKE EUROPE to ensure minimized infection risks at all locations.

The topic of employee health and safety is managed cross-departmental in Human Resources and Facility and Office Management. Internal stakeholder consultation has identified the diverse health and safety needs resulting from the broad range of functions at SHOP APOTHEKE EUROPE. Company-wide initiatives promoting employees health include for instance a flu vaccination or ergonomic webinars or opportunities for sport and relaxation. Regarding employee safety, company fire protection assistants and first aiders are trained on a regular basis. However, the following disclosures deal with the management approach for health and safety of our employees working at our headquarters and logistics location in Venlo and Sevenum, covering the majority of employees. The move to the new headquarter goes along with a totally new work environment in logistics and operations as well as in the offices for which an external consultancy developed a concept fostering modern, transparent and flexible working as well as providing ergonomic workspaces tailored to needs of SHOP APOTHEKE EUROPE. Furthermore, the dedicated position of a health manager ensures the continuous development of employee health management employees are for instance offered regular consultation hours and additional voluntary appointments at a medical officer. *(➔ GRI 103-1,2,3)*

SHOP APOTHEKE EUROPE conducts the Risk Assessment and Evaluation (RI&E) according the Fine & Kinney method in order to identify risks based upon legal workplace safety regulations. An action tracker ensures transparent and profound management of identified risks. As an integral part of the GDP requirements every employee or temporary worker at the operational locations receives a quality, safety and security training. In 2020, an Arbo Catalogue was prepared which will be implemented in 2021. Although this practice is not mandatory for SHOP APOTHEKE EUROPE, we are convinced that this additional but industry-specific engagement further improves our workplace health and safety needs tailored to office as well as operations and logistics workplace situations by good practice solutions. The implementation of the Arbo Catalogue's measures and solutions will be audited by the Dutch authorities. *(➔ GRI 103-1,2,3; GRI 403-1,2,5)*

Research and development.

As a company with focus on retail and other healthcare services, SHOP APOTHEKE EUROPE does not produce its own products and therefore does not conduct research and development in the strict sense of the term. The pharmacy sector and its customers currently find themselves in a profound transformation process, which is 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 e-pharmacy platform that offers solutions for these changes. Most of our customer-facing systems are primarily initiated, refined and maintained internally. We use external partners to obtain specific expertise or increase our development capacity.

Our inhouse developed front-end platform represents a custom-made solution to our customers' needs and expectations. We are convinced that we can respond to new customer needs faster by having sizable in-house development capacities. Going forward, we intend to continue investing disproportionately in our IT capabilities and capacities to expand our technological advantage versus the competition.

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

Sustainable development.

Sustainable Development is an integral part of SHOP APOTHEKE EUROPE's strategic positioning within the European online pharmacy market aiming to create shared value for the company and its stakeholders simultaneously. Being deeply convinced that a healthy life is only possible on a healthy planet, SHOP APOTHEKE EUROPE takes its responsibility for society and environment – transparently and trustfully. Unlike building a separate sustainability function, we focus on enabling and empowering every employee to manage sustainably. A key component of this approach is to develop a company-specific set of key performance indicators to measure business and sustainability impacts in an integrated way.

Materiality & stakeholder engagement.

Understanding internal and external stakeholders' expectations allows SHOP APOTHEKE EUROPE to efficiently use resources to work and report on exactly those material topics – determined and with bold steps. The focus on three main stakeholder groups – employees, customers and shareholders is derived from SHOP APOTHEKE EUROPE's core strategy upon customer-centricity and our people as a core competitive advantage, complemented by our investors commencing a proactive dialogue on social and environmental issues. *(➔ 102-40, 42)* In 2020 the company worked intensively on identifying the material sustainability topics in an inclusive two-step stakeholder process *(➔ GRI 102-43, 46)*:

The first step constitutes of an extensive analysis and an internal workshop series with all core departments of SHOP APOTHEKE EUROPE identifying and prioritizing the company's economic, environmental and social impacts. Based on the United Nation's Sustainable Development Goals (SDGs) it was analyzed on which of the 169 Targets the company could have a positive or negative impact and how significant this impact is. To make this analysis feasible and profound at the same time, the target-level approach was based on the scientific work of Van Zanten and Van Tulder published in "Multinational enterprises and the Sustainable Development Goals: An institutional approach to corporate engagement".

In a second step SHOP APOTHEKE EUROPE analyzed how relevant the prioritized topics are for internal and external stakeholders' assessment and decisions. Employees, customers and shareholder where invited to evaluate this via questionnaires. While employees had a clear bias towards training and development topics as well as occupational health and safety, equal opportunities and social protection, investors added a strong prioritization of CO2 emissions. The latter was mirrored by customers' perception who added a stronger focus on environmentally friendly packaging. *(➔ GRI 102-44)*

Topics which have been identified as having a significant environmental, economic or social impact and are heavilyinfluencing stakeholders' assessment and decisions, now form the basis of SHOP APOTHEKE EUROPE's Sustainable Development Strategy "Because we care" which consists of the three pillars Planetary Care, Patient Care and Employee Care addressing the prioritized SDG Targets *(➔ GRI 102-47)*:

Planetary care.

8.4. | 8.8. 9.1. | 9.4. 11.6. 12.2. | 12.5. 13.a.

- CO_2 Emissions
- Sustainable Packaging
- Sustainable Offices and Operations

CO_2 Emissions.

Within the planetary care pillar, SHOP APOTHEKE EUROPE focused on developing a comprehensive climate strategy and establishing a carbon management processes in 2020. Aiming at establishing an effective approach which enables management in the long-term to integrate climate aspects into strategic and long-term decision making but at the same time acknowledges the urgency of global climate action. Thus, SHOP APOTHEKE EUROPE is climate neutral from October 1, 2020 onwards by offsetting Scope 1, 2 and 3 emissions. However, offsetting is just the instrument, following the logic of an internal carbon taxation, fostering the effective reduction of emissions to decouple the company's carbon footprint from its fast growth path. The annual process of SHOP APOTHEKE EUROPE's carbon management consists of three annually recurring steps: Measure, offset, reduce. *(➔ GRI 103-1,2,3)*

Measure.

In 2020 SHOP APOTHEKE EUROPE reached its goal to measure Scope 1 and 2 emissions and even outperformed this by deciding to extend the analysis also to Scope 3 emissions, including for instance the emissions caused by our partners shipping the parcels. We see it as our clear responsibility to also manage emissions caused indirectly by our business activities. In collaboration with Climate Partner, SHOP APOTHEKE EUROPE calculated the Corporate Carbon Footprint (CCF) 2019. In a second step adapting internal controlling processes and improving data quality the 2020 CCF was calculated beginning of 2021. Additionally, the CCF has been audited by the TÜV Rheinland (ID-Nr. 0000077882: SHOP APOTHEKE EUROPE N.V. – Certipedia).

Gases included according to the Greenhouse Gas Protocol are in addition to CO2, the six other greenhouse gases regulated in the Kyoto Protocol: Methane (CH4), nitrous oxide (N2O), sulfur hexafluoride (SF6), hydrofluorocarbons (HFCs and HFCs), and nitrogen trifluoride (NF3). These are converted into the greenhouse potential of CO_2 and thus form CO_2 equivalents (CO_2e) – referred to in this report for simplicity as "CO_2". 2019 is defining the baseline year with respect to the GRI indicators as it is the year of the first CCF calculated by SHOP APOTHEKE EUROPE. Operational System boundaries are defined according to the locations of SHOP APOTHEKE EUROPE. Detailed information regarding the methodology can be found in the CCF report published on SHOP APOTHEKE EUROPE's Corporate Website.

Tons CO_2	Scope 1	Scope 2	Scope 3	Total
2019	211,6	863.5	1,2175	1,3250.1
2020	451,4	2,274.7	12,733.9	15,466.5

➔ *GRI 305-1,2,3*

The emission intensity ratio SHOP APOTHEKE ERUOPE considers two KPIs: first, the emissions per parcel, second, the emissions per EUR 100K revenue generated:

	Kg CO2 per order	Tons CO_2 per € 100K revenue genereated
2019	1,09	18,90
2020	0,93	15,97

Offset.

SHOP APOTHEKE EUROPE did offset the Scope 1, 2 and 3 emissions caused from October 1 2020 onwards and commits itself to continue to do so. From the day the decision was taken until the end of the year, this accounts to 3.827,97 tons. A 10 % security surcharge is added to account for unforeseeable discrepancies. Certificates for 4.253,3 tons have been funded to offset the exact amount emitted by SHOP APOTHEKE EUROPE from October 1 2020 onwards. The Gold Standard VER (GS VER) verified project in Kompong Chnang, Cambodia avoids CO_2 emissions by cleaning water to replace the common practice of boiling drinking water over an open fire, resulting in CO_2 emissions and deforestation. The project not only prevents the amount of emissions but furthermore contributes to one of SHOP APOTHEKE EUROPEs prioritized SDGs, SDG 3 Health and Wellbeing by providing clean drinking water to families in Cambodia, where 88 out of 1,000 children under the age of five still die from diarrhea due to the consumption of untreated water.

Reduce.

The offsetting costs are allocated internally to those cost centers being responsible for causing the emissions; internalizing those costs and having a price per ton emitted aims to foster an ambitious CO_2 reduction. In 2021 the company will develop reduction targets per department being aligned to the overall goal of becoming a below 2 °C compatible company. By means of the XDC model developed by right.based on science, SHOP APOTHEKE EUROPE will be able to derive a baseline XDC which describes the °C global warming the world would face if every company operates comparable to SHOP APOTHEKE EUROPE. A scenario analysis considering SHOP APOTHEKE EUROPE's growth targets as well as the global CO_2 budget available will be conducted in order to identify the amount of CO_2 the company has to reduce in order to operate in line with the Paris Climate Agreement and a well below 2° economy. Hitherto, reduction measures entail route optimization of our inbound logistics, climate neutral shipping options for customers as well as investments in an environmentally friendly new headquarter including the installation of charging stations for electric cars of employees. Additionally, the Covid-19 situation led to a drastic reduction of emissions caused by employee commuting and business travel which will eventually increase again, yet expected to reach a pre-Corona level.

Sustainable Packaging.

Reduce & improve resource usage along the value chain is the second material environmental impact identified during the stakeholder analysis. Primarily, the customer-centered analysis has shown an extraordinary relevance of a more sustainable packaging. In 2020 SHOP APOTHEKE EUROPE is going to conduct a Life Cycle Analysis (LCA) of its current packaging solutions to identify the most sustainable solution considering the stages of production, usage and end-of-life. (➔ *GRI 103-1,2,3)* Based upon this analysis the company will develop a Sustainable Packaging Roadmap, to be executed from 2022 onwards.

Sustainable Offices and Facilities.

A pivotal step forwards regarding decreasing energy consumption will be VENLO 2020 – the construction of a new building aligned with highest environmental standards outlined by BREAAM – the company aims for the award of a "very good" certification for the office building. Solar panels which could cover up to 85 % of our headquarters' energy, heat pumps, thermal bridges, smart battery loading of shop vehicles are only a few examples of how the company ensures the highest ecological standards in the new operations and logistics headquarter. (➔ *GRI 103-1,2,3)*

Furthermore, in 2020 SHOP APOTHEKE EUROPE's international electricity supply from renewable was increased to 1%, as a result of switching to green energy for all German locations. The goal is to reach 100% for all international locations, where this is not yet possible due to contractual reasons, the emissions have been offset from October 1 onwards.

Due to the major contribution of SHOP APOTHEKE EUROPE's general environmental footprint such as energy consumption and waste disposal, only data on the headquarters (including old and new building) are provided as follows for 2020:

Building electricity consumption	Total in kWh	4,018,832
Building gas consumption	Total in m3	52,234
Building fuel consumption	Total in l	64,909
Alternative energy consumption	Total	0

➔ *GRI 302-1*

While SHOP APOTHEKE EUROPE continuously works on sustainable office and operations supplies it is not considered relevant enough in terms of environmental or business impact to report but rather a visibility factor for employees (e.g., water dispensers and refill bottles). While it is a significant step to rethink our procurement of resources needed to operate, including energy or materials, it is similarly important to ensure a sustainable waste management and continuously improve circularity of resources. Being an online pharmacy, our return rates are relatively low given the fact that our products are ordered on specific demand. Nevertheless, initiatives to reduce the number of inevitable disposals include for instance an employee sale of returned products or products expiring soon. In other departments, we seek to further digitalize our processes first and foremost in our customer service. This is complemented by for instance waste disposal initiatives in offices or the partnership with a food startup delivering lunch in 100% reusable packaging to the Cologne location.

Return rate: 0,91%
Waste type and disposal method: *(➔ GRI 306-2)*

	Total in kg
Cardboard/Paper	801,580
Residual wate	164,510
Wood	81,775
Metal	5,900
Medical	6,584

Patient care.

3.8.

16.6.

- Health Services and Medical Supplies
- Data Protection

Health Services and Medical Supplies.

Enabling everyone to live the healthiest life possible. Our mission shows how SHOP APOTHEKE EUROPE creates positive societal impact through its core business facilitating, affordable and safe access to medication and health services. The significant responsibility in ensuring societal health became even more tangible during the COVID-19 developments prioritizing the consistent supply of medication.

A key pillar of SHOP APOTHEKE EUROPE social value creation are our expert therapy services supporting chronically ill patients in more than eight diseases every day. In our smart THERAPIE PLUS programs more than 2900 patients benefit from experience and sound knowledge our pharmaceutical experts gathered over more than eleven years – compiling and sharing wealth of information about safe medication therapy and general advice enabling patients to life a better life.

Through the acquisition of SMARTPATIENT GmbH, this focus will be further scaled through evidence-based and digital medication management building upon the award winning MyTherapy platform: improving medication adherence by more than 45%. Beside our own services, we also partner up with non-profit organizations to enable healthier lives. In 2020 SHOP APOTHEKE EUROPE further-extended its partnership with Herzenswünsche e.V., a charity fulfilling wishes of severely ill children, and by the end of 2020, the company had donated more than EUR 110K, making a total donation of more than EUR 560K over the past years. We decided to further intensify our collaboration in 2021 building upon a donation per prescription received from German customers. Since the provision of rX bonuses is no longer allowed in Germany, we decided to still pass something on to children benefiting from a fulfilled wish as part of their therapy, giving hope and strength.

As a pharmacy, SHOP APOTHEKE EUROPE is committed to the highest safety and quality standards. The Quality department identifies risks and opportunities in the field of quality and safety and takes measures for continuously quality improvement of our products and services. This guarantees assurance and optimization of the quality and safety of our products and health outcomes for our customers. Our processes are compliant to international standards, primarily the Good Distribution Practices (GDP), ISO 9001:2015 and the Nederlandse Apotheek Norm (NAN). In addition, the Dutch Skal Bio Certificate allows SHOP APOTHEKE EUROPE to store and sell organic products. Within the Quality department, the Pharma Compliance department takes care of the quality and safety of the products: 100 % of the products that we are selling are assessed by strict quality standards and need to comply with external guidelines and regulations. *(➔ GRI 416-1; GRI 103-1,2,3)*. Besides, the Pharma Compliance department is responsible for the provision of information regarding the use of medicines towards our customers *(➔ GRI 417-1; GRI 103-1,2,3)*:

- Interactions and medication plans.
  Each order is checked on possible interactions between medications. Based on a medication plan is checked whether interactions are possible. The customer is always informed about possible interactions between medications, interactions with food products and other contra-indications. Furthermore, the dosage is checked and customers or the prescribing doctor are contacted in case of ambiguities.

- Information.
  All customers are extensively informed about the usage of medication. First-user letters are added to orders of new customers or new prescriptions. General information is available for customers on all products by, for example, package inserts.

