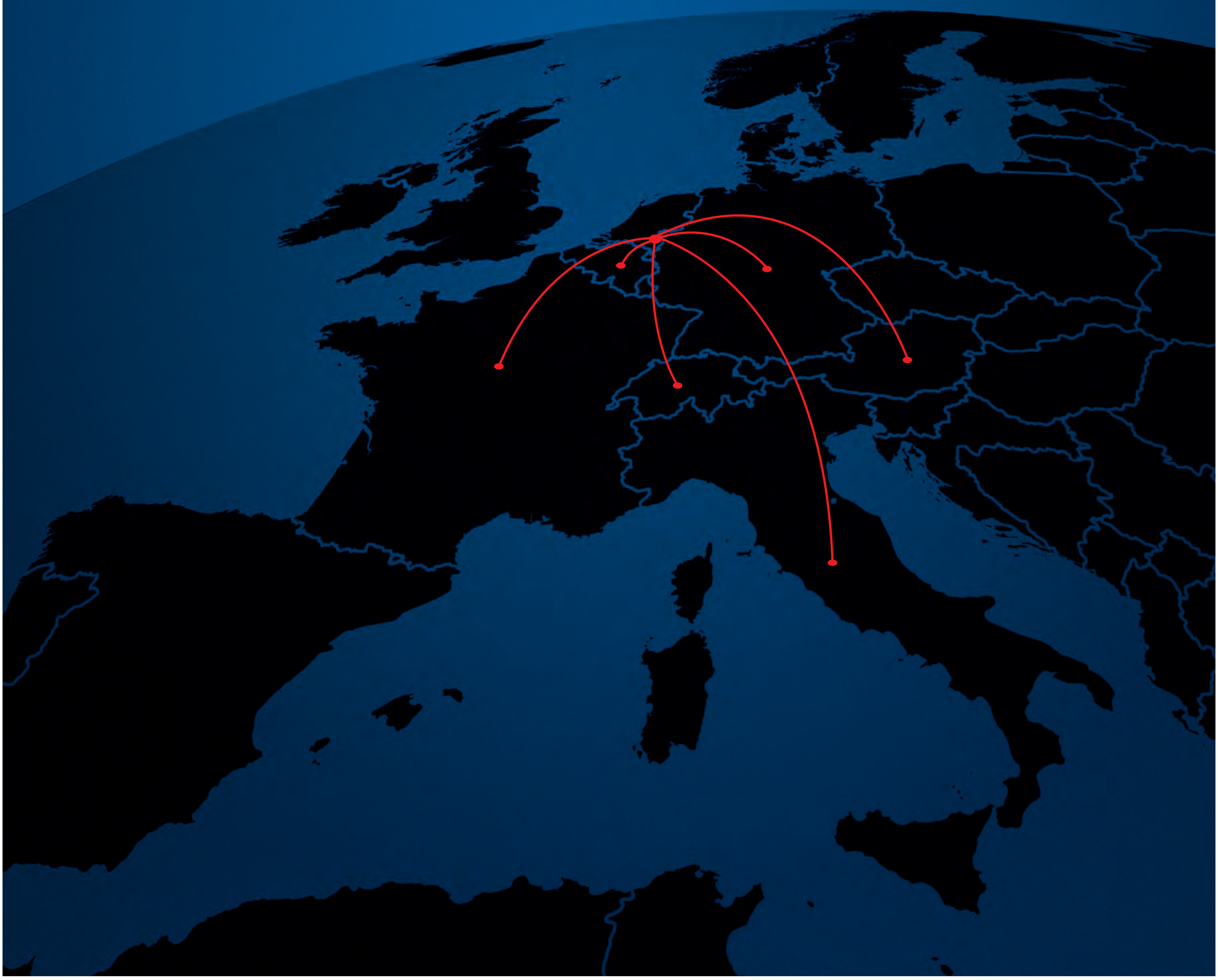
SHOP APOTHEKE EUROPE

OPTIMALLY PREPARED TO SHAPE THE FUTURE OF HEALTHCARE.

ANNUAL REPORT 2019.



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

KEY FIGURES 2019.

CONTINUOUSLY INCREASING OUR STRONG GROWTH ACROSS EUROPE.

REVENUE FY 2019:
EUR 701 MILLION (+ 30 %).

PARCELS SENT IN 2019:
>33,400 PARCELS A DAY.

GROSS MARGIN:
INCREASED TO 19.6%.

REPEAT ORDERS:
81 PERCENT.

ACTIVE CUSTOMERS:
4.7 MILLION.
1.2 MILLION NEW CUSTOMERS.
GAINED IN 2019 (+34 %).

AVERAGE SHOPPING BASKET SIZE INCREASED TO:
€ 67.

SITE VISITS GREW BY:
40.8 MILLION TO 133.9 MILLION.

CUSTOMER SATISFACTION:
NPS SCORE: 70.

GROWING STEADILY IN ALL OUR MARKETS.

THE ONLINE PHARMACY FOR EUROPE AT A GLANCE.

MORE THAN 4.7 MILLION ACTIVE CUSTOMERS ACROSS EUROPE.