- Quality, errors and improvement.
  To ensure the quality of our pharmacist checks, a double-check system is used. In our system, an automatic warning is implemented by products that can easily interact with each other, be problematic for the customer or have a low therapeutic range. All customers can report possible unforeseen side-effects. It is the responsibility of Pharma Compliance to analyze those reports sufficiently and take corrective actions when needed.

- Product safety.
  The pharma compliance department is responsible for the release of new products. For all products is checked whether it is allowed to sell the products in a specific country. This check is based on (inter-)national guidelines like dosage, language and label information.

- Recalls and adverse effects.
  The recalls of products in all countries are checked on a daily basis. In addition, the stock, batch deposit and customer information are checked. The stock is structurally cleaned and employees are working by strict safety and hygiene instructions. Every adverse effect of a product (medicine) reported by a customer is directly passed on to the manufacturer and the appropriate authority. Additionally, the NVWA or EU will be informed when applicable.

Data Protection.

While providing best-in class patient support, it is our responsibility to ensure outstanding data privacy and security. Information regarding our comprehensive data privacy and security policies, processes and commitments can be found on our corporate website.

Employee care.

1.3. 4.4. | 4.7. 5.4. | 5.5. 18.7. | 8.8. 16.7.

- Equal Opportunities, Development and Training
- Employee Health and Safety
- Social Security of Employees
- Educytion to Promote Sustainable Development

Detailed disclosures regarding the material topics building the third strategy pillar 'Employee Care.' can be found in the Human Resource chapter (p. 58,59). This follows SHOP APOTHEKE EUROPE's rational to manage Human Resources sustainably, thus the material topics being an integrated part of our Human Resources function's roadmap and goals. Thus, the disclosures have been published in the respective chapter of this report.

RISKS AND OPPORTUNITIES.

RISKS REPORT *(➔ GRI 102-11).*

Overall Risk Assessment.

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. It is based on the ISO 31000 and the Corporate Governance Code. The system identifies, analyses and monitors the key risk categories which include 1) strategic risks such as legislation and regulation, online market trends, market position of competitors, 2) operating risks such as IT controls, warehouse capacity, compliance with quality standards and 3) financial risks such as current and future earnings and short-term and long-term funding needs. We manage the identification, assessment and mitigation of risks through an internal governance process. Our approach to identify and evaluate risks 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, strategic or reputational impact as well asthe risk probability in the current year. Calculations reflect 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 treatment. The total residual risk is calculated as the sum of all residual strategic, operating and financial risks.

Risk Management System.

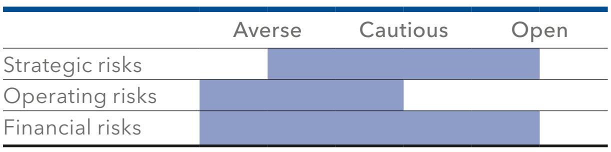
Strategic and operational events and actions, which have a significant impact on the existence and the economic situation of the Group, are considered risks. These also include external factors such as the competitive situation, the regulatory development and other factors that can compromise the achievement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

SHOP APOTHEKE EUROPE has implemented a risk management system based on ISO 31000, which 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). Our risk acceptance is summarized and reported in SHOP APOTHEKE EUROPE's risk appetite.

Risk Appetite.

Risk appetite expresses 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 table below qualitatively shows the Shop Apotheke Europe N.V.'s risk appetite in a graph:



The Managing Board reviews and approves our risk appetite and capacity on an annual basis, or more frequently 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 Managing Board. 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.

In the third quarter of 2020, we decided to implement a more extensive Enterprise Risk Management (ERM) Policy with a view to further strengthen the existing internal risk management system. As part of a new structure new holders of the main risk domains were appointed. The domain holders regularly report to, and consult with a new internal ERM Group to collect, monitor and evaluate the identified risks per domain. The ERM Group is chaired by Mr. Jasper Eenhorst, CFO. Members of the group ensure that risks which are identified during the analysis as possibly constituting an acute risk are reported to the domain holders ("early warning system"). Further, they advise on the follow-up of a risk and the design of control measures. The ERM group is also responsible for the periodic evaluation of the ERM process. It has a driving function. The group monitors the progress and timely follow-up of the risks.

External control.

Beside the internal control system also external bodies provide assurance on the design and effectiveness of the risk management processes and compliance with the relevant standards, policies and norms:

External certifications.

SHOP APOTHEKE EUROPE maintains strict pharmaceutical controls monitored by the Dutch Ministry of Health as well a number of certifications: some, such as ISO 9001 certified by TÜV and Trusted Shops. The effectiveness of the Quality and Health, Safety and Environment (HSE) management systems is constantly audited internally and externally, and a continuous improvement installed for ongoing optimization of all pharmacy and administrative processes.

External auditor.

The independent external auditor Mazars Accountants N.V. in Rotterdam provides an independent opinion on the financial statements of the Group. The auditor has unrestricted access to the Group's sites and documentation and communicates regularly with the Managing and the Supervisory Board. The Supervisory Board discusses the scope of the work and the relationship with the external auditor at least once a year.

Basic methodology.

Risks are assessed according to their probability of occurrence and the potential financial loss risk. The residual strategic, operating and financial risks are individually shown in a risk matrix with their respective monetary impact and probabilities of entry. The risk matrix is produced from input by risk managers based on their assessment of entry probabilities before and after mitigation (residual risk). The Chief Risk Officer is responsible for monitoring and validating the information received from the risk managers.

The most important risks within the risk categories are described below.

Strategic Risks.

Acquisition risks.

Since our founding, we have grown both organically and through acquisitions (RedTecLab GmbH in 2013; Farmaline in 2016; Europa Apotheek Venlo in 2017; nu3 GmbH in 2018). Furthermore, as part of our business strategy to further expand our offering across Continental Europe, we expect to engage in strategic and opportunistic acquisitions of other companies, businesses or assets. Acquisitions involve numerous risks such as unanticipated difficulties associated with higher than expected costs for integrating the technologies, operations, existing contracts and personnel of acquired businesses or difficulties associated with higher than expected costs for integrating and coordinating sales and marketing functions and other administrative functions.

Adverse judgments or settlements resulting from legal proceedings.

We are or may become involved from time to time 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 still subject to two first instance social court (Sozialgericht) proceedings and one second instance (Landessozialgericht) proceeding-regarding the so-called manufacturer rebates that pharmaceutical producers reimburse to pharmacies. Following a judgment of the European Court of Justice on 1st October 2020, Shop Apotheke B. V. is still subject of a procedure pending before the Court of Appeal in Paris regarding the lawfulness of, inter alia, paid referencing and paper advertising in France. A hearing is scheduled in April 2021.

Regulatory risks.

In Germany, the so called "Vor-Ort Apotheken Stärkungsgesetz" came into force at the end of 2020. Among other things, this legislation prohibits offering RX discounts in the future. This applies equally to on-site and mail-order pharmacies. We believe that by doing so, German lawmakers are circumventing a 2016 supreme court ruling by the ECJ (AZ C-148/15), in which the Court ruled that pharmacies from other EU countries are not bound by regulated prices in Germany for prescription drugs and may grant their customers discounts to compensate for a competitive disadvantage.

Dependence on key personnel.

Our future success is heavily depending on the continued service of our Managing Board members as well as key members of other management levels. If we lose the services of key members of our management levels, 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 the 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, in particular online specialists, IT programmers, data scientists and specialists as well as pharmaceutical experts. A lack of qualified and motivated personnel could impair 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.

Operating risks.

Covid-19 crisis.

Although the Covid-19 crisis boosted our sales it also created considerable risks to our operational continuity due to potential unavailability of employees as a consequence of governmental measures illness and/or necessary quarantine. Our crisis staff is continuously monitoring, addressing and mitigating all risks that come with this crisis situation. The measures that have been taken to prevent an outbreak under our personnel and ensure continuity of our logistic and office processes have proven to be effective so far.

Management of the transition of our operations to greater automation.

The warehousing system in our logistics center is not yet fully computerized and our processes have a relatively low level of automation. 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 largely rely on human labor, and may be more efficiently operated with a high degree of automation.

A 15-year rental contract with a 10-year break option for an entirely new 40.000 m_2 warehouse in Sevenum with office space and parking lots was signed with Somerset Capital Partners in December 2018. Meanwhile the property including the lease contract was taken over by Invesco. In order to ensure a smooth transition to the new logistics center, the contract with Prologis for the existing site was prolonged until December 2021.

The contract with the supplier of our intralogistics equipment was signed in January 2020. We are confident that all planned timelines will be met, which would allow us to start transferring logistics activities to the new site in the fourth quarter this year and have the new site running fully in the second quarter 2021. However, due to the complexity of the processes, equipment and systems a delay cannot be completely ruled out. We will reduce this risk through tight governance and monitoring processes for this project.

Any failure to increase the level of automation or a delayed transition to the new site may have a material adverse effect on our business, financial condition and profitability.

Management of our inventory levels.

We must maintain sufficient inventory levels to operate our business through our online webshops successfully. However, many of our products have limited shelf lives and we seek to avoid accumulation of excess inventory while at the same time seeking 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 appropriate and this 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 typically need to be disposed.

Continuation of our pharmacy license(s).

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 licenses could be withdrawn and we would not be allowed to continue our current business and our reputation would be significantly harmed. Potential changes of government regulations of the health care and pharmacy industries expose us to risks that we may be fined or exposed to civil or criminal charges, receive negative publicity or be prevented from shipping products into one or of our markets. This 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 efforts. Any compromise or breach of our security measures, or those of our third-party service providers, could violate applicable privacy, data security and other laws, and cause significant legal and financial risks, adverse publicity and a loss of confidence in our security measures.

Financial Risks.

Ability to grow and operate our business successfully and achieve profitability in the future.

In order to compete in our market environment, we may be forced to react to a general decline in prices by decreasing our selling prices, which would negatively impact our profit margin.

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.

Furthermore, our sales of prescription medications in Germany are dependent on nationallegislation. This incluсdes, among other risks, the risk of a complete prohibition of Rx mail-order in Germany. Possible regulatory changes affecting the sales of Prescription Medications (particularly in Germany) could substantially increase competition in this field.

Failures in new geographical markets.

The online pharmacy market in which we operate is relatively new and did not exist even 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 numerous fragmented local markets in Continental Europe. One of the principal reasons for such fragmentation relates to different regulatory regimes affecting pharmacies, set by the member states of the European Union. Market entries in new market environments could be associated with risks due to our unfamiliarity with the particularities of such markets.

Dependency on advertising partners.

A significant 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 regarding the possibility 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 increase similar 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 enter in the future. Furthermore, it cannot be ruled out that Google or other advertising platforms are unable to adapt their terms and conditions for advertisement to ongoing factual changes in regard to 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.

Opportunities.

Macro-economic and market conditions.

According to a Sempora market study, the 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 good opportunities to benefit disproportionately from this general growth opportunity.

Trend towards e-commerce further accelerated by corona situation.

While many retail stores were temporarily closed, e-commerce recorded significant growth in certain areas. E-commerce has become a sustainable additional supply infrastructure and the trend toward e-commerce has even been accelerated by the corona situation. We believe that the e-commerce market will continue to grow by a double-digit percentage annually and, in the long term, we should continue to benefit disproportionately from this development because of our leading market position in Continental Europe. Similar growth is also 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.

Subsequent events.

On 7 January 2021, SHOP APOTHEKE EUROPE announced the full acquisition of SMARTPATIENT GmbH, one of the leading providers of digital health services based in Munich. The expansion of digital health services is a key part of SHOP APOTHEKE EUROPE's growth strategy. The acquisition of SMARTPATIENT enables SHOP APOTHEKE EUROPE to expand its technological expertise in the digital health services area even more rapidly. Both companies expect significant positive effects from the expanded service offering, especially in the Rx market segment.

On 14 January 2021, SHOP APOTHEKE EUROPE successfully placed senior unsecured convertible bonds with a zero (0.0%) coupon in an aggregate principal amount of EUR 225 million and a maturity of seven years. The initial conversion price has been fixed at EUR 233.83, corresponding to a premium of 50 % above the volume-weighted average price of the listed share of the company on Xetra between launch and pricing.

Outlook.

Gdp expected to recover in 2021.

According to the December 2020 projections of the Deutsche Bundesbank, Gross domestic product (GDP) is projected to fall by 5.5 % in 2020 in calendar-adjusted terms. However, the experts are expecting strong economic growth of 3 % and 4.5 % for 2021 and 2022, respectively. This rate is set to weaken to 1.8 % in 2023. According to the report, GDP will thus have already returned to its pre-crisis level by the beginning of 2022. Private consumption remains heavily dependent on the pandemic situation.

According to the Autumn 2020 Economic Forecast by the European Commission, the euro area economy will contract by 7.8 % in 2020 before growing 4.2 % in 2021 and 3 % in 2022. The forecast projects the unemployment rate in the euro area to rise from 7.5 % in 2019 to 8.3 % in 2020 and 9.4 % in 2021, before declining to 8.9 % in 2022.

Generally, uncertainties and risks surrounding the Autumn 2020 Economic Forecast remain exceptionally large.

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.

The online pharmacy market in Europe is expected to grow at a CAGR of over 14 % during the period 2019 – 2025. The growing internet penetration and the high prevalence of chronic diseases in developed countries have increased the popularity of online pharmacies in recent years. Online pharmacies are the most trending developments in several developing and developed countries in Europe. As the trend from offline to online is growing, there is major growth potential for healthcare companies to grow in southern European countries such as France, Germany, Italy, and Spain. Germany is the fastest-growing regional market due to the high-speed internet availability and increased awareness of online over-the-counter benefits. France and Italy are highly established markets that contribute to significant shares in the European market.

In several European countries, the expenditure on healthcare is increasing due to the allotment of high proportion of capital in the national financial budget. The actual factors contributing include the growth in chronic diseases and the increase in the aging population. To cope with such a scenario, an increasing proportion of GDP is spent on health in developing European countries. The UK is reforming the National Health Service, which was developed over sixty years ago to optimize healthcare while seeking high efficiency savings[3].

The increasing proliferation of e-prescriptions is expected to drive the prescription medicine segment during the forecast period. Electronic prescriptions are expected to boost the online pharmacy industry as they will allow easy exchange and upload of prescriptions without having patients to scan the prescription to upload it. In 2018, approximately 1.5 % of all prescription drugs in Germany were sold via online channels. Hence, the introduction of electronic prescriptions is expected to open immense market opportunities[4].

Operational outlook for the SHOP APOTHEKE EUROPE group.

The overall development of business in 2020 was characterized by continued profitable growth in our DACH segment and the successful expansion of our international revenues. 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 and more countries will permit the mail distribution of prescription pharmaceuticals.

Strategically, we will develop SHOP APOTHEKE EUROPE from an online retailer to a technology driven e-pharmacy platform over the next years. This will include new and additional products and services like a marketplace, digital healthcare services, private label products and new delivery options. Furthermore, we will focus on increasing our market share in our core market Germany in order to be best positioned for the roll-out of electronic prescriptions.

[3] Source: https://www.globenewswire.com/news-release/2020/04/08/2013547/0/en/Europe-s-Online-Pharmacy-Industry-2020-Analysis-by-Platform-Type-and-Geography.html
[4] Source: https://www.researchandmarkets.com/ online-pharmacy-market-in-europe

Corporate governance.

The Managing 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).

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 (➔ *GRI 102-5*). Its shares are listed in the Prime Standard Segment of Frankfurt Stock Exchange. Given this, the company declared its intention to also 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 Managing Board consisting of executive directors acting under the supervision of a Supervisory Board (consisting of non-executive directors).

Principally, our corporate governance practices are derived from the provisions of the Dutch Civil Code and the Dutch Corporate Governance Code.

The Managing Board is entrusted with the management of the company and is responsible for achieving the company's aims, the development and implementation of its strategy and associated risk profile, the achievement of results and the adherence to corporate social responsibility/sustainability principles. The members of the Managing Board are appointed by the General Meeting of shareholders. The full procedure for appointment and dismissal of members of the Managing Board is explained in article 14 of the company's Articles of Association. The Managing Board currently consists of Stefan Feltens (CEO), Jasper Eenhorst (CFO), Stephan Weber (CCO and deputy CEO), Theresa Holler (COO) and Marc Fischer (CIO).

The Supervisory Board of SHOP APOTHEKE EUROPE N.V. currently has four members. The General Meeting of the company is responsible for determining the number of Supervisory Board 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 Managing Board and the general course of business of the company. The Supervisory Board members shall assist the Managing 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 (➔ *GRI 102-18, 102-22, 102-23*).

Committees of the supervisory board.

The Supervisory Board has established an Audit Committee on 27 December 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 2020, there were no transactions that led to a conflict of interest (➔ *GRI 102-25*).

Generally, the company is aware of the fact that all of the members of its Managing Board as well as that some members of the Supervisory Board hold shares in the company. One member of the Supervisory Board (Frank Köhler) has recently joined a voting pool agreement with other shareholders, in total representing around 26.4 % of the actual outstanding voting rights of SHOP APOTHEKE EUROPE. Furthermore, Stephan Weber (CCO) and Marc Fischer (CIO) are brothers-in-law.

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 Managing 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 Managing 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 (➔ *GRI 102-16*).

Diversity.

We aim for diversity across all management levels. Last year, several key management positions were filled with female candidates in order to enhance the management's gender diversity. 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 will focus on further enhancing diversity across all management levels, including future appointments to its Supervisory Board and Managing Board diversity, but without compromising our commitment to hiring the best individuals for positions without any discrimination. 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 in serving a highly diverse society and our diverse stakeholders.

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.

As per 31 December 2020, the following substantial shareholdings were recorded in this register:

Date of notification	Shareholder	Share in company's share capital
06.04.20	ETHENEA Independent Investors SA	4,12%
09.04.20	H.R. Hess	4,72%
04.06.20	Sylebra Capital Limited	3,02%
19.06.20	M.S.R. Kohler	14,54%
21.10.20	Smallcap World Fund, Inc.	4,87%
23.10.20	T. Rowe Price Group, Inc.	5,83%
02.11.20	C. Laubmann	4,64%
14.12.20	BlackRock, Inc.	3,00%
16.12.20	T. Rowe Price International Funds, Inc.	3,89%

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 managing board (dutch corporate governance code).

For the purpose of complying with best practice provision 1.4.3 of the Code the Managing Board believes that, 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 2019;
- 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 2020, 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, and the presence of internal quality and control processes, 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.

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 Managing 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 allows them to properly and effectively carry out their duties. Our focus for new Board members is on experience and education but gender, age or nationality diversity targets will be a consideration in the future as well.

2.1.8 Independence of Supervisory Board members.

The company knows that two members of the Supervisory Board, Jan Pyttel and Frank Köhler, hold shares in the company.

2.2.4 Succession.

The company does not comply with this recommendation as SHOP APOTHEKE EUROPE N.V. is only listed as of 2016 and the Supervisory Board has only recently been re-appointed and a retirement schedule is therefore not needed at this point of time. It is, however, envisioned to provide such a plan 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 company does currently not intend to establish a remuneration committee. As the Supervisory Board has just four members, the number of committees shall be reduced to the minimum required.

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 Managing 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 Managing 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 Managing 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 Meetings in 2018 and in 2020. 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 Managing Board member.

The existing contracts with the Managing Board members do not contain any extraordinary elements; the remuneration essentially consists of a fixed remuneration and stock options. A variable component has been added to the remuneration of the company's new CFO, Mr. J.F.P. Eenhorst. The required amendment of the company's remueneration policy has been improved by the General Meeting on 30 April 2020.

4.2.3 Meetings and presentations.

This 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 Managing 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 enterprise and stakeholders.

Capital structure

On 31 December 2020, SHOP APOTHEKE EUROPE had a total of 17,935,121 ordinary bearer shares with voting rights. Each share has a nominal value of EUR 0.02. The total share capital amounts to EUR 358,702.42. The company does not hold treasury shares. There are no share types other than the ordinary bearer shares.

Authorization for the managing board to repurchase shares.

The general meeting held on 30 April 2020, authorized the Managing 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 29 October 2021), 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 14,584,505 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 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 managing board to issue shares.

The General Meeting held on 30 April 2020 appointed the Managing Board for a period of five years from the date of the meeting (i.e. up to and including 29 April 2025), 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 14,584,505 shares).

This authorisation was granted to the Managing 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 prevents employees from directly exercising 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 – in its capacity as a so-called domestic issuer (Inlandsemittent) under the German Securities Trading Act – additionally has to publish any shareholding notification 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 managing board.

The members of the Managing 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 Managing 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 Managing Board member by the Supervisory Board, the resolution of the General Meeting to appoint such a Managing 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 Managing Board shall be appointed for a maximum period of four years, provided that unless a Managing 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 Managing Board member at any time. The General Meeting may suspend and dismiss a Managing Board member at any time. A Managing 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 Managing 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.

Rules governing amendments to the articles of association.

On a proposal of the Managing Board which has been approved by the Supervisory Board the General Meeting is authorised to resolve to amend the articles of association, to dissolve the company or to conclude a legal merger (juridische fusie) or a demerger (splitsing) as referred to in title 7 of book 2 DCC, unless the company acts as acquiring company.

A resolution of the General Meeting referred to before which has not been taken on proposal of the Managing Board and prior approval of the Supervisory Board should be taken by a majority of at least two thirds of the votes cast in a meeting in which at least fifty per cent (50 %) of the issued capital is represented.

A resolution of the General Meeting to conclude a legal merger or a demerger as referred to in title 7 of book 2 DCC which has been taken on proposal of the Managing Board and with the prior approval of the Supervisory Board should be taken by a majority of two thirds of the votes cast if less than fifty per cent (50 %) of the issued capital is represented.

In the event in a meeting not at least fifty per cent (50 %) of the issued share capital is represented, a second meeting shall be convened, to be held no later than six weeks after the first meeting. In the second meeting valid resolutions can be adopted with respect to the proposals placed on the agenda for the first meeting, regardless the share capital represented in the second meeting, provided with a majority of at least two thirds of the votes cast. The notice convening the second meeting shall indicate and set forth the reasons why at such second meeting a resolution may be adopted irrespective of the share capital represented at the meeting.

07

CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS.

For the year ended 31 December 2020

	Notes	Period ended 31.12.2020	Period ended 31.12.2019
		EUR 1,000	EUR 1,000
Revenue	5	968,062	701,010
Cost of sales		-748,534	-563,329
Gross profit		**219,528**	**137,682**
Other income	6	65	736
Selling and distribution	7	-185,596	-143,392
Administrative expenses	8	-34,863	-28,470
Operating result		**-866**	**-33,445**
Finance income	10	93	1,333
Finance expenses	10	-15,204	-10,171
Share of profit of associates and joint ventures	16	45	104
Result before tax		**-15,932**	**-42,180**
Income tax	11	-839	5,910
Result after tax		**-16,771**	**-36,270**
Attributable to:			
Owners of the company		-16,771	-36,270
Earnings per share	12	EUR	EUR
Basic and diluted per share 31 December		-1.17	-2.78

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

For the year ended 31 December 2020

	Notes	Period ended 31.12.2020	Period ended 31.12.2019
		EUR 1,000	EUR 1,000
Loss for the period		-16,771	-36,270
Other comprehensive income/loss		0	0
Total comprehensive loss		-16,771	-36,270
Attributable to:			
Owners of the company		-16,771	-36,270

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

For the year ended 31 December 2020

	Notes	31.12.2020	31.12.2019
		EUR 1,000	EUR 1,000
Assets			
Non-current assets			
Property, plant and equipment	13	74,545	13,178
Intangible assets	14	204,661	199,850
Deferred tax assets	11	120	120
Other financial assets	19	1,730	2,500
Investments in equity-accounted joint ventures	16	1,151	1,105
Investments in associates		605	402
Investments in equity-instruments		10	10
		282,822	217,165
Current assets			
Inventories	17	81,240	56,688
Trade and other receivables	18	44,591	40,894
Other financial assets	19	37,771	50,581
Cash and cash equivalents	20	90,485	62,653
		254,087	210,815
Total assets		536,909	427,980
Equity and liabilities			
Shareholders' equity	21		
Issued capital and share premium		552,019	341,192
Reserves/accumulated losses		– 126,881	– 108,429
		425,138	232,763
Non-current liabilities			
Loans and Borrowings	22	32,810	131,512
Deferred tax liability	11	4,347	3,904
		37,157	135,417
Current liabilities			
Trade and other payables	23	53,147	32,004
Loans and Borrowings	23	5,384	7,522
Amounts due to banks	24	39	10,167
Other liabilities	23	16,044	10,108
		74,614	59,801
Total equity and liabilities		536,909	427,980

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY.

For the year ended 31 December 2020

	Notes	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 2020		269	340,923	-83,960	7,384	4,417	-36,270	232,763
Transfer to accumulated losses		0	0	-36,270	0	0	36,270	0
Capital increase	21	23	63,357	0	0	0	0	63,381
Conversion of convertible bond	22	58	136,331	0	-7,384	0	0	129,004
Share-based payment charge for the period	27	0	0	0	0	4,405	0	4,405
Capital increase due to exercised options	21	4	11,053	3,280		-1,980	0	12,357
Loss for the period		0	0	0	0	0	-16,771	-16,771
Balance as at 31 December 2020		354	551,663	-116,950	0	6,842	-16,771	425,138

For the year ended 31 December 2019

	Notes	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 2019		241	291,803	-50,351	4,443	1,450	-33,609	213,977
Transfer to accumulated losses		0	0	-33,609	0	0	-33,609	0
Capital increase		28	49,120	0	0	0	0	49,148
Issue of convertible bond	22	0	0	0	2,941	0	0	2,941
Share-based payment charge for the period	27	0	0	0	0	2,967	0	2,967
Loss for the period		0	0	0	0	0	-36,270	-36,270
Balance as at 31 December 2019		269	340,923	-83,960	7,384	4,417	-36,270	232,763

CONSOLIDATED STATEMENT OF CASH FLOWS.

For the year ended 31 December 2020

	Notes	Period ended 31.12.2020	Period ended 31.12.2019
		EUR 1,000	EUR 1,000
Cash flow from operating activities			
Result before tax from operations		-866	-33,445
Adjustments for:			
– Depreciation and amortisation of non-current assets	9	16,064	14,864
– Corporate income tax		-329	4
– Net foreign exchange differences	10	-234	-29
– Share-based payment charge for the period	27	4,405	2,967
Operating result adjusted for depreciation and amortisation, taxes and provisions		19,040	-15,639
Movements in working capital			
– (Increase)/decrease in trade and other receivables	18	-3,697	-7,314
– (Increase)/decrease in inventory	17	-24,552	-13,339
– (Increase)/decrease in trade and other payables	23	27,012	5,564*
Working capital movement		-1,237	-15,089*
Net cash (used in)/generated by operating activities		17,802	-30,728*
Cash flow from investing activities			
Investment for property, plant and equipment	13	-38,235	-4,003
Investment for intangible assets	14	-15,100	-10,739
Investment for other financial assets	19	13,078	-18,658
Net cash (used in)/generated by investing activities		-40,257	-33,400

* The comparative figures of the cash flow statement for financial year 2019 have been adjusted. Last year's numbers showed the movement in bank overdraft of EUR 362 thousand as part of the movements in working capital. According to IAS 7.8 the bank overdraft position is an integral part of the financing activities of the company and as such presented in cash flow from financing activities. The figures 2019 and 2020 have been presented accordingly.

	Notes	Period ended 31.12.2020	Period ended 31.12.2019
		EUR 1,000	EUR 1,000
Cash flow from financing activities	24		
Interest received	10	93	1,333
Interest paid	10	-7,241	-7,402
Interest paid convertible bond	10	-5,776	0
Payment of earn-out obligations Farmaline	23	0	-1,100
Capital increase		63,381	49,148
Capital increase exercised options		12,357	0
Issue convertible bond	22	0	58,592
Movement other long-term liability		-37	3,965
Movement in bank overdraft		-10,128	362*
Cash-out lease payments	30	-2,362	-2,456
Net cash (used in)/generated by financing activities		50,286	102,442*
Net increase/(decrease) in cash and cash equivalents		27,832	38,314
Cash and cash equivalents at the beginning of the period	20	62,653	24,338
Net foreign exchange difference		0	0
Cash and cash equivalents at the end	20	90,485	62,653

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS.

1. Corporate information.

The consolidated financial statements of SHOP APOTHEKE EUROPE N.V. (or the "Company") and its subsidiaries (collectively, the Group) for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Management Board on on 2 March 2021. SHOP APOTHEKE EUROPE N.V. 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 an online pharmacy business primarily for prescription and non-prescription ("over-the-counter" or "OTC") pharmaceuticals, beauty and personal care products (BPC) and food supplements.

2. Group information.

Besides the financial information of SHOP APOTHEKE EUROPE N.V., the financial information of the following wholly-owned subsidiairies 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 BVBA, Tongeren, Belgium
- nu3 GmbH, Berlin, Germany
- Shop Apotheke Service GmbH, Köln, Germany (previously: RedTecLab GmbH)
- 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.

The following owned associates and joint ventures are accounted for using the equity method in these consolidated financial statements:

Associates
The Group has a 37.5% interest in DatamedIQ GmbH (2019: 25%) incorporated and located in Germany.

Joint arrangements in which the Group is a joint venturer
The Group has a 50% interest in König IDV GmbH (2019: 50%) and König IT Systeme GmbH, incorporated and located in Germany.

Equity Instruments
Furthermore the Group has a 5% interest in Verkstedt GmbH (2019: 5%), incorporated in Germany.

3. Significant accounting policies.

3.1 Basis of preparation.

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) as issued by International Accounting Standards Board (IASB) and in accordance with the Dutch Civil Code, Book 2, Title 9.

The consolidated financial statements have been prepared on a historical cost basis, except when otherwise indicated. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (EUR 000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

Going concern.

In 2020, the Group incurred losses before tax of EUR 15.9 million (2019: EUR 42.2 m). The working capital at the end of 2020 is positive at EUR 51.6 million. Development of the working capital is in line with expectations.

	31.12.2020	31.12.2019
	EUR 1,000	EUR 1,000
Trade and other receivables	44,591	40,894
Inventory	81,240	56,688
Trade and other payables	-53,147	-32,004
Loans and borrowings (short-term)	-5,384	-7,522
Other liabilities (short-term)	-16,044	-10,108
Working capital	51,256	47,948
% Revenue	5.29 %	6.84 %
Working capital incl. cash and short term securities	179,473	151,014

After the close of the financial year 2020, on 14 January 2021, SHOP APOTHEKE EUROPE successfully placed senior unsecured convertible bonds with a zero (0.0 %) coupon in an aggregate principal amount of EUR 225 million and a maturity of seven years with a put for the investors after five years.

The Company is closely monitoring its cash position and has taken the necessary measures to ensure future growth financing and financial robustness. After the completion of the ongoing mechanization project with ists new fulfillment center in Sevenum, The Netherlands, extraction of scale effects, better purchasing conditions and the expansion into additional cash-generating businesses, the Company expects higher profitability and positive free operating cash flows. Liquidity is secured for at least the next 12 months.

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

3.2 Basis of consolidation.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3.3 Summary of significant accounting policies.

3.3.1 Current versus non-current classification.

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;

- Expected to be realised within twelve months after the reporting period;

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.3.2 Fair value measurement.

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 characteristic 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.

3.3.3 Revenue from contracts with customers.

The Group is in the business of providing pharmaceuticals, food supplements and beauty and personal care products. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

Revenue is measured as the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount 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. In this case, the transfer of economic title is attached to the transfer of legal title. Revenue is recorded net of sales deductions.