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

7 MARKETS.
GERMANY, AUSTRIA, FRANCE, BELGIUM, THE NETHERLANDS, ITALY, SWITZERLAND.

1,175 EMPLOYEES
WORKING ACROSS EUROPE.

As one of Europe's leading online pharmacies, SHOP APOTHEKE EUROPE is dedicated to serving the whole family with a special focus on all relevant target groups – the family's health manager who is in charge of caring for all family members' health needs as well as young and elderly singles. 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 to do so is enacted. The online sale of prescription drugs is projected to increase following the introduction of electronic prescriptions in our largest market, Germany, in 2020. This will make it easier and more convenient for patients to have their prescriptions filled by an online pharmacy and thus have a notable positive impact on our business starting in mid-2021. At the same time, electronic prescriptions will simplify processes and thereby cut costs.

Europe's population is steadily getting older and consequently has a greater need for prescription medications and continuous care. With almost 20 years of experience in providing Rx medications to our customers' homes, we also focus on older people and those suffering from chronic illnesses.

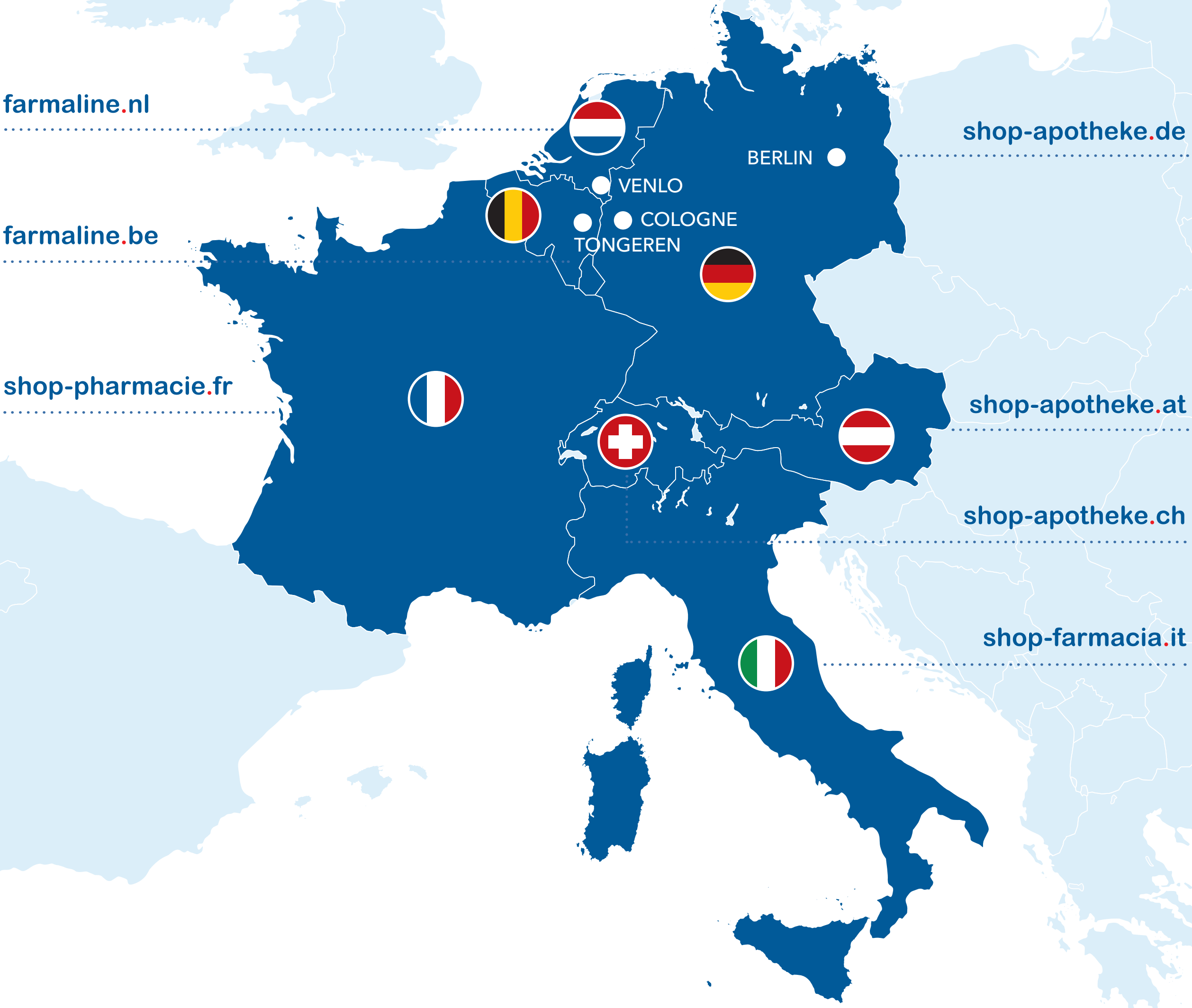
SHOP APOTHEKE EUROPE's comprehensive offering is being recognized by both the markets and by customers: In addition to being listed in the prestigious SDAX select index, SHOP APOTHEKE was named 'Online Pharmacy of the Year' in major consumer surveys.