Loyalty points programme.

The Group has a loyalty points programme, "RedPoints", which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability, under current liabilities, until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a yearly basis and any adjustments to the contract liability balance are charged against revenue.

3.3.4 Cost of sales.

Cost of sales mainly consists of cost of goods sold, inventory obsolescence provisions and contributions by our suppliers for 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 extent to which goods can still be sold.

3.3.5 Marketing expenses.

Marketing expenses, which include the development and production of advertising materials and the communication of these materials through various forms of media, are expensed over the period that these expenses relate to. Marketing expense is recognised in selling and distribution in the Consolidated Statement of Profit and Loss.

3.3.6 Pensions and other post-employment benefits.

The Group maintains two pension plans covering pharmacy personnel:

- Pharmacists of the Group participate in the occupational pension plan "SPOA". This pension plan is a collective defined contribution plan with direct conversion into pension entitlements. The pension plan is based on a predetermined premium that the participants transfer to the fund. Although this pension plan is based on the "average pay system", this pension scheme is based on a predetermined premium. Therefore, the participants are entitled to a pension to the extent that the previously determined premium is sufficient. During 2020 the employer contribution amounted to 17.8 % (2019: 16.3 %) of the pensionable base.
- 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 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 a collective defined contribution plan based on the the 'average pay system'. During 2020 the employer contribution amounted to 17.64 % (2019: 16.3 %) 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 2020 amounts to 97.1 % (31 December 2019: 95,9 %). (Source: website SPOA)

The coverage ratio of the PMA pension fund as per 31 December 2020 amounts to 92.6 % (31 December 2019: 98.2 %). (Source: website PMA)

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.

The group has no further payment obligations once the predetermined contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

As of January 1st, 2021, we started a pension insurance for the Dutch employees who are not yet covered in the two pension plans mentioned above. This pension plan can in line with the definitions according to IAS 19.29 being classified as a defined contribution plan.

3.3.7 Share-based payments.

Selected employees, including senior executives, of the Group have received remuneration in the form of 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.

3.3.8 Taxes.

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 statement of financial position. 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 assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets and liabilities are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets and deferred tax liabilities 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.

Value added taxes.

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.3.9 Foreign currencies.

The Group's consolidated financial statements are presente in euros, which is also the parent company's functional currency. In preparing the Consolidated Financial Statements of the Group, transactions in currencies other than euros, being the functional currency of each entity in the group, are recognised at the rates of exchange prevailing at the dates the transactions first qualify for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

3.3.10 Non-current assets held for sale and discontinued operations.

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;

Or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

3.3.11 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.

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.

3.3.12 Leases.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policy in 3.3.15 Impairment of tangible and intangible assets.

Lease liabilities.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. This change is also recorded for in the right of use asset. The Group's lease liabilities are included in loans and borrowings.

Short-term leases and leases of low-value assets.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.3.13 Business combinations and goodwill.

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.

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.

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.

3.3.14 Intangible assets.

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: Software, Technology and Contracts.

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.

Intangible assets: Brands.

Brands (Farmaline domains and trademarks, nu3 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.

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.

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.

3.3.15 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 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. This impairment review is prepared by comparing the carrying values of the cash-generating units 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, expected improvements as result of economics of scale, 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.

3.3.16 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.

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.

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.

3.3.17 Inventories.

Inventory contains raw materials, consumables and finished goods and is valued at the lower of cost and net realisable value. 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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.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.

3.3.18 Cash and cash equivalents.

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, as defined above. The bank overdrafts are not included since they are not considered being an integral part of the Group's cash management. Short-term securities are shown in Other Financial Assets according to IAS 7.

3.3.19 Provisions.

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

3.3.20 Financial instruments – initial recognition and subsequent measurement.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets.

Initial recognition and measurement.
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price as disclosed in note 3.3.3 revenue from contracts with customers.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Subsequent measurement.
For purposes of subsequent measurement, the Group classified the financial assets in the following categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments).
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The financial assets 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.

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

Financial assets at fair value through profit or loss.
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets.
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i. e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets.
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Further disclosures relating to impairment of financial assets is also provided in note 4.2.

Financial liabilities.

Initial recognition and measurement.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings).

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

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.

Proceeds received on issuance of 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 "Equity part on convertible bonds" within shareholders' equity, net of income tax effects.

Borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Derecognition of financial liabilities.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments.
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.4 Changes in accounting policies and disclosures.

New and amended standards and interpretations
In the current year, the Group has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. In 2020, the Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 3: Definition of a Business.
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The amendments do not permit the Group to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group is not affected by these amendments on the date of transition.

COVID-19-Related Rent Concessions
(Amendments to IFRS 16).
Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:
(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

Since the Group did not experience any adjustments to its existing lease contracts as a result of COVID-19 the Group is not affected by this amendment.

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020, but have not had a significant effect on the Group are:
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative – Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

4. Significant accounting judgements, estimates and assumptions.

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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. Other disclosures relating to the Group's exposure to risks and uncertainties includes:
- Capital management (note 25)
- Financial instruments (note 25)

4.1 Judgements.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e. g., construction of significant leasehold improvements or significant customisation to the leased asset).

Capitalization of development expenses.

The Group capitalises costs for development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. In particular, we have capitalized development work for our websites and for the ERP system that runs our business operations.

4.2 Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Evaluation of non-current assets for impairment.

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

The key assumptions used, including a sensitivity analysis, are disclosed and further explained in note 3.3.14 and 15.

Leases – Estimating the incremental borrowing rate.

The Group cannot readily determine the market rate in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Convertible bonds – Estimating the effective interest rate

The Group cannot readily determine the market rate in the convertible bonds, therefore, it uses its effective interest rate to measure convertible bond liabilities. The effective interest rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain a convertible bonds in a similar economic environment. The Group estimates the effective interest rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Taxes.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Under consideration of IAS 12, only a small amount of deferred tax asset has been recognized in excess of existing deferred tax liabilities, since no positive fiscal results have been reported yet.

Shop Apotheke Service GmbH.

As at 31 December 2020, the Group recognised a deferred tax asset based on the German tax losses of Shop Apotheke Service GmbH from past years, under consideration of IAS 12. The historical data for Shop Apotheke Service 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.

Further details on taxes are disclosed in note 11.

Provision for expected credit losses of trade receivables.

Almost all accounts receivable are derived from sales to customers and 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.

Provision for net realizable value of inventories.

The assessment of a risk for a lower net realizable value of the inventories is done on periodically basis. Based on trends in sales quantities and prices as well as other market developments we review if the net realizable value is lower when measured at cost. The net realizable value is equal to the amount for which we expect the product can be sold, after deduction of costs still to be incurred. In making this assessment the Group takes into consideration any circumstances of which it is aware regarding a potential decrease in current purchase and sales prices or sales demand.

Share-based payments.

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses the Black-Scholes valuation method for initial plans 1 until 6, for new plans during financial year 2020 the Monte-Carlo valuation method has been applied. The assumptions and method used for estimating fair value for share-based payment transactions are disclosed in note 27.

5. Revenue from contracts with customers and segment information.

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 and make strategic decisions.

Within the context of IFRS 8, we consider two business segments for external reporting purposes: our "DACH" segment which includes medications and pharmacy-related BPC products sold to customers in Germany, Austria and Switzerland, and our "International" segment which includes OTC medications and pharmacy-related

Segment information.

For the year ended 31 December 2020	DACH	International	Consolidated
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	815,400	152,662	968,062
Cost of sales	-635,757	-112,778	-748,535
Gross Profit	179,643	39,884	219,527
% of revenue	22.0%	26.1%	22.7%
Other income	55	10	65
Selling & distribution	-130,299	-41,642	-171,941
Segment EBITDA	49,399	-1,748	47,651
Administrative expenses	-20,622	-11,832	-32,454
EBITDA	28,777	-13,580	15,197
Depreciation	-10,208	-5,856	-16,064
EBIT	18,569	-19,436	-867
Net finance cost and income tax			-15,904
Net loss			-16,771

Segment information.

For the year ended 31 December 2019	DACH	International	Consolidated
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	615,424	85,587	701,010
Cost of sales	-499,112	-64,217	-563,329
Gross Profit	116,311	21,370	137,682
% of revenue	18.9%	25.0%	19.6%
Other income	647	89	736
Selling & distribution	-103,247	-27,511	-130,758
Segment EBITDA	13,711	-6,052	7,659
Administrative expenses	-17,142	-9,099	-26,241
EBITDA	-3,431	-15,151	-18,582
Depreciation	-9,710	-5,154	-14,864
EBIT	-13,141	-20,305	-33,446
Net finance cost and income tax			-2,824
Net loss			-36,270

BPC products only, sold to customers in Belgium, The Netherlands, France and Italy.

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 3.

As of financial year 2020, the Group allocates all costs (excluding net finance cost and income tax) to the segments. Comparative figures have been adjusted accordingly. The result by segment is shown in the line EBITDA including all costs directly related to the revenue of the segments (marketing, operations) and administrative expenses. 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 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Prescription (Rx)	219,332	186,554
Over-the-counter (OTC) & beauty and personal care (BPC)	748,730	514,454
Other services	0	2
	968,062	701,010

2020 revenue from the country of domicile amounts to EUR 933.2 million (2019: EUR 674.0 m). The Group has no revenues from transactions with a single external customer amounting to 10 % or more of the revenues.

Revenue from the sale of major products and services comprise the amount of the consideration SHOP APOTHEKE expects to or has already received in exchange for transferring the promised goods to our customers.

Other geographical information.

The Group's information about its non-current assets (property, plant and equipment and intangible assets) based on geographic location of the assets are as follows (all amounts in thousands of Euro):

Other geographical information – location of non-current assets.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Netherlands	273,330	207,046
Germany	4,285	4,388
Belgium	1,013	906
Spain	118	138
France	319	385
Italy	141	165
	279,206	213,028

Other geographical information – additions to non-current assets.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Netherlands	80,902	21,312
Germany	977	5,094
Belgium	391	251
Spain	0	84
France	5	46
Italy	17	96
	82,292	26,883
Additions and acquisitions		
Property, plant and equipment	67,192	7,270
Intangible assets	15,100	19,613
	82,292	26,883

The concentration of credit risk with respect to receivables is limited, as the Company's customer base and vendor base are large and unrelated. No customer individually represents more than 10 % of the total balance of trade receivables.

6. Other income.

For the year ending 31 December 2020, the other income relates to other transactions such as result from disposal of sale of fixed assets. For 2019, other income relates mainly to an escrow release of EUR 0.6 million in connection with the nu3 acquisition.

7. Selling & Distribution.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Other selling & distribution expenses	125,846	93,201
Employee benefit expenses	46,096	37,557
Depreciation and amortisation expenses	13,654	12,634
Total selling & distribution	**185,596**	**143,392**

The main categories within Selling & Distribution are fulfillment, last mile and marketing, and also cost related to consumer payments.

8. Administrative Expense.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Other administrative expenses	19,391	15,508
Employee benefit expenses	13,062	10,732
Depreciation and amortisation expenses	2,410	2,230
Total administrative expenses	**34,863**	**28,470**

Main categories within Administrative expenses are personnel expenses e.g. for management, finance, HR, Legal, 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 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Included in selling & distribution	46,096	37,557
Included in administrative expenses	13,062	10,732
Included in cost of sales	7,766	5,789
	66,924	54,078

Reconciliation Employee benefit to various categories.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Wages & salaries	58,444	46,859
Social securities	7,936	6,718
Pension contributions	544	501
	66,924	**54,078**

The expenses as mentioned above include expenses of own employees (including expenses for the employee share option plans) and costs of contingent workers.

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

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
FTEs (full-time equivalents) as at 31 December	1,220	1,011

These full-time equivalents are divided over the various departments as follows:

	Year ended 31.12.2020	Year ended 31.12.2012
	EUR 1,000	EUR 1,000
Cost of sales	158	118
Selling & distribution	947	799
Admin	114	94
	1,220	**1,011**

All employees are involved in providing the Group's services relating to its online pharmacy and e-commerce activities. As of 31 December 2020, 323 out of the 1,220 FTE's were working outside the Netherlands (31 December 2019: 268 out of 1,011).

Total expenses defined contribution pension plans.

The total expenses of EUR 0.5 million (2019: EUR 0.5 m) recognised in profit or loss represents contributions payable to the plan by the Group.

As at 31 December 2020, contributions of EUR 190k (2019: EUR 221k) due in respect of the reporting period had not been paid over to the plan.

9. Total depreciation and amortization expenses.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Depreciation of property, plant and equipment	5,822	4,018
Amortisation of intangible assets	10,242	10,588
Impairment of property, plant and equipment	0	91
Impairment of intangible assets	0	166
	16,064	14,863

10. Finance income and expenses.

Finance income.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Other finance income	93	112
Income from other financial assets	–	1,220
	93	1,332

Finance expenses.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Interest and other expenses convertible bonds	9,082	7,121
Expenses for online payment methods	3,784	2,563
Interest costs related to leasing	1,152	363
Losses from other financial assets	398	–
Net foreign exchange differences	234	28
Interest expenses other loans	180	–
Other finance expenses	374	96
	15,204	10,171

Part of the fees paid to companies for financing by online payment methods, such as credit card companies and Paypal, that relates to the financing (prepayment) element has been reported as finance expenses. The remainder as selling and distribution cost.

11. Income tax expenses.

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

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Result before tax	-15,932	-42,180
Temporary difference capitalization developed software	-419	0
Temporary difference fiscal amortization software	0	686
Temporary difference intangible assets from business combination	4,089	5,851
Temporary difference leases	-618	-1,943
Permanent difference convertible bonds	490	1,305
Permanent difference share option plan	4,392	2,967
Permanent difference result join ventures	-45	0
Limited deductible costs	0	77
Taxable result before tax	-8,043	-33,237
Fiscal result other countries	-399	1,218
Taxable result before tax Netherlands	-7,644	-34,455
Income tax expense:		
Income tax rate Netherlands	25.0%	25.0%
Effect of tax during the year Netherlands	-1,911	-8,614
No deferred tax due to uncertainty	1,911	3,116
Effect of tax loss carry forward Netherlands	0	-5,498
Effect of current taxes in other countries	317	234
Effect of tax loss carry forward Germany	0	0
Effect of current taxes prior years	80	-60
Effect from movement deferred taxes	442	-586
Tax expenses in profit and loss	839	-5,910

The effective tax rate deviates from the applicable tax rate as a result of corporate income tax rates being different in certain jurisdictions and due to loss generating subsidiaries. The company has not recognized deferred tax assets for all losses carried forward.

The tax expense in profit and loss can be divided into deferred and current taxes as follows:

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Current taxes	-397	-174
Deferred taxes	-442	6,084
Total expenses in profit and loss	-839	5,910

Deferred tax balances.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25.0% in the Netherlands and 34% in Germany (2019: 21.7% 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 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Balance 1 January	-3,785	-9,868
Recognised in profit and loss	-442	6,083
Recognised in shareholder's equity	0	0
Arising on business combination	0	0
Balance 31 December	-4,227	-3,785

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 2020	Liability 2020	Net 2020	(Charged)/ credited to profit and loss 2020	(Charged)/ credited to equity 2020	Arising on business combination 2020
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Available losses	7,118	0	7,118	648	0	0
Temporary difference fiscal amortisation goodwill	0	-1,142	-1,142	-151	0	0
Temporary difference intangible fixed assets from business combinations	0	-10,203	-10,203	-939	0	0
Tax assets/(liabilities)	7,118	-11,345	-4,227	-442	0	0
Set off of tax	-6,998	6,998	0	0	0	0
Net tax assets/(liabilities)	**120**	**-4,347**	**-4,227**	**-442**	**0**	**0**

	Asset 2019	Liability 2019	Net 2019	(Charged)/ credited to profit and loss 2019	(Charged)/ credited to equity 2019	Arising on business combination 2019
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Available losses	6,470	0	6,470	5,497	0	0
Temporary difference fiscal amortisation goodwill	0	-991	-991	-149	0	0
Temporary difference intangible fixed assets from business combinations	0	-9,264	-9,264	735	0	0
Tax assets/(liabilities)	6,470	-10,255	-3,785	6,083	0	0
Set off of tax	-6,350	6,350	0	0	0	0
Net tax assets/(liabilities)	**120**	**-3,905**	**-3,785**	**6,083**	**0**	**0**

The Company has carry-forward losses in The Netherlands for an amount of EUR 172,0 million at the end of 2020 and EUR 110,5 million at the end of 2019. The anticipated applicable tax rate is the Dutch corporate tax rate of 25 % payable by corporate entities in The Netherlands and the corporate tax rate of 34 % payable by corporate entities in Germany on taxable profits.

Deferred tax liabilities.

As per 31 December 2020, 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: an amount of EUR 1,142 k (2019: EUR 991 k);
- to the intangible assets identified in the purchase price allocation to the acquisition of EHS Europe Health Services B. V. in 2017: an amount of EUR 8,326 k (2019: EUR 7,883 k);
- and to the intangible assets identified in the purchase price allocation to the acquisition of nu3 in 2018: an amount of EUR 1,878 k (2019: EUR 1,380 k).

Deferred tax assets.

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

	2020	2019
	EUR m	EUR m
Unused tax losses	142.0	88.5
The expiry date of the unused tax losses is as follows:		
31 December 2020	0.0	0.8
31 December 2021	0.0	6.1
31 December 2024	0.0	0.0
31 December 2025	52.1	40.9
31 December 2026	25.5	20.3
31 December 2027	21.7	20.3
No expiry date	42.8	0.0

For fiscal entity Nu3 GmbH and respectively EHSC B. V., a deferred tax asset of EUR 1,878 k (2019: 1,530 k) and EUR 3,979 k (2019: EUR 3,979 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 entity Shop Apotheke Service GmbH, a deferred tax asset from losses carried forward EUR 120 k (2019: 120 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 these deferred tax assets.

12. Earnings per share.

Basic and diluted earnings.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Result for the year attributable to owners of the Company	-16,771	-36,270
Earnings used in the calculation of basic and diluted earnings per share	-16,771	-36,270
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	-16,771	-36,270
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	14,379,411	13,064,272

Basic and diluted earnings per share.

	Year ended 31.12.2020	Year ended 31.12.2019
	Euro per share	Euro per share
From continuing operations	-1.17	-2.78
From discontinued operations	0.00	0.00
Total basic and diluted earnings	-1.17	-2.78

SHOP APOTHEKE EUROPE N. V. has not calculated diluted earnings per share since conversion of potential ordinary shares would decrease loss per share from continuing operations.

The group has the following (contingent) issuable shares outstanding, whereby the exercise of these shares depends on the circumstances:

- employee share options: assuming full execution of the total outstanding options per 31 December 2020, an additional 715,000 new shares would be issued in the future. This relates to stock option plans 6a up to and including 9c. We refer to note 27 for an explanation regarding the vesting and expiry dates.
- convertible bonds: as outlined in note 33, The Group issued a EUR 225 million convertible bond on January 14, 2021. Assuming full conversion of the total convertible bond 962,238 new shares would be issued in the future. The maturity of the convertible bond is seven years, with an investor put after five years.
- payment related to acquisitions: the contingent obligation exists to issue 194,762 shares in the next 3 years. The contingently issued shares must be issued except when the contractual conditions are not met.

The number of outstanding shares is 17,935,121 as of 31 December 2020. In case that all mentioned potentially issuable shares will be issued then the number of outstanding shares would increase to 19,807,121.

13. Property, plant and equipment.

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

	Land & buildings	Machinery	Other	Under construction	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Cost					
Balance 1 January 2019	11,472	181	6,152	0	17,805
Acquisitions	1,787	0	1,503	2,164	5,455
Additions	0	0	0	0	0
Disposals	-92	0	0	0	-92
Balance 31 December 2019	**13,167**	**181**	**7,656**	**2,164**	**23,167**
Reclassification	0	2,000	0	-2,000	0
Additions	28,615	10,109	6,341	22,127	67,192
Acquisitions	0	0	0	0	0
Disposals	-830	0	-681	0	-1,511
Balance 31 December 2020	**40,952**	**12,290**	**13,316**	**22,291**	**88,847**
Accumulated amortisation and impairment					
Balance 1 January 2019	3,780	46	2,055	0	5,881
Reclassification	0	0	0	0	0
Depreciation	2,599	26	1,392	0	4,017
Impairment	0	0	91	0	91
Disposals	0	0	0	0	0
Balance 31 December 2019	**6,379**	**72**	**3,539**	**0**	**9,990**
Reclassification	0	0	0	0	0
Depreciation	3,146	332	2,350	0	5,828
Impairment	0	0	0	0	0
Disposals	-850	0	-666	0	-1,516
Balance 31 December 2020	**8,675**	**404**	**5,223**	**0**	**14,302**
Carry value					
Balance 31 December 2019	6,788	109	4,117	2,164	13,178
Balance 31 December 2020	32,277	11,886	8,093	22,291	74,545

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

- Machinery, leasehold improvements, furniture, office equipment: 10 years
- IT- and communication equipment, other: 3 – 5 years
- Right of use assets (according to IFRS16, refer to note 30): 2 – 10 years depending on underlying contracts

In view of the relocation in 2020 of the Venlo location in the Netherlands, the useful lives of assets were reassessed in 2019. For the assets for which this applies, this is included in the calculation of the depreciation in 2019.

The adjustments during the financial year mainly relate to the activation of the right of Use asset for the new logistics center in Sevenum (refer also to note 30) and investments in mechanization in the logistics center.

The pre-payments/under construction assets mainly relate to the automation of the new logistics center in the Netherlands.

14. Intangible assets.

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

	Software, technology & contracts	Brand	Customer base	Goodwill	Under construction	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Cost						
Balance 1 January 2019	26,624	14,286	40,858	131,166	7,309	220,243
Reclassification	4,278	0	0	0	-4,278	0
Additios	3,237	0	0	0	7,502	10,739
Acquisitions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Balance 31 December 2019	**34,139**	**14,286**	**40,858**	**131,166**	**10,533**	**230,982**
Reclassification	5,406	0	0	0	-5,406	0
Additions	3,495	87	0	0	11,518	15,100
Acquisitions	0	0	0	0	0	0
Disposals	-4,416	-3	0	0	0	-4,418
Balance 31 December 2020	**38,625**	**14,370**	**40,858**	**131,166**	**16,645**	**241,664**
Accumulated amortisation and impairment						
Balance 1 January 2019	10,974	4,266	3,232	1,879	0	20,351
Reclassification	0	0	0	0	0	0
Amortisation	4,411	3,154	3,013	0	0	10,578
Impairment	0	0	0	166	0	166
Disposals	38	0	0	0	0	38
Balance 31 December 2019	**15,423**	**7,420**	**6,245**	**2,045**	**0**	**31,133**
Reclassification	0	0	0	0	0	0
Amortisation	6,292	929	3,021	0	0	10,242
Disposals	-4,373	0	0	0	0	-4,373
Balance 31 December 2020	**17,343**	**8,349**	**9,266**	**2,045**	**0**	**37,002**
Carry value						
Balance 31 December 2019	18.717	6.866	34.613	129.121	10.533	199.850
Balance 31 December 2020	21.282	6.021	31.592	129.121	16.645	204.661

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

- Software licenses: 2 – 5 years, depending on the license contract
- ERP-software: 3 – 7 years
- Smart Technology (included in software category): 15 years
- Customer database: 7 – 17 years, depending on the nature
- Brand name: 2 – 10 years, depending on the brand
- Favorable contracts/agreements: 8 years
- Goodwill: indefinite life subject to impairment

Assets under construction mainly relates to capitalized costs for development projects. These costs are activated at the moment the project is ready for use.

15. Impairment Tests for Goodwill.

15.1 Description of the impairment test process.

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 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 announcement of the German health minister to introduce electronic prescriptions in 2021 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.

15.2 Determination of Cash Generating Units (CGU's).

In order to perform impairment tests, the Group 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 Germany
- CGU Farmaline
- CGU Hygee Sante
- CGU nu3

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

Hygee Santé was acquired in 2017. As the respective goodwill of the CGU Hygee Santé is not material, no specific impairment test was carried out for this CGU.

CGU nu3 was acquired in 2018 and therefore in 2018 treated as a CGU for the first time. The value of the goodwill related to nu3 as determined as part of the purchase price allocation in 2018 was tested for impairment for the first time in 2019 and is also tested in 2020.

15.3 Overview goodwill.

As a result, the following table shows the goodwill existing in the GROUP as at 31 December 2020:

	Year ended 31. 12. 2020	Year ended 31. 12. 2019
	EUR 1,000	EUR 1,000
SHOP APOTHEKE	121,962	121,962
Farmaline	4,179	4,179
Hygee Sante	5	5
nu3	2,975	2,975
	129,121	129,121

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

Strategic information.

The Group is a fast-growing online pharmacy in Continental Europe. With the acquisition of Europa Apotheek Venlo in November 2017, The Group significantly enhanced its position in Germany and in prescription medicines. The product range of 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.

The Group operates online pharmacies in Germany, Austria, Switzerland, France, Belgium, Italy and The Netherlands.

The Group delivers a broad range of more than 100,000 original products to over 6.3 million active customers (number of active customers at year-end 2020) and at attractive prices. In addition, The Group provides comprehensive pharmaceutical consulting services. Shop Apotheke has a single face to customers in Germany and is transitioning from a pure e-pharmacy retailer to a customer-centric e-pharmacy platform. 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 by mid 2021.

In order to assess the potential impairments on the listed goodwill, the Group follows an 8-year forecasting process:

Internal process for preparing the 8-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 driven by regulations that result in 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 an expected continuation from off-to online in the continental European markets, the length of the forecasting period needs to reflect this. An 8-years forecast period is considered appropriate to reflect this adequately with robust assumption due to the nature of the industry, the long-term growth phase expected from the introduction of electronic prescriptions in Germany, and the gradual shift of consumer preferences from off- to online.

In the past, Shop-Apotheke has shown c. 35 % sales growth p.a. in the German OTC/BPC online markets but calculates with c. 15 – 20 % sales growth p. a. going forward for the impairment testing purposes. The growth of the prescription medication (Rx) sales were 11 – 18 % p. a., but it is expected that Rx sales will grow at a more rapid pace following the introduction of the electronic prescriptions in the German market in the second half of 2021.

2020 was an exceptional year both in terms of building capacity with the new logistics center to meet the higher future demand expected due to the ongoing shift of customers from off- to online and the expected introduction of e-scripts. We have reached all-time-high sales and significant improvement of overall profitability. To profit from opportunities resulting from a nationwide introduction of e-scripts in Germany in 2021, the Group is preparing the necessary structures and processes in-house to get started. In addition, with the implementation of our key strategic initiatives Shop-Apotheke is focusing on our customers' needs to increase customer loyality and profitability.

For the most important goodwill, i. e. Shop-Apotheke, nu3 and Farmaline, 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 based on the 2017 Sempora market research, assuming a stable state 10% mail order penetration, is determined for the served markets and multiplied with a target market share for the Group. In a second step, sales growth rates and market shares resulting from these calculations are compared with organic growth rates and market shares 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 is based on the benchmark of local German pharmacies showing a 6 % EBIT margin in a steady-state/limitedgrowth 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 the CGU Shop-Apotheke would be a significant (years) delay in the implementation of the electronic script in Germany. But also a larger than currently expected negative impact from a ban in Germany as of December 2020 on bonuses to Customers for prescription medicines. Finally a potential, but very unlikely (as in conflict with European law) ban on mail order for prescription medications in Germany or Belgium.

The upside potential is in the first place the planned implementation of the electronic script in 2021, as announced by the German health minister Mr. Spahn and driven and executed by the German institution gematik. A broader overview of the risks and opportunities of the company is decribed in the Risk Report part of the Annual report.

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 7.2 % WACC 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 9.2 % for the Shop Apotheke impairment test, 9.8 % for the nu3 impairment test and 9.1 % for the Farmaline impairment test.

15.4 Impairment test.

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

- Shop-Apotheke Germany;
- Farmaline;
- nu3.

For Hygee Sante no impairment tests were performed as explained in note 15.2.

As the Shop-Apotheke 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 2021, 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 an eight-year forecasting period.

The assumptions used in the impairment test as at 31 December 2020 are summarized in the table below:

CGU (IN %)	Shop Apotheke	Farmaline	Nu3
Terminal sales growth	0	0	0
Revenue growth rate	8 – 48	5 – 52	8 – 25
EBITDA margin	3.3 – 11.9	3.7 – 10.1	11.8 – 16.5
Discount rate	9.2	9.1	9.8

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 impairment.

16. Accounting for Joint Ventures.

The Company has a 50 % (2019: 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	
		2020	2019
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 127 k in financial year 2020 (2019: EUR 148.4 k). König IT Systeme GmbH had a result after taxes of EUR 29 k (2019: EUR – 19 k).

The joint ventures are accounted for using the equity method and are not individually material. Therefore the aggregated financial information in relation to the joint ventures is presented below:

Summarised statement of financial position – joint ventures.

	As at 31. 12. 2020	As at 31. 12. 2019
	EUR 1,000	EUR 1,000
Non-current assets	75	141
Current assets	1,144	929
Total assets	1,219	1,070
Equity	1,088	930
Current liabilities	133	129
Total equity and liabilities	1,219	1,059

[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 statement of profit or loss – joint ventures.

	2020	2019
	EUR 1,000	EUR 1,000
Revenue from contracts with customers	1,471	1,289
Other operating income	36	62
Cost of sales	– 114	– 69
Operating expenses	– 1,231	– 990
Result before tax	162	291
Income tax expense	– 6	– 96
Result for the year (continuing operations)	156	195
Total comprehensive income for the year (continuing operations)	156	195
Group's share of result for the year	78	98

The operating expenses include depreciation expenses of EUR 43 k (2019: EUR 33 k).

17. Inventories.

The cost of inventories recognised as an expense during the year in respect of continuing operations was EUR 748.5 million (2019: EUR 563.3 m). No inventories are expected to be recovered after more than twelve months.

The inventories include an amount of EUR 6.4 million (2019: EUR nill) carried at fair value less costs to sell. Such write-down was recognised as an expense during 2020. The write-downs and reversals are included in "cost of sales".

18. Trade and other receivables.

	Year ended 31. 12. 2020	Year ended 31. 12. 2019
	EUR 1,000	EUR 1,000
Trade receivables	29,977	26,711
Pre-payments	4,709	5,678
Other current assets and deferred income	9,905	8,505
	44,591	40,894
Trade receivables	34,276	29,736
Provision for impairment	– 4,300	– 3,024
	29,977	26,711

The average credit period on sales of goods and services is 11 days in 2020 (2019: 14 days).

At December 31, 2020, the aging analysis of receivables was as follows:

	Total	Not past due 0–30 days	Past due 30–60 days	61–90 days	91–120 days	121 days and older
Trade receivables	34,276	26,701	2,392	479	365	4,340
Provision for impairment	–4,300	–23	–30	–205	–205	–3,836
Net trade receivables	**29,977**	**26,678**	**2,361**	**274**	**159**	**504**
Expected credit loss	13 %	0 %	1 %	43 %	56 %	88 %

At December 31, 2019, the aging analysis of receivables was as follows:

	Total	Not past due 0–30 days	Past due 30–60 days	61–90 days	91–120 days	121 days and older
Trade receivables	29,736	21,408	3,982	628	415	3,303
Provision for impairment	–3,024	–	–	–2	–167	–2,855
Net trade receivables	**26,711**	**21,408**	**3,982**	**626**	**248**	**488**
Expected credit loss	10 %	0 %	0 %	0 %	40 %	86 %

No interest is charged on trade receivables. 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.