- Europe's fastest-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 and Belgium.
- Market leader in Germany, Austria and Belgium (OTC and BPC products).
- Highest standards of pharmaceutical safety.
- Outstanding customer counselling.

SHOP APOTHEKE EUROPE.

LEADING THE WAY IN EUROPE.

WEBSHOPS IN SEVEN CONTINENTAL EUROPEAN COUNTRIES.



1,175 EMPLOYEES.
4 LOCATIONS.
ONE ENTREPRENEURIAL SPIRIT.

In addition to our headquarters in the Dutch city of **Venlo**, we also have a marketing, sales and IT office in **Cologne**, Germany and the European Service Centre in **Tongeren,** Belgium. nu3 is located in Germany's capital **Berlin**.

Intelligent Nutrition.

Founded in 2011 in Berlin and part of the SHOP APOTHEKE Group since July 2018. nu3 operates in the fast-growing market segment of functional nutrition products. Its product range includes natural foods and health products, low carb products and sports nutrition with strong and well-known brands nu3 and Beavita.

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MESSAGE TO OUR SHAREHOLDERS.

SHOP APOTHEKE EUROPE'S MANAGEMENT BOARD.

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN.

Venlo, 16 March 2020

With a sales increase of around 30 % to over EUR 700 million and an adjusted EBITDA margin of – 1.9 %, we fully delivered against our guidance for 2019. As conveyed early last year we emphasized organic growth in 2019, which amounted to around 28 %. In Germany our revenues from prescription orders grew at a healthy rate of 11 %. We achieved our overall growth target and increased the number of active customers to 4.7 million by rigorously focusing on further enhancing the customer journey and offering additional products and services. With the transfer of the customers of Europa Apotheek to shop-apotheke.com last July, we reduced the number of brands in Germany to one in order to have a single face to our customers.

In September, we decided to exit the Spanish market because we did not see a path to profitability over the coming years. Market dynamics and purchasing conditions in Spain were less favourable than they are in other markets.

We also worked on further stabilizing and improving our logistics performance in 2019. After challenges during the first couple of months, our delivery times to customers as well as our NPS (Net Promoter Score), an important indicator of customer loyalty and satisfaction, improved significantly until the end of the year.

Last April, we launched a same-day delivery pilot project in the German Rhine/Ruhr metropolitan region that made it possible for customers to receive selected products on the same day they placed their order. Following a successful conclusion of the pilot, we will roll out this service to other metropolitan regions in Germany this year.

Going forward, we will continue to upgrade the product and service offerings to our customers In line with our vision “to enable everyone to live the healthiest life possible”. Our aim is to be the first point of contact for our customers for their health-related needs.

We will launch a marketplace in the second half of 2020 to offer our customers an even broader range of health-related products.

Furthermore, we will be cooperating with providers of digital health services, which will be available from our platform, i. e. our webshop or app. Another clear focus in 2020 will be our preparations for the launch of electronic prescriptions in Germany this year. We have already taken an important step by merging shop-apotheke.com with our Rx specialist Europe Apotheek last year. Electronic prescriptions are projected to significantly boost our business in Germany – not just terms of revenue but also in regard to KPIs for Rx customers vis-à-vis non-Rx customers. We expect to start processing a significant number of electronic prescriptions in the second half of 2021.

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A key driver for the future development and growth of SHOP APOTHEKE EUROPE will be the transition to our new state-of-the-art logistics centre less than one kilometre from our current facility. This will significantly increase our capacity and generate efficiencies through a much higher degree of automation. The transfer of our logistics operations is scheduled to begin in Q4 2020 and will take place over a period of five to six months.

We are also strengthening our commitment to sustainable development. Environmental, social and governance issues will play a more prominent role in SHOP APOTHEKE EUROPE’s activities going forward.

Overall, we are projecting an increase in consolidated revenues of ca. 20 % in financial year 2020 along with breaking even at the adjusted EBITDA level.

We continue to focus on finding new growth opportunities. In the coming years, we intend to further develop SHOP APOTHEKE EUROPE from an online retailer to a health-focused technology platform. We aim to become sustainably profitable and start generating positive cash flows. To achieve this, we will continue to take entrepreneurial risks, make further targeted investments, and continue to upgrade our operations.

With our focus on customer-centricity as well as our expertise in technology, logistics and pharmaceutical know-how we have a unique opportunity to make an important contribution to the digitization of the European healthcare system. In doing so, we rely on our highly qualified and motivated team that works every day to build the SHOP APOTHEKE EUROPE of the future. For this, we on the Management Board would like to express our sincere gratitude to our stakeholders, particularly to the team of SHOP APOTHEKE EUROPE.

We look forward to continuing our exciting journey with you.

SHOP APOTHEKE EUROPE N.V.
The Management Board

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

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

- The financial statements for 2019 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 2019, and of the 2019 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 2019 and the state of affairs during the financial year 2019, together with a description of the principal risks faced by the Group.

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, Theresa Holler, Marc Fischer, Jasper Eenhorst, Stephan Weber (from left to right).