Movement in the provision for impairment:

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Balance beginning of the year	3,024	2,453
Provision for expected credit losses	2,560	886
Write-off	–1,284	–315
Balance end of the year	**4,300**	**3,024**

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.

19. Other financial assets.

The total securities amounts to EUR 37.8 million (2019: EUR 53.1 m). Of this has EUR 37.8 million been shown as short-term securities in other financial assets according to IAS 7 (2019: EUR 50.6 m).

20. Cash and cash equivalents.

All cash balances are at free disposal of the Group, except for a rent guarantee of EUR 371 k.

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

21. Shareholders' equity.

Share capital.

The share capital of the Group as at 31 December 2020 amounts to EUR 358.7 k (31 December 2019: EUR 269.3 k) divided into 17,935,121 shares (31 December 2019: 13,463,815) each with a nominal value of EUR 0.02 all of which have been issued and fully paid. The Group holds shares in treasury (EUR 5,1k) to cover the outstanding shared-based payment plans 1 until 5.

Capital increase.

SHOP APOTHEKE EUROPE N.V. successfully completed a capital increase transaction worth EUR 65 million (net of expenses EUR 63,3 million) on 7 April, 2020. As part of the transaction, SHOP APOTHEKE EUROPE placed 1,120,690 million additional new bearer shares in the company – with institutional investors via accelerated book building. The new shares were placed at an issue price of EUR 58.00 per share.

During the financial year 204,500 employee options were exercised. Each share option gives the participant the right, to subscribe newly issued ordinary shares of the company on exercise, to a predetermined exercise price. The average exercise price amounts to EUR 44.39 per share. The exercised options have a total value of EUR 12.3 million.

22. Non-current liabilities.

Loans and borrowings.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Amounts due to banks	78	115
Lease liabilities	28,732	4,147
Convertible bond	0	123,250
Other loans from third parties	4,000	4,000
	32,810	131,512

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.

Convertible bond.

On 19 April 2018, the Company issued 750 4.5% convertible bonds with an aggregate principal amount of EUR 75.0M. Each bond entitles the holder to convert to ordinary shares at a conversion price of EUR 46,6864. In addition, on 17 April 2019 the Company issued 600 4.5% convertible bonds with an aggregate principal amount of EUR 60,0 million. Each bond entitles the holder to convert to ordinary shares at a conversion price of EUR 46,6864.

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 "Equity part on convertible bonds".

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

SHOP APOTHEKE EUROPE N.V. has negotiated in past financial year 2020 with the holders of the EUR 135 million Convertible bonds due 2023, which has resulted in an incentivized conversion (as defined in the terms and conditions of the Bonds) to convert to more than 98% of the total outstanding bonds into ordinary shares of the Company. The conversion notices are agreed on various dates from 30 September 2020 until 5 October 2020. The holders have received the accrued interest and an incentive of EUR 2,125 per bond, total paid incentive amounted to EUR 2.8 million.

During the clean-up period the holders of the remaining outstanding bonds have exercised its conversion rights. These bonds are converted as per 13 November 2020.

In accordance with IAS32.AG32 the conversion of bonds before maturity is considered as a variable maturity. The value of the liability on the conversion date is derecognized as liability and recognized as equity. The original equity component of the convertible bond remained as equity but is reversed and recorded as part of share premium. There is no gain or loss recorded on conversion, except for the the incentive paid to the bondholders.

Initial recognition convertible bonds.

A summary of the initial recognition of the convertible bonds is given below:

	Issued on 17.4.2019	Issued on 19.4.2018
	EUR 1,000	EUR 1,000
Proceeds of issue principal (amount minus costs)	58,592	73,499
Liability component at date of issue	-55,648	-69,056
Equity component	2,944	4,443

Movements of the convertible bonds.

A summary of the movements of of the convertible bonds is given below:

	Issued on 17.4.2019	Issued on 19.4.2018	Total
	EUR 1,000	EUR 1,000	
Balance 1 January 2019	0	70,485	70,485
Liability component issued convertible bond	55,648	0	55,648
Interest charged calculated at an effective interest rate of 6.0 %	2,614	4,505	7,119
Interest paid	-1,350	-3,388	-4,738
Balance 31 December 2019	56,912	71,602	128,514
Liability component issued convertible bond	-57,193	-71,811	-129,004
Interest charged calculated at an effective interest rate of 6.0 %	2,857	3,409	6,266
Interest paid	-2,576	-3,200	-5,776
Balance 31 December 2020	0	0	0

Current versus non-current classification.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Liability component	0	128,514
- of which long-term position	0	123,250
- of which short-term position	0	5,264

Other loans from third parties.

The Group has borrowings under these loan contracts of EUR 4.0 million. These loans are unsecured and have a duration time of 5 year, ending on 31 December 2024, but can be repaid earlier by Shop Apotheke if the Company wants to do this. After 5 years, both contracting parties are allowed to ask for a wholly or partially repayment of the loan. The annually interest amounts to 4.5 % of the principal amount. The Group has repaid the full loan in early 2021.

23. Current liabilities.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Trade and other payables	53,147	32,004
Loans and borrowings	5,384	7,522
Other liabilities	15,707	10,108
	74,238	49.634

Trade and other payables.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Trade payables	51,323	31,351
Other payables	1,824	653
	53,147	32,004

The average credit period on purchases is 25 days in 2020 (2019: 20 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 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Lease liabilities – short term position	5,384	2,258
Convertible bond – short term position	0	5,264
	5,384	7,522

Amounts due to banks are further disclosed in note 23.

Lease liabilities are reported under non-current and current liabilities. A further disclosure of leases can be found in note 29.

Other liabilities.

	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000
Corporate income tax	390	323
Wage tax & soc. security charges	1,429	1,204
VAT	1,927	426
Employee benefit liabilities	3,590	2,996
Liability due to customer loyalty program	4,730	3,218
Accrued expenses	3,977	1,941
	16,044	10,108

Employee benefit liabilities.

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

Other liabilities.

No interest is charged on the other liabilities.

24. Changes in liabilities arising from financing activities.

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

During fiscal year 2020	31.12.2019	Cash flows	Acquisition	Non-cash changes Addition/ movement	Interest accretion to liability	Lease incentive	31.12.2020
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Long term borrowings	4,114	-36	0	0	0	0	4,078
Short term borrowings – bank overdraft	10,167	-10,128	0	0	0	0	39
Lease liabilities (non-current)	4,148	0	0	23,420	1,164	0	28,732
Lease liabilities (current)	2,258	-2,362	0	3,186	0	2,302	5,384
Convertible bond	128,514	-5,776	0	-129,004	6,266	0	0
	149,201	-18,302	0	-102,398	7,430	2,302	38,233

During fiscal year 2019	31.12.2018	Cash flows	Acquisition	Non-cash changes Addition/ movement	Fair value changes	31.12.2019
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Long term borrowings	149	3,965	0	0	0	4,114
Short term borrowings – bank overdraft	9,805	362	0	0	0	10,167
Lease liabilities (non-current)	4,764	0	0	-979	363	4,148
Lease liabilities (current)	2,401	-2,455	0	2,312	0	2,258
Convertible bond	70,485	53,854	0	-2,944	7,119	128,514
	87,604	52,782	0	-1,611	7,482	149,201

For the disclosure relating to our credit facility, we refer to note 31.

The total number of addition/movement in lease liabilities relates to a movement from non-current to current and to the additions in the lease liabilities during the financial year. For further substantiation of the total amount of EUR 26.606 k (2019: EUR 1.333 k) please refer to note 30.

The cash flow of EUR -5.776 k in the convertible bond in the table above relates to cash outflow for interest paid. Refer to note 22 on the convertible bond. The addition/movement of EUR -129.004 k in the convertible bond in the table relates to the exercised conversion rights by the bond holders which results in a non-cash derecognition of the liability component. Additional information on convertible bonds and movements during the financial year is disclosed in note 22.

25. Financial instruments.

Categories of financial instruments.

	Financial assets at fair value through profit or loss		Financial liabilities at amortised cost (debt instruments)	
	Year ended 31.12.2020	Year ended 31.12.2019	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Trade and other receivables	0	0	44,591	40,894
Other financial assets	0	0	37,771	50,581
Cash and cash equivalents	0	0	90,485	62,653
Total financial assets	0	0	172,847	154,127

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	
	Year ended 31.12.2020	Year ended 31.12.2019	Year ended 31.12.2020	Year ended 31.12.2019
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Non-current liabilities (excluding lease)	0	0	4,078	127,365
Trade and other payables	0	0	53,147	32,004
Loans and borrowings (excluding lease)	0	0	39	15,431
Other current liabilities	0	0	12,298	8,155
Total financial liabilities	0	0	69,562	182,955

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 2021 on the Group profit or equity, since the credit facility is normally not used and the other long-term liabilities have a fixed interest rate of 4.5 % p. a.

Given the current market circumstances an interest rate risk also arises on the positive cash and cash equivalents balances whereby negative interest is due. A change in the market risk at reporting date by 100 BP, would have an effect of circa EUR 0.6 million in 2021 on the Group profit or equity.

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 2021 capital expenditures.

Currency risk.

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). 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 not material.

Liquidity and interest risk tables.

The following tables detail the Company's remaining contractual maturity for its 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 2020				
Non-current liabilities (excluding lease)	0	4,078	0	4,078
Trade and other payables	53,147	0	0	53,147
Loans and borrowings (excluding lease)	39	0	0	39
Other current liabilities	12,298	0	0	12,298
Total financial liabilities	**65,484**	**4,078**	**0**	**69,562**
At 31 December 2019				
Non-current liabilities (excluding lease)	0	154,303	0	154,303
Trade and other payables	32,004	0	0	32,004
Loans and borrowings (excluding lease)	16,242	0	0	16,242
Other current liabilities	8,155	0	0	8,155
Total financial liabilities	**56,401**	**154,303**	**0**	**210,703**

Capital management.

The Group manages its equity to ensure it will be able to continue as going concern with an emphasis on capital preservation. 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 MDAX of the Frankfurt Stock Exchange since 21 September 2020.

Fair value of financial assets and financial liabilities.

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.

Compensation of key management personnel.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Company considers the members of the Management Board and the Supervisory Board to be key management personnel.

The total compensation of key management personnel in 2020 amounted to EUR 2,371 thousand (2019: EUR 1,594 thousand).

The short term benefits comprise the base salary, STI and other are short term benefits included in the table.

Remuneration of the Management Board by member.

	Base salary	STI	Other[1]	Share-based compensation[2]	Pensions	Total remuneration
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
S. Feltens, CEO						
2020	151	–	6	219	–	376
2019	151	–	6	142	–	298
J. Eenhorst, CFO						
2020	257	146	–	342	23	767
T. Holler, COO						
2020	172	–	6	203	2	383
2019	172	–	6	101	2	281
S. Weber, CCO						
2020	173	–	2	203	–	379
2019	173	–	2	101	–	276
M. Fischer, CTO						
2020	172	–	2	203	–	377
2019	172	–	2	101	–	275
Total 2020	925	146	15	1,170	25	2,281
Total 2019	668	–	15	445	2	1,131

[1] "Other" mainly includes gross allowances for fringe benefits such as compensation for car and phone.
[2] The fair value according to IFRS of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The fair value is determined by an external agency. The expense for 2020 reflects this year's portion of share option grants which are not yet vested. For more information on the share-based compensation expenses see Note 27

Remuneration of the former members of the Management Board.

	Base salary	STI	Other[1]	Share-based compensation[2]	Pensions	Total remuneration
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
U. Wandel, CFO						
2019	120	–	153	101	–	373
Total 2019	120	–	153	151	–	373

Remuneration of the Management Board.

The table below specifies the remuneration of the Management Board.

	2020	2019
	EUR 1,000	EUR 1,000
Base salary	925	788
Short term variable incentives	146	–
Other[1]	15	168
Share-based compensation	1,170	546
Pensions	25	2
Total remuneration	2,281	1,504

Remuneration of the members of the Supervisory Board.

The table below specifies the remuneration of the members of the Supervisory Board.

	2020	2019
	EUR 1,000	EUR 1,000
Jan Pyttel	30	30
Björn Söder	20	20
Frank Köhler	20	20
Jerome Cochet	20	20
Total	90	90

Loans to key management personnel.

SHOP APOTHEKE EUROPE does not provide loans or advances to members of the Management Board or the Supervisory Board. There are no loans or advances outstanding. SHOP APOTHEKE EUROPE does not issue guarantees to the benefit of members of the Management Board or the Supervisory Board. No such guarantees are outstanding.

Loans from related parties.

As in 2019, no loans from related parties were obtained in 2020.

Other transactions with related parties.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Sales to related parties	Purchases from related parties	Amounts owed by related parties[5]	Amounts owed to related parties[5]	Other transactions
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Joint venture in which the parent is an venturer:	2020	–	404	–	32	–
	2019	–	347	–	22	–
Associates	2020	395	–	129	22	–
	2019	135	–	–	–	–
Key management personnel	2020	16[3]	–	–	–	8[4]
	2019	–	–	–	–	–

Shop Apotheke Europe N.V. has entered into arrangements with a number of its subsidiaries in the course of its business. These arrangements relate to service transactions and financing agreements. Transactions were conducted at market prices.

Identification of related parties after balance sheet date.

After the balance sheet date, as at 28 January 2021 SHOP APOTHEKE EUROPE N.V. was informed that several shareholders have entered into a voting pool agreement through which they control a combined stake of 26.4% of the voting rights in SHOP APOTHEKE EUROPE N.V. In this regard, these shareholders have agreed to coordinate the exercise of their voting rights in advance and to exercise these rights jointly. In total, the pool comprises a group of 25 individual shareholders around and including the company's founder M. Köhler, both directly and through his holding companies (together holding around 12% of SAE's shares), as well as other long-term investors supporting SHOP APOTHEKE EUROPE. One employee and one Supervisory Board member of the company are part of the Pool, this is F. Köhler, a member of the Supervisory Board of SHOP APOTHEKE EUROPE N.V. and Dr. R. Hess.

Although a voting pool agreement with a combined stake of 26.4% exist there is no individual shareholder/entity which holds directly or indirectly 20 percent or more of the voting power of the investee. Within the voting pool agreement there is a clear majority share of M. Köhler which makes it likely that he has a decisive influence within the voting pool. There we have identified M. Köhler and the entities he controls as a related party of SHOP APOTHEKE EUROPE N.V. Since other shareholders have a significant smaller share in the company and within the voting pool we consider them as not having significant influence and as such not as a related party.

As per year end the outstanding balance to M. Köhler and the entities he controls amounts to Euro 1,045,000 which is a part of the total outstanding other long-term liabilities of Euro 4,000,000 at the balance sheet. We refer to the disclosures in note 22 for terms and conditions regarding this loan. In February 2021 this loan has been fully repaid.

[3] The sales to related parties relates to an agreement regarding distribution of products with an entity in which supervisory board member F. Köhler has a significant influence.
[4] The other transaction is related to the agreement on the incentivized conversion of convertible bonds which resulted in a payment of incentive and accrued interest to two management board members (S. Weber and M. Fischer).
[5] The amounts are classified as trade receivables and trade payables, respectively (see note 18 and 22).

27. Share-based payments.

Employee share option plan of the Group.

Details of the employee share option plan of the Group.

The Group has a share option scheme for a selected group of employees (mostly executive management and senior management) of the Group and its subsidiaries. In accordance with the terms of the plan certain employees may be granted options to purchase ordinary shares. The number of options granted is decided by the Management Board and approved by the Supervisory Board.

Each employee share option converts into one ordinary share of the Group 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.

At the annual general meeting of April 26, 2018 shareholders granted options to purchase ordinary shares to certain employees. In addition, the annual general meetings of April 2, 2019 and April 30, 2020 approved the decision to grant additional share options.

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	Balance at end of year
1a	171,000	26.04.2018	01.01.2020	01.01.2022	45.20 €	8.36 €	500
1b	171,000	26.04.2018	01.01.2021	01.01.2022	45.20 €	8.36 €	150,500
2	36,000	26.04.2018	01.01.2020	01.01.2022	34.81 €	12.09 €	20,000
3a	30,000	12.07.2018	01.01.2020	01.01.2022	45.20 €	14.58 €	0
3b	30,000	12.07.2018	01.01.2021	01.01.2022	45.20 €	14.58 €	30,000
4a	29,500	13.06.2018	01.01.2020	01.01.2022	45.20 €	10.06 €	22,500
4b	29,500	13.06.2018	01.01.2021	01.01.2022	45.20 €	10.06 €	29,500
5a	1,500	24.08.2018	01.01.2020	01.01.2022	45.20 €	15.16 €	0
5b	1,500	24.08.2018	01.01.2021	01.01.2022	45.20 €	15.16 €	1,500
6a	78,333	02.07.2019	18.06.2021	30.06.2026	35.50 €	12.72 €	75,000
6b	78,333	02.07.2019	18.06.2022	30.06.2026	35.50 €	12.72 €	75,000
6c	78,333	02.07.2019	18.06.2023	30.06.2026	35.50 €	12.72 €	75,000
7a	10,000	01.02.2020	01.02.2022	11.06.2027	46.40 €	17.06 €	10,000
7b	10,000	01.02.2020	01.02.2023	11.06.2027	46.40 €	18.18 €	10,000
7c	10,000	01.02.2020	01.02.2024	11.06.2027	46.40 €	19.13 €	10,000
8a	93,000	12.05.2020	12.05.2022	11.06.2027	81.40 €	29.59 €	86,667
8b	93,000	12.05.2020	12.05.2023	11.06.2027	81.40 €	31.47 €	86,667
8c	93,000	12.05.2020	12.05.2024	11.06.2027	81.40 €	33.05 €	86,667
9a	100,000	01.10.2020	01.10.2023	01.10.2027	149.40 €	61.14 €	100,000
9b	100,000	01.10.2020	01.10.2024	01.10.2027	149.40 €	64.46 €	100,000

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 42.94 (2019: 12.72). The actuarial valuation was performed using best estimate assumptions developed by the management of the Group.

An external expert performed the valuation of the expected fair value of the option. The Black-Scholes valuation method for option valuation was used for option plans 1 until 6, for the options plans 7 until 9 the Monte Carlo model has been used for valuation, taking into account the terms and conditions on which the share options were granted. The monte carlo model allows the expected life of the option to be included in the determination of fair value.

The only vesting condition is that employees must remain in service for the period from the grant date until the vesting date of the share options. The employee stock option agreement shows that the employee preserves the right to exercise, even if the employee becomes disabled, deceased or retires.

Inputs to the model.

Options series	Series 1a	Series 1b	Series 2	Series 3a	Series 3b	Series 4a	Series 4b	Series 5a	Series 5b	Series 6a	Series 6b	Series 6c
Grant date share price (EUR)	39.30	39.30	39.30	50.20	50.20	42.80	42.80	51.20	51.20	35.80	35.80	35.80
Exercise price (EUR)	45.20	45.20	34.81	45.20	45.20	45.20	45.20	45.20	45.20	35.50	35.50	35.50
Expected volatility (%)	34.89	34.89	34.89	34.89	34.89	34.89	34.89	34.89	34.89	36.01	36.01	36.01
Option life (years)	3+8m	3+8m	3+8m	3+6m	3+6m	3+6m	3+6m	3+4m	3+4m	7	7	7
Dividend yield (%)	0.00	0.00	0.00	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	-0.77	-0.77	-0.77
Calculation model	BS	BS	BS	BS	BS	BS	BS	BS	BS	BS	BS	BS

Options series	Series 7a	Series 7b	Series 7c	Series 8a	Series 8b	Series 8c	Series 9a	Series 9b
Grant date share price (EUR)	46.40	46.40	46.40	81.40	81.40	81.40	149.40	149.40
Exercise price (EUR)	46.40	46.40	46.40	81.40	81.40	81.40	149.40	149.40
Expected volatility (%)	44.33	44.33	44.33	44.33	44.33	44.33	47.32	47.32
Option life (years)	7+4m	7+4m	7+4m	7	7	7	7	7
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Risk-free interest rate (%)	-0.549	-0.549	-0.549	-0.561	-0.561	-0.561	-0.638	-0.638
Calculation model	MC	MC	MC	MC	MC	MC	MC	MC

For the granted options during the year the expected stock volatility has been determined by measuring the volatility of the daily changes of the stock price of SHOP APOTHEKE EUROPE N.V. over the past three to four years.

The dividend yield is equal to 0.00%, since the Company is not expected to pay-out dividends soon.

Movements in share options during the year.

The following reconciles the share options outstanding at the beginning and end of the year:

		2020		2019*
	Number of options	Weighted average exercise price in EUR	Number of options	Weighted average exercise price in EUR
Balance at beginning of the year	694,000	41.38	500,000	44.45
Granted during the year	509,000	106.06	235,000	35.50
Forfeited during the year	-29,000	65.57	-41,000	45.20
Exercised during the year	-204,500	44.39	–	–
Expired during the year	0	–	–	–
Balance at at of the year	969,500	73.98	694,000	41.38

For the dates on which the different options are exercisable please refer to the table on page 124.

* The comparative figures of the movements in share options during the year 2019 have been adjusted. Specifically, the change relates the line of the forfeited shares during the year. It also impacted the balance at end of the year.

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 73.86 (2019: EUR 41.38) and a weighted average remaining contractual life of 1,774 days (2019: 1,323 days).

Regarding the share option plan, a total expense-amount of EUR 4,405 k was recognised in the 2020 result (2019: EUR 2,967 k).

28. Business combinations during the period.

Subsidiaries acquired.

During 2020, no new entities were acquired by the Group.

29. Business combinations completed in prior periods.

Subsidiaries acquired.

During 2019, no new entitities were acquired by the Group.

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. The operating lease contracts consist of lease of properties, therefore only one lease category is identified.

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 2019	6,705	7,165
Additions	1,333	1,333
Depreciation charge	–2,333	0
Interest expense	0	363
Cash-out lease payments	0	–2,455
Balance 31 December 2019	**5,705**	**6,406**
Additions	28,908	28,908
Depreciation charge	–2,531	0
Interest expense	0	1,164
Cash out lease payments	0	–2,362
Balance 31 December 2020	**32,082**	**34,116**

	31.12.2020	31.12.2019
	EUR 1,000	EUR 1,000
Lease liabilities non-current	28,732	4,764
Lease liabilities current	5,384	2,401
	34,116	**7,165**

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 2019	2,324	4,317	373	7,014
Movements 2020	3,044	9,915	15,197	28,156
As at 31 December 2020	**5,368**	**14,232**	**15,570**	**35,170**

31. Contingent liabilities.

Guarantees.

Guarantee obligations regarding rental contracts have been provided by the Group for EUR 374 k.

Credit facility.

The Deutsche Bank EUR 20 million credit facility agreement was in addition secured by a EUR 20 million pledge over assets.

Fiscal unity.

For the purpose of value added tax, SHOP APOTHEKE EUROPE N.V., SA Europe B.V., Euroservice Venlo B.V., Shop Apotheke B.V., Shop Apotheke Service B.V., Vita-Zita B.V., EHS Europe Health Services B.V., EHSC B.V., Europa Apotheek Venlo B.V. and Europa Apotheek Service Venlo B.V. are associated in a fiscal unity and therefore severally liable for the debts with respect to value-added taxes of the 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).

For the purpose of corporate income tax, EHSC B.V., Europa Apotheek Venlo B.V. and Europa Apotheek Service Venlo B.V., are associated in a fiscal unity and therefore severally liable for the corporate income tax owed by that fiscal unity.

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., EuroService Venlo B.V., Europa Apotheek Venlo B.V., EHSC B.V., Europa Apotheek Service Venlo B.V. and EHS Europe Health Services B.V. according to Article 403 of the Dutch Civil Code.

As of 1 January 2019, SHOP APOTHEKE EUROPE N.V. is also liable for the Dutch Group companies Europa Apotheek Venlo B.V., EHSC B.V., Europa Apotheek Service Venlo B.V. and EHS Europe Health Services B.V. according to Article 403 of the Dutch Civil Code.

Article 264 of the German Civil Code.

As of 1 January 2019 SHOP APOTHEKE EUROPE N.V. is liable for the German group company Nu3 GmbH according to Article 264.3 of the German Civil Code.

Rental commitments buildings and other (lease) agreements.

The obligations for lease of property as at 31 December 2020 (except for short-term leases and leases of low value assets) have been presented as lease liabilities in the Statement of financial position.

The company has entered various contract with external parties on obligations for the new distribution center, amongst which the agreement with the equipment manufacturer and supplier. The invoiced contract values are included in property pland and equipment (refer to note 13.). The total outstanding contract value of the off-balance sheet commitments as at 31 December 2020 amounts to EUR 9.630 k which is mainly due in 2021..

Legal proceedings.

SHOP APOTHEKE EUROPE N.V. 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. Standards issued but not yet effective.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The application of new accounting standards and amendments that had already been issued by the IASB as of the time the financial statements were authorized for issue, is not expected to have any material effect on the consolidated financial statements.

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

33. Subsequent events.

Corona virus.

The Corona virus disease known as COVID-19 continues. At the moment of preparing these financial statements we are not aware of a significant different impact on our business compared to 2020. Going forward the situation is characterized by a high degree of uncertainty. The impact on our business could be favorable or unfavorable. We are closely monitoring our supply chain, strict on our internal hygiene standards and have a Corona task force in place to monitor the situation and protect our workforce as well as our operations.

Acquisition SmartPatient GmbH.

On 7 January 2021, SHOP APOTHEKE EUROPE N.V. announced the full acquisition of 100% of the shares of SMARTPATIENT GmbH, based in Munich, Germany. SMARTPATIENT with its app MyTherapy is one of the leading providers of digital health services. The expansion of digital health and medication services is a key part of SHOP APOTHEKE EUROPE's growth strategy. The acquisition of SMARTPATIENT enables SHOP APOTHEKE EUROPE to expand its technological expertise in the digital health services area even more rapidly. Both companies expect significant positive effects from the expanded service offering, especially in the Rx market segment.

The purchase price for SMARTPATIENT GmbH amounts to EUR 70 mio and is paid as a combination of cash and shares, partly at the acquisition date and partly as deferred payment. At the moment of preparation of these financial statements, the acquisition accounting is in process and as such no more information is available. The acquisition accounting will be included in the Q1 2021 financial statements and disclosures.

Placement of new convertible bond.

On 14 January 2021, SHOP APOTHEKE EUROPE N.V. successfully placed senior unsecured convertible bonds with a zero (0.0%) coupon in an aggregate principal amount of EUR 225 million and a maturity of seven years with an investor put after five years. The initial conversion price has been fixed at EUR 233.83, corresponding to a premium of 50% above the volume-weighted average price of the listed share of the Company on XETRA between launch and pricing.

34. Other Information.

Auditor's fees.

The Company's 2019 and 2020 financial statements were audited by Mazars Accountants N.V. The following auditor's fees were expensed in the Statement of Profit and Loss in the reporting period:

	Year ended 31.12.2020		Year ended 31.12.2019		
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	
	Mazars Accountants NV	Other network	Mazars Accountants NV	Other network	Other audit firms
Audit of the financial statements	430*	–	255	15	56**
Total	430	–	255	15	56

* This amount includes 95k relating to the audit 2019.

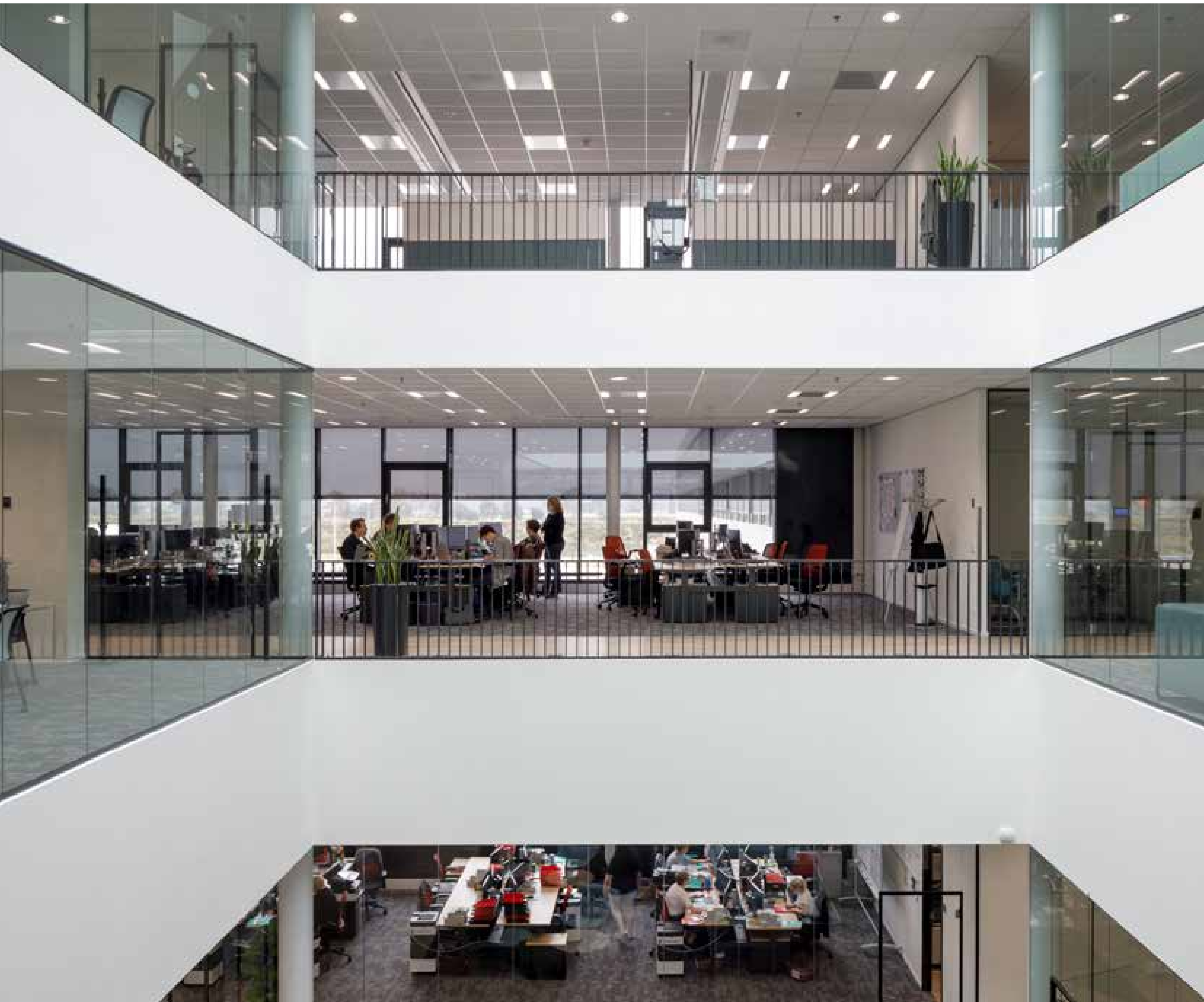
** This amount includes 56k relating to the audit 2018.

Approval and signing of the Consolidated Financial Statements

Venlo, 2 March 2021

Management Board Members:
Stefan Feltens, Jasper Eenhorst, Marc Fischer,
Theresa Holler, Stephan Weber

Supervisory Board Members:
Jan Pyttel (Chairman), Jerome Cochet,
Frank Köhler, Björn Söder



08

COMPANY FINANCIAL STATEMENTS.