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 designated **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 B.V. He studied Economics at Erasmus University in 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 online shop. She studied Pharmaceutics in Mainz, Germany where she received her license to practice pharmacy. She also earned a Master of Science degree in Consumer Healthcare from Berlin's Charité.

Marc Fischer as **Chief 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.

02

OUR COMPANY.

OUR SPECIALISTS FOR PHARMACEUTICAL ADVICE.

PROVIDING TOP CONSULTING SERVICES TO OUR CUSTOMERS.

Comprehensive and confidential pharmaceutical consulting services are key to SHOP APOTHEKE EUROPE's business strategy. Our customers' health is always our priority, so our specially trained teams of pharmaceutical experts make sure that our customers are safe and cared for every step of the way – from the moment an order comes in to providing long-term support for some chronically ill patients.

OUR TEAM OF PASSIONATE PHARMACISTS – IDEALLY PREPARED FOR UPCOMING ELECTRONIC PRESCRIPTIONS.

Every prescription we receive is checked by our experienced pharmacists to make sure that ordered medications do not interfere with each other. In accordance with the four-eyes-principle, we conduct these interaction checks twice – because four eyes see more than two. If the team determines there is even a slight risk of a minor interaction, we will inform the customer in a personalized letter enclosed with their delivery. In cases where a serious interaction is possible, we will not deliver the medication right away but first contact the customer and where applicable their physician. This interaction check is also applied to our wide range of OTC medications.

Customers can also get additional information about any medications they have or are considering ordering from our pharmaceutical hotline, which is available in five languages and staffed by pharmaceutical experts familiar with the requirements of the different countries we serve.

"We will digitalize our existing patient care programs and add new self-services for medication management in preparation for the eRX opportunity."

Timm Witte
Head of Medical Programmes,
SHOP APOTHEKE EUROPE.

Smart

SHOP APOTHEKE EUROPE offers a special service for some of our most loyal customers who are suffering from chronic diseases. The SMART programme supports people afflicted with such illnesses as multiple sclerosis, asthma or HIV to help make their lives easier and improve compliance and thereby outcomes. Over 8,000 patients have been supported by the continuously refined SMART programmes since we first introduced them in 2009.

A DUAL MOTIVATION FOR SUSTAINABLE DEVELOPMENT.

CREATING BUSINESS AND SOCIETAL VALUE SIMULTANEOUSLY.

From 2020 onwards, SHOP APOTHEKE EUROPE is making sustainability an integral part of the company's strategic positioning. This move has two key drivers.

On the one hand, as a successfully growing business we feel a fundamental responsibility to actively contribute to the achievement of the United Nation's Agenda 2030 Sustainable Development Goals (SDGs). We believe that our business model, aiming to enable everyone to live their healthiest life possible, goes hand in hand with SDG 3, Good Health and Wellbeing. We are aware that this positive contribution should not come along with severe negative effects related to any of the other SDGs. Therefore, we are going to prioritize the SDGs most relevant for SHOP APOTHEKE EUROPE in the upcoming year and set clear goals to scale our contribution to a more sustainable world.

At the same time, we are convinced that proactively identifying and managing our impact on society and the environment strengthens our competitive advantage. In light of rapidly changing consumer expectations, SHOP APOTHEKE EUROPE wants to develop sustainable solutions. When it comes to talent acquisition and employee retention, we want to become a purpose-driven employer. Finally, we want to be an attractive long-term investment opportunity, seizing business opportunities while minimizing risks.

SHOP APOTHEKE EUROPE became a UN Global Compact Signatory. We are already managing our company in an intrinsically responsible way. The official commitment to the ten principles ensures that we adhere to our values in the future and challenges us to continuously rethink and further develop under consideration of human rights, labour, environmental and anti-corruption aspects.

Source: UNDP-Annual-Report-2018

A HOLISTIC APPROACH TO SUSTAINABILITY.

INCREASING POSITIVE AND REDUCING NEGATIVE IMPACTS.

Integrating sustainable thinking in the DNA of the whole company is vital to success. A key midterm objective of this approach is enabling and empowering every employee to make sustainable decisions in their field of action. We are convinced that combining the expertise of our employees with a sustainability perspective maximizes our opportunities.

"We cannot manage sustainability – but we can manage sustainably."

Anna Tönnessen
Manager Sustainable Development,
SHOP APOTHEKE EUROPE.

In order to transform SHOP APOTHEKE EUROPE holistically, we will identify our material sustainability issues along the entire value chain this year. Subsequently, we will define clear initiatives, measurable goals and a set of KPIs within our business divisions to ensure that we develop our whole company sustainably. Measuring the negative and positive impacts on society and the environment is a prerequisite to proactively managing our contribution to a more sustainable world and a sustainable development of our business itself.

Examples of initial small steps already taken in the past include providing every Cologne-based employee with a public transport ticket to incentivize staff to reduce their carbon footprint. Additionally, the company is currently in the process of migrating webshop services to the Google cloud, achieving climate neutrality in the operations of all migrated functionality. Another example related to our core business from the social dimension of sustainability is that we are extraordinary well-positioned regarding data security and our efforts to ensure customers' health and safety.

A pivotal step forwards with respect to decreasing our environmental footprint will be VENLO 2020: Our new headquarters and logistics centre is designed to meet the highest environmental standards, aiming for the award of a "very good" certification from BREAAM. Simultaneously, the new location in Venlo will provide employees with an exceptionally modern and very flexible work atmosphere.

CHARITY IS A MATTER OF THE HEART FOR US.

Herzenswünsche e.V.

SHOP APOTHEKE EUROPE has donated more than EUR 450,000 in 2019 alone to Herzenswünsche e. V., a charity that brings happiness to severely ill children and youth. Because we believe in supporting people in need, this partnership will be further strengthened with the launch of our own brand RedCare: For every RedCare product sold, the company donates a share of revenue generated to Herzenswünsche.

A NEW GENERATION OF HEALTH OFFERINGS.

EXPERTS CONSTANTLY LOOKING FOR NEW GROWTH OPPORTUNITIES.

2019 was another year of rapid growth for SHOP APOTHEKE EUROPE with much of the revenue increase driven by organic growth, which stood at 30% across all markets at the end of 2019. This increase was also reflected in a range of KPIs including the number of active customers (+ 1.2 million to 4.7 million), the number of orders (+ 3.5 million to 12.2 million) and the number of page visits (+ 40.8 million to 133.9 million).

Our team of experts with an entrepreneurial mindset is preparing to write the next chapter in our growth story by continuously optimizing our strategy and leading the market in creating new growth models.

"We are always evaluating our country portfolio to ensure we are able to seize economically and strategically promising opportunities in our current as well as in potential new markets while minimizing the complexity of our value chain."

"2020 will see a number of strategic projects come to fruition as we aim to become more than one of Europe's leading online pharmacies by developing the company into a customer-centric e-pharmacy platform with special healthcare services. In summer 2020 we will launch an online marketplace for health-related products in Germany, thereby further broadening our product offering and creating new revenue streams.

Customers will also benefit from the expansion of our private label portfolio with more OTC products being added to our RedCare range. Providing generics for common ailments at highly attractive prices will further boost customer loyalty and shopping basket sizes. We are optimally prepared for this growth thanks to our new logistics facility currently being built in Sevenum. This will not just enable us to massively increase capacity but also to work more efficiently and reduce the cost per order thanks to increasing automation. We will furthermore be able to leverage these effects of scale in other areas such as procurement."

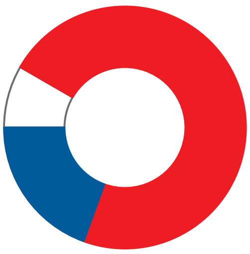
Stefan Feltens
CEO of SHOP APOTHEKE EUROPE.

INTRODUCTION OF ELECTRONIC PRESCRIPTIONS WILL BOOST EUROPEAN ONLINE PHARMACY GROWTH.

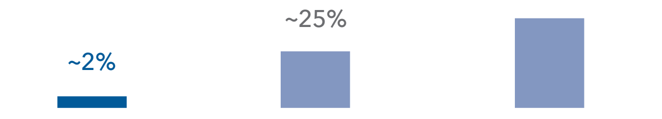
ENORMOUS GROWTH POTENTIAL THROUGH THE LAUNCH OF ELECTRONIC PRESCRIPTIONS IN GERMANY.

Currently only about 1 % of all prescriptions issued in Germany are processed by online pharmacies. Based on trendlines in other markets and changing customer preferences, that number is expected to grow four to six times in the coming years following the introduction of electronic prescriptions in Germany. It's a huge business opportunity and SHOP APOTHEKE EUROPE is in pole position to reap the benefits thanks to a combination of many years of Rx experience with specially trained dedicated pharmaceutical teams and having a well-established and highly regarded brand in the German online pharmacy market. We are convinced that SHOP APOTHEKE EUROPE will be best prepared when e-script opportunities open up in Germany and in other countries in the future.

HUGE ADRESSABLE EUROPEAN MARKET €180bn[1]



ONLINE MARKET MEDICATIONS STILL CLOSE TO ZERO ONLINE MARKET SHARE[2]



KEY DRIVERS OF SUSTAINABLE GROWTH.

- ORGANIC SALES GROWTH
- CUSTOMER SATISFACTION
- GROSS PROFIT MARGINS
- OPERATING EXPENSES AS PERCENTAGE OF SALES
- CAPITAL EFFICIENCY

Jasper Eenhorst
Designated
CFO SHOP APOTHEKE EUROPE.

Graphicsources: Sempora, Euromonitor, Iqvia, equity research. (1) Sempora 2017. OTC is defined as non-prescription medication. BPC consist of Beauty and Personal Care Products. Rx is defined as prescription medication. Functional food is defined as food delivering additional and / or enhanced benefits over basic nutritional value. Excluding UK and certain small EU countries; countries included are: Germany, France, Italy, Spain, Poland, Romania, Netherlands, Belgium, Portugal, Czech Republic, Hungary, Sweden, Bulgaria, Denmark, Slovakia, Norway, Austria. (2) IMS PharmaScope, 2017, Sempora market study, 2017, Euromonitor (as of 3 April 2017), online penetration calculated by dividing the internet retailing market size across Europe by the total market size for each vertical, DE and US 2015, other European markets including France, Germany, Italy, Spain, United Kingdom, Switzerland, 2016.

A NEW STANDARD FOR OPERATIONAL EXCELLENCE.

PAVING THE PATH TO THE FUTURE.

Operational excellence is a crucial element in any company's success: It does not matter how good your portfolio is and how competitive your prices are unless your operations run smoothly and customers receive their order quickly and in good condition. That is why we at SHOP APOTHEKE EUROPE strive to continuously improve our operations and processes.

2020 is another important milestone in the company's history when the new headquarters and logistics centre will be opened in Sevenum in the Netherlands. In preparation for future growth, the logistics area will be more than twice as large as at the current site in Venlo where around 65,000 parcels are processed on some days: The new location, dubbed Venlo 2020, will have 40,000 square metres ground floor plus 8,000 square metres additionally in the first level of the picking tower. It is just a stone's throw away from the current site.

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

Choosing the province of Limburg and Venlo's Greenport as operations centre has been a smart move. Located close to the Dutch-German border not only makes it efficient to ship orders to Germany: The site also acts as a central processing and distribution hub from where we ship to our customers in our different Continental European markets.

"Future operations can process up to 35 million parcels per year facilitating future e-script sales growth to take us to the next level."

Located in the Dutch city of Sevenum. SHOP APOTHEKE EUROPE'S new headquarters will have 42 docks to speed up delivery.

OPERATIONS ARE KEY TO CUSTOMER SATISFACTION.

PRESENTING OUR NEW STATE-OF-THE-ART LOGISTICS CENTRE.

With a building that is twice as large and has multi-level operations, special care is taken that processes will not just continue to run smoothly but will be further improved. A new best-in-class Warehouse Management System (WMS) specifically designed to meet SHOP APOTHEKE EUROPE's operational needs will ensure even faster and safer processing of all orders. Implementing and regularly updating the latest technology and software means that more orders will be processed in less time, further freeing up capacities. Additional automation of pharmacy operations will significantly reduce the cost per parcel.

"While Venlo 2020 is perhaps the biggest and most important project in the history of our company, we will of course not forget the basics: We will also continue to invest in and focus on improving quality in all operational areas by establishing and adhering to stringent quality assurance standards."

At the same time, we will ensure that our logistics team members will work in a safe environment. Automation of some processes and conveyor belt technology linking the different steps of fulfilling orders will mean that some people's work will change – but it will also get easier while at the same time ensuring greater efficiency of the company's operations.

The first departments are scheduled to move into the new building and its state-of-the-art working environment during the summer of 2020. Everything connected to logistics will initially stay at the old site while the WMS is thoroughly tested and evaluated for optimum performance. Logistics operations will then be moved in several stages while concurrently running at both locations to ensure processes run smoothly without customers being impacted by the relocation.

Theresa Holler
COO and responsible pharmacist,
SHOP APOTHEKE EUROPE.

MORE THAN JUST A RETAILER.

CONTINUOUSLY EXPANDING OUR PRODUCTS AND SERVICES PORTFOLIO.

Most of SHOP APOTHEKE EUROPE's 4.7 million loyal active customers currently see the company as an online retailer – their online pharmacy of choice.

"We are working on significantly enlarging our offering by developing SHOP APOTHEKE EUROPE into a customer-centric e-pharmacy platform that can address even more of our customers' health-related needs."

"In a first step, we will be launching an online marketplace as part of our German webshop in the second half of 2020. Marketplaces where carefully selected third parties can offer their products to an established retailer's customers are already well-known in other retail segments such as books or clothing.

The marketplace will further dynamically accelerate our growth, providing benefits to both customers who will have access to a greater selection of goods and our external partners: Sellers will have access to our vast customer base and benefit from our state-of-the-art and easy-to-use technology platform. The marketplace concept is planned to later be rolled out to other countries, where we will then be able to leverage the experiences we will have gathered in Germany."

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

RedCare
SHOP APOTHEKE

FURTHER INCREASING CUSTOMER LOYALTY BY EXPANDING OUR OWN BRAND STRATEGY.

RedCare – exclusively at shop-apotheke.com.

RedCare is SHOP APOTHEKE EUROPE'S OTC own brand that has just been launched in Germany with generics for pain relief and the common cold. RedCare generics contain the same active ingredients as comparable products by German market leaders ratiopharm and Hexal while being substantially cheaper as they don't require research and development costs.

RedCare is a valuable addition to our own brand range, which includes nu3 and Beavita in the functional foods segment, and will further strengthen customer loyalty and boost our gross margin.

SHOP APOTHEKE NOW!
Schnell. Abends. Garantiert.

SHOP APOTHEKE NOW: SAME-DAY DELIVERY ROLL-OUT IN 2020.

The same-day delivery service was piloted in 2019 in select regions of western Germany where it was received with highly positive customer feedback. For just € 3.99, all members of the RedPoint Advantage Programme receive their order between 7 pm and 10 pm in the evening, if ordered by 11 am the same day. In 2020, we plan to expand our same-day delivery to additional German regions. SHOP APOTHEKE NOW will expand our business with medicines for acute needs.

A CONSTANT FOCUS ON TECHNOLOGICAL INNOVATION FOR BETTER HEALTH.

BECOMING MORE AGILE EVERY DAY TO BEST MEET CUSTOMERS' NEEDS.

We are continuously striving to become ever more agile because in the online sector, speed is essential to deliver a superior customer experience. Our teams are constantly working on improving our services and interfaces including developing a new and more convenient webshop front end and shopper journey.

The advantage of having these experts in-house furthermore guarantees that SHOP APOTHEKE EUROPE owns all the technology and is not dependent on third-party suppliers.

VOTED BEST ONLINE SHOP IN GERMANY, ITALY AND BELGIUM.

WEBSHOP AWARD GERMANY 2019 - 2020

SHOP APOTHEKE EUROPE was voted the best online pharmacy in Germany, Italy and Belgium at the 2019-2020 WEBSHOP AWARDS. The local webshops **shop-apotheke.com, shop-farmacia.it** and **farmaline.be** were named "Best Online Pharmacy" in their respective markets and received the highest scores across all categories among all webshops in these countries.

"Caring for people is one key element of SHOP APOTHEKE EUROPE's business; technology is the other. That's why almost 300 IT and online experts work in-house to ensure all customers have an ever-higher and more responsive level of engagement with the company's webshops."

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

OUR COMPETITIVE ADVANTAGE: RUNNING RELEVANT DIGITAL TECHNOLOGY IN-HOUSE.

IT & ONLINE EXPERTS

2014 ~50 EXPERTS

2019 ~280 EXPERTS

ADDRESSING THE HEALTHCARE NEEDS OF THE FUTURE.

LEADING THE WAY IN THE DIGITALIZATION OF PHARMACIES.

e-Health is one of the areas with the biggest potential for people-centred digital transformation and thus for more rapid growth potential. It will give people better access to high quality health-related products and services than ever before.

Online pharmacies are at the vanguard of the e-Health revolution: For many customers, especially elderly or infirm people and those living in remote areas without easy access to traditional pharmacies or doctors, they are literally a lifesaver. Customers do not just get their medications conveniently delivered to their homes but also receive best-in-class pharmaceutical consulting services from our team of experts so they always know how to use their medication safely and effectively.

In 2020, e-Health will take another huge leap in our biggest market, Germany, when electronic prescriptions are introduced. These will make it easier than ever for patients to have their prescriptions filled by online pharmacies: Instead of having to get their prescription from their physician, then put it in an envelope and mail it to the online pharmacy to have it processed, everything happens electronically: The currently somewhat cumbersome process becomes more convenient, faster and even safer for patients and a major revenue generator for online pharmacies as more and more patients make the switch.

"Those are just the beginnings of the coming e-Health era as we work on offering an ever broader range of health-related products and services by connecting patients, doctors and pharmacies."

Nana Lohmanns
Chief e-Health Officer, SHOP APOTHEKE EUROPE.

03

THE SHOP APOTHEKE EUROPE SHARE.

SHOP APOTHEKE EUROPE SHARE LISTED IN THE SDAX.

Shares of SHOP APOTHEKE EUROPE N.V. are listed on the Frankfurt Stock Exchange, Germany. Furthermore, SHOP APOTHEKE EUROPE has issued convertible bonds which are also listed on Euronext Amsterdam AEX since 21 June 2019.

The share of SHOP APOTHEKE EUROPE N.V. started the year 2019 at a price of EUR 38.40. Positive company news on the dynamic growth in sales and customers allowed the share price to rise slightly to EUR 40.35 until the beginning of April. The announcement and placement of a capital increase of EUR 50 million and the increase of the convertible bond by EUR 60 million initially caused the share price of SHOP APOTHEKE EUROPE. SHOP APOTHEKE EUROPE confirmed the forecast for the year as a whole and the target of reaching break-even at the adjusted EBITDA level in the 2020 financial year in its half-year report. The share price fell significantly and reached its annual low of EUR 28.75 on 20 August. Market sentiment was the main driver as the share price of SHOP APOTHEKE EUROPE's competitor, Zur Rose, followed a similar path. From late August until the end of the year, the share price rose by more than 50 percent to its annual high of 43.80 euros. From the company's point of view, this development was driven by delivering on SHOP APOTHEKE EUROPE's goals and guidance, reduced uncertainty of financial markets regarding the introduction of electronic prescriptions in Germany and growing confidence that the company will indeed break even at the adjusted EBITDA level in 2020. Overall, SHOP APOTHEKE EUROPE's share price rose by 13.3 % from 31 December 2018 to 31 December 2019 (previous year: – 20 %).

Deutsche Börse's select DAX30 index rose by 25.2 % over the same time period (previous year: – 18.3 %). The SDAX, which includes SHOP APOTHEKE shares since September 2018, rose by 30.8 % (previous year: – 20.3 %). The DAX subsector Retail Internet Index posted a capital gain of 74.8 % of its value during the period under review (previous year: – 22.4 %). Looking at the overall market development, the SHOP APOTHEKE EUROPE share performed relatively strongly but compared to the indices mentioned above couldn't roll out its full share potential yet. On average the share's daily trading volume on all relevant German stock markets (XETRA, tradegate, all regional stock markets) was around 19,000 shares (2018: 20,400), meaning a slight decrease of around 7 % compared to the previous year. Within Deutsche Börse AG's stock indices, the share is assigned to the Consumer Services sector. The share is also assigned to the Retail sector and the Retail Internet subsector, which consists of retail companies that primarily sell their goods or services via the Internet.

Since September 2018 SHOP APOTHEKE EUROPE's share is included in one of the DAX family's select indices, the SDAX. SHOP APOTHEKE EUROPE has continuously increased its market capitalization and its share volume since its IPO in October 2016. The company's dynamic growth story is attracting ever greater interest from investors in Europe and North America. The share was also included in the MSCI SmallCap Germany in 2018. Thus, the average bid-ask spread improved significantly from above 2 % in 2017 to below 0.5 % in the year under review. The tradability of the share for investors has therefore improved significantly.

The placement of the capital increase of EUR 50 million in April increased the total number of shares by approximately 11.5 % or 1.39 million new bearer shares from 12,074,926 shares to 13, 463,815 shares. Thus, as a result of the combination of a rising share price and a higher number of outstanding shares, SHOP APOTHEKE's market capitalization rose by 29 % in the year under review as shown in the chart on the right.

Stable shareholder structure, coverage increased

The shareholder structure remained largely the same as in the previous year. Around 32 % are mostly owned by the members of the Management Board, the Supervisory Board, former CEO Michael Köhler, who resigned from the company effective December 31, 2018, and individuals closed associated with the company's founders and management. Michael Köhler's, Stefan Feltens, as well as other Management Board members acquired shares as part of the capital increase or invested in the convertible bond tap in April 2019.

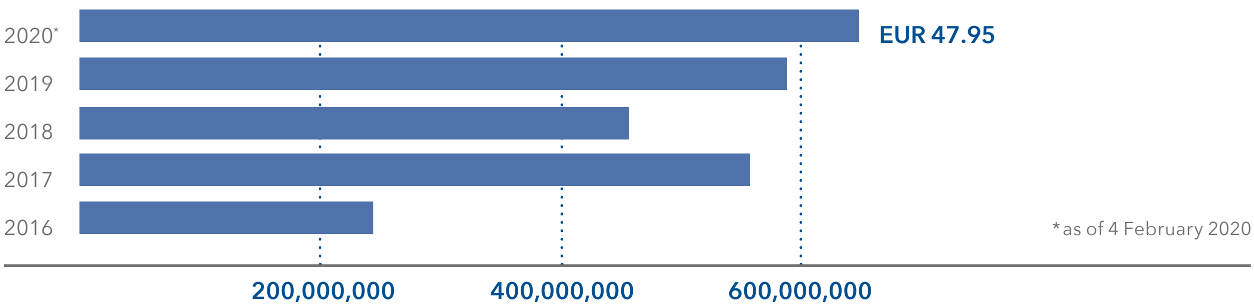
SHOP APOTHEKE EUROPE continued to increase the number of coverages by renowned investment banks to now eight. The company's business model and market environment are regularly analyzed and assessed by analysts from Barclays, Berenberg, Citibank, Commerzbank, Deutsche Bank, Metzler, Kepler Cheuvreux, Hauck & Aufhäuser and MainFirst. In early February 2020 seven banks gave the share a "buy/accumulate" rating while one gave it a "hold/neutral" rating.

The average share price target is at around EUR 50.

SHOP APOTHEKE investor relations provides comprehensive information

In response to the capital market's steadily increasing information on the business model, the regulatory environment and on growth and profitability developments, the company and accompanying investment banks organized a number of roadshows in Europe and North America. In addition, SHOP APOTHEKE EUROPE's executive management participated in several key investor conferences. The company furthermore answered investors' and analysts' questions in numerous individual meetings and telephone conferences. The corporate website provides a good range of information covering key facts and data about SHOP APOTHEKE EUROPE's as well as the company's publications. The company will further enhance the information available to investors on its corporate website. Moreover, it will provide additional disclosures to enhance the transparency of its key business drivers. It is the goal of investor relations to provide transparent financial communications to all market participants in order to further build and foster trust in the quality of the business model and the company's management. The Management Board provides comprehensive, timely and objective information about the SHOP APOTHEKE EUROPE Group's strategy as well as about all events relevant to the capital markets.

Development of MarketCap and XETRA year-end closing price (in EUR)



04

REPORT OF THE SUPERVISORY BOARD.

REPORT OF THE SUPERVISORY BOARD.

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

In 2019, eight sessions of the Supervisory Board took place. Four sessions were attended in full. The members of the Management Board took part in the Supervisory Board meetings unless otherwise determined by the Supervisory Board Chairman. With respect to an equity offering of new bearer shares amounting to EUR 50 million as well as a concurrent tap issuance of EUR 60 million of its existing senior unsecured convertible