COMPANY BALANCE SHEET.

For the year ended 31 December 2020

Before appropriation of result	Notes	31.12.2020	31.12.2019
		EUR 1,000	EUR 1,000
Assets			
Financial fixed assets			
Subsidiaries	3	157,040	160,116
Current assets			
Trade and other receivables		719	603
Receivables from Group companies	4	244,581	151,281
Tax receivables		1,772	0
Other financial assets		37,771	53,081
Cash and cash equivalents	5	19,922	13,577
		304,765	218,542
Total assets		**461,805**	**378,658**
Equity and liabilities			
Capital and reserves			
Issued capital		354	269
Share premium		551,665	340,923
Legal reserves		12,523	8,509
Equity part on convertible bonds		0	7,384
Reserve for stock option plan		6,842	4,417
Accumulated losses		-129,475	-92,470
Net income for the year		-16,771	-36,270
Shareholders' equity	6	425,138	232,762
Provisions for subsidiaries	3	5,256	7,061
Non-current liabilities			
Loans and borrowings	7	4,000	127,250
Current liabilities			
Trade and other payables		1,006	100
Loans and borrowings	7	0	5,264
Payables to Group companies	8	26,147	6,456
Other liabilities	9	258	-235
		27,411	11,585
Total equity and liabilities		**461,805**	**378,658**

COMPANY STATEMENT OF PROFIT AND LOSS.

For the year ended 31 December 2020

	Notes	Period ended 31.12.2020	Period ended 31.12.2019
		EUR 1,000	EUR 1,000
General & administrative expenses		-5,670	-1,422
Total expenses		**-5,670**	**-1,422**
Financial income		0	1,223
Financial expenses		-9,826	-7,154
Result before tax		**-15,496**	**-7,353**
Income tax expenses		0	0
Share of post-tax results of subsidiaries	3	-1,275	-28,917
Net result		**-16,771**	**-36,270**

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 and 4 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.

Participations in consolidated entities are accounted for using the asset value method applying the same accounting policies as those used in the consolidated financial statements. If a participating interest has negative equity and the parent company is a guarantor, a provision is formed for the best estimate of the liability.

Receivables are mainly receivables on Group companies. The accounting policy on trade and other receivables is included in note 18 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 2019	20,652	161,320	181,972
Result 2019	-27,713	-1,204	-28,917
Provision for negative equity	7,061	0	7,061
Balance 31 December 2019	**0**	**160,116**	**160,116**
Result 2020	1,801	-3,076	-1,275
Provision for negative equity	-1,801	0	-1,801
Balance, 31 December 2020	**0**	**157,040**	**157,040**

4. Receivables from Group companies.

	31.12.2020	31.12.2019
	EUR 1,000	EUR 1,000
SA Europe B.V.	73,542	71,443
Euroservice Venlo. B.V.	135,904	49,151
Europa Apotheek Service B.V.	27,227	27,856
Shop Apotheke B.V.	7,877	2,826
Vita Zita B.V.	20	6
Balance 31 December	**244,581**	**151,282**

Regarding receivables and payables from/to Group companies, no repayment schedules have been agreed. Debit and credit amounts may be netted.

5. Cash and cash equivalents.

Cash and cash equivalents are at immediate free disposal of the company.

6. Shareholder's equity.

The share capital of the Group as at 31 December 2020 amounts to EUR 353.6 k (31 December 2019: EUR 269.3 k) divided into 17,680,605 shares (31 December 2019: 13,463,815) each with a nominal value of EUR 0.02 all of which have been issued and fully paid.

Additional information is given in the Consolidated statement of changes in shareholder's equity and in note 21 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 2020 relate to the net balance of capitalization and amortization of software development.

	Legal reserves
	EUR 1,000
Balance, 1 January 2019	4,748
Changes	3,761
Balance, 31 December 2019	**8,509**
Changes	4,018
Balance 31 December 2020	**12,527**

7. Loans and borrowings.

On 19 April 2018, the Company issued 750 4.5 % convertible bonds with an aggregate principal amount of EUR 75,0 million. Each bond entitles the holder to convert to ordinary shares at a conversion price of EUR 46.6864.

In addition, on 17 April 2019 the Company issued 600 4.5 % convertible bonds with an aggregate principal amount of EUR 60,0 million. Each bond entitles the holder to convert to ordinary shares at a conversion price of EUR 46.6864.

Further information is given in note 22 to the Consolidated financial statements.

The short term liability portion of the convertible bond amounts EUR 0 k (31 December 2019: EUR 5.264 k).

8. Payables to Group companies.

Regarding receivables and payables from/to Group companies, no repayment schedules have been agreed. Debit and credit amounts may be netted.

	31. 12. 2020	31. 12. 2019
	EUR 1,000	EUR 1,000
Shop Apotheke Service B. V.	19,454	6,076
Nu3 GmbH	2,853	0
Shop Apotheke B. V.	188	0
Shop Apotheke Service GmbH	2,866	0
Europa Apotheek Venlo B. V.	786	381
Balance 31 December	**26,148**	**6,457**

9. Personnel.

The number of employees employed by Shop Apotheke Europe NV at 31 December 2020 was 0 (31 December 2019: 0).

10. Commitments and contingencies.

For the purpose of value added tax, SHOP APOTHEKE EUROPE N. V., SA Europe B. V., Euroservice Venlo B. V., Shop Apotheke B. V., Shop Apotheke Service B. V., Vita-Zita B. V., EHS Europe Health Services B. V., EHSC B. V., Europa Apotheek Venlo B. V. and Europa Apotheek Service Venlo B. V. are associated in a fiscal unity and therefore severally liable for the debts with respect to value-added taxes of the fiscal unity.

SHOP APOTHEKE EUROPE NV is liable for its Dutch group companies, i. e. SA Europe BV, Euroservice Venlo BV, Shop Apotheke BV, Vitazita BV, Shop Apotheke Services B. V., EHS Europe Health Services B. V., EHSC B. V., Europa Apotheek Venlo B. V. and Europa Apotheek Service Venlo B. V. according to Article 403 of the Dutch Civil Code, the according declaration has been filed with the trade register.

Credit facility

The Deutsche Bank EUR 20 million credit facility agreement was in addition secured by a EUR 20 million pledge over assets.

11. Related party transactions.

In the annual report 2020 no related parties with outstanding balances are presented since outstanding balances to related parties do not exist as at 31 December 2020.

11.1 Compensation of key management personnel.

The remuneration of management board and supervisory board members is disclosed in the Remuneration Report as part of the Annual Report.

11.2 Loans to key management personnel.

The Group has not provided any loans to its key management in 2020.

11.3 Loans from related parties.

As in 2019, no loans from related parties were obtained in 2020.

12. Auditor's fees.

See note 34 of the notes to the Consolidated financial statements.

13. Events after the balance sheet date.

Acquisition SmartPatient GmbH.

On 7 January 2021, SHOP APOTHEKE EUROPE N.V. announced the full acquisition of 100% of the shares of SMARTPATIENT GmbH, based in Munich, Germany. SMARTPATIENT with its app MyTherapy is one of the leading providers of digital health services. The expansion of digital health and medication services is a key part of SHOP APOTHEKE EUROPE's growth strategy. The acquisition of SMARTPATIENT enables SHOP APOTHEKE EUROPE to expand its technological expertise in the digital health services area even more rapidly. Both companies expect significant positive effects from the expanded service offering, especially in the Rx market segment.

The purchase price for SMARTPATIENT GmbH amounts to EUR 70 million and is paid as a combination of cash and shares, partly at the acquisition date and partly as deferred payment. At the moment of preparation of these financial statements, the acquisition accounting is in process and as such no more information is available. The acquisition accounting will be included in the Q1 2021 financial statements and disclosures.

Placement of new convertible bond.

On 14 January 2021, SHOP APOTHEKE EUROPE successfully placed senior unsecured convertible bonds with a zero (0.0%) coupon in an aggregate principal amount of EUR 225 million and a maturity of seven years. The initial conversion price has been fixed at EUR 233.83, corresponding to a premium of 50% above the volume-weighted average price of the listed share of the Company on XETRA between launch and pricing.

Corona virus.

The Corona virus disease known as COVID-19 continues. At the moment of preparing these financial statements we are not aware of a significant different impact on our business compared to 2020. Going forward the situation is characterized by a high degree of uncertainty. The impact on our business could be favorable or unfavorable. We are closely monitoring our supply chain, strict on our internal hygiene standards and have a Corona task force in place to monitor the situation and protect our workforce as well as our operations.

13. Appropriation of result for the period 1 January 2020 – 31 December 2020.

The board of directors proposes that the loss for the period 1 January 2020 – 31 December 2020 amounting to EUR 16,771k should be deducted from the other reserves.

14. Signing of the financial statements.

Venlo, 2 March 2021

Signed Statutory directors:
Stefan Feltens, Jasper Eenhorst, Marc Fischer, Theresa Holler, Stephan Weber

Signed Supervisory Board members:
Jan Pyttel (Chairman), Jerome Cochet, Frank Köhler, Björn Söder

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.

Independent auditor's report.

Reference is made to the auditor's report as included hereinafter.

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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 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of SHOP APOTHEKE EUROPE N.V. based in Venlo. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of SHOP APOTHEKE EUROPE N.V. as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;

- the accompanying company financial statements give a true and fair view of the financial position of SHOP APOTHEKE EUROPE N.V. as at 31 December 2020 and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
1. the consolidated statement of financial position as at 31 December 2020;
2. the following statements for 2020: the consolidated statement of profit and loss, the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
4. the company balance sheet as at 31 December 2020;
5. the company statement of profit and loss for 2020; and
6. the notes comprising a summary of the accounting policies and other explanatory information.

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, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 9.7 million. The materiality is based on 1.0 % of the total revenues. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of EUR 290 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 at 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.

Considering our ultimate responsibility for the group audit, we are responsible for the direction, supervision and performance of the group audit. In this context we have determined the nature and extent of the audit procedures for components of the group. Determining factors are the significance and/or risk-profile of the group entities or activities. We have:

- performed audit procedures ourselves at group entities located in The Netherlands;

- performed review procedures or specific audit procedures ourselves at other group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, 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 matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the supervisory board. The key audit matter is not a comprehensive reflection of all matters discussed.

The matter was 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 the matter.

Valuation of Intangibles assets

As at 31 December 2020 goodwill amounts to EUR 129 million. Under IFRS-EU it is required to perform an impairment test annually.

The impairment tests were important for our audit as the related asset amounts are significant and the assessment process itself is complex and includes management judgement on the underlying assumptions.

Our audit procedures included amongst others the assessment of the proper allocation of the goodwill to the cash generating units, the comparison of the assumptions used in previous year compared to the outcome in the current year (so called "backtesting"), the reasonability of the assumptions used by management and its volatility in the sensitivity analysis. We have used the work of our internal valuation specialists to assist us in verifying the assumptions and methodologies used by SHOP APOTHEKE EUROPE N.V.

The company's disclosures on goodwill and the impairment tests on goodwill are included in Note 14 and 15 to the consolidated financial statements.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Combined Management Report (excluding the non-financial performance indicators paragraph and the references to GRI's);
- other information as required by Part 9 of Book 2 of the Dutch Civil Code; and
- other information included in the sections: Our Company, the Shop Apotheke Europe Share, Remuneration report, and the Report of the Supervisory Board

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code and articles 2:135b and 2:145 paragraph 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code, article 2:135b paragraph 7 and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the Remuneration Report is in accordance with the articles 2:135b and 2:145 paragraph 2 of the Dutch Civil Code, and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the supervisory board as auditor of SHOP APOTHEKE EUROPE N.V. on 29 May 2019 for the audit of the year 2019 and have operated as statutory auditor ever since that date.

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.

European Single Electronic Format (ESEF)

SHOP APOTHEKE EUROPE N.V. has prepared its annual report in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual financial report prepared in the XHTML format, including the partially tagged consolidated financial statements as included in the reporting package by SHOP APOTHEKE EUROPE N.V., has been prepared in all material respects in accordance with the RTS on ESEF.

Management is responsible for preparing the annual financial report including the financial statements in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion whether the annual financial report in this reporting package, is in accordance with the RTS on ESEF.

Our procedures taking into account Alert 43 of NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package;
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF;
- examining the information related to the consolidated financial statements in the reporting package to determine whether all required taggings have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding 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 IFRS-EU 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 fraud or error.

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 detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. 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 judgement 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.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, 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 error, 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 a company to cease 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 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 provided 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 the key audit matters: those matters that were of most significance in the audit of the financial statements. 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 communicating the matter is in the public interest.

Rotterdam, 2 March 2021

Mazars Accountants N.V.

Original has been signed by: drs. J.J.W. Galas RA

GLOSSARY.

Active Customers
Unique customers who have placed at least one order in the 12 preceding months.

Administrative Expenses
Cost of corporate overhead of which examples are IT services, Finance, HR, Facility, Legal and Executive Management.

Adjusted EBITDA
Earnings Before Interest, Tax, Depreciation and Amortization excluding Adjustments. We use this metric as we find it an important indicator of our underlying operational financial performance.

Adjustments
Items we adjust to get from EBITDA to Adjusted EBITDA. There are three categories: (a) Expenses of the employee stock option programs, (b) Non-recurring or extraordinary expenses related to projects, (c) Any other major non-recurring (one-off) items of which we would release what it concerns in case we record it as specifically mentioned.

(Adjusted) EBITDA margin
(Adjusted) EBITDA as a percentage of sales.

Average shopping basket
The average gross value of received orders divided by the total amount of placed orders in a given time period.

BPC products
Beauty and personal care products.

CAGR
Compound annual growth rate

DACH-Segment
Segment reporting provides financial information about the individual units of the company.
SHOP APOTHEKE EUROPE uses a regional approach.
The DACH-Segment comprises its business activities in Germany, Austria and Switzerland.

EBIT
Earnings Before Interest and Tax.

eScript
Computer-based electronic generation, transmission, and filling of a medical prescription.

Group
SHOP APOTHEKE EUROPE N. V., Venlo, the Netherlands, together with its consolidated subsidiaries.

International-Segment
Segment reporting provides financial information about the individual units of the company.
SHOP APOTHEKE EUROPE uses a regional approach.
The International-Segment comprises its business activities in France, Italy, Belgium and the Netherlands.

Mobile visits
Site Visits originating from tablets and smartphones as well as other non-desktop computer based means.

Net working capital
The difference between the company's current assets (including: trade and other receivables and inventories) and its current liabilities (including: trade and other payables, short-term loans and borrowing and short-term other liabilities.

NPS
Net promoter score used for measuring customer satisfaction.

Number of orders
Number of customer orders containing at least one product, placed during the measurement period.

OTC products or medications
Products or 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 possessing a valid prescription.

Pharmacy-related products
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.

Rx products or medications
Prescription-only medicines, which are only allowed to be sold to customers possessing a valid prescription.

Rx revenues
Sales related to prescriptions.

Sales
Gross revenues minus value added taxes and discounts.

Selling & Distribution expenses
Expenses related to marketing, shipping, packaging, payments and operational labor to support our Sales.

Share of mobile visits
Mobile visits 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.

Website Visits (Web Traffic)
Unique interactions of a visitor on our website; a visit is considered terminated when the visitor leaves the browser instance or has not interacted with the page for more than 30 minutes.

FINANCIAL CALENDAR. EVENTS.

21 April 2021
Annual General Meeting, Venlo

6 May 2021
Publication of the results for 3M 2021

5 August 2021
Publication of the results for H1 2021

2 November 2021
Publication of the results for 9M 2021

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Awarded the title of pharmacist in Germany by the Landesamt für Soziales, Jugend und Versorgung of the federal state of Rhineland-Palatinate

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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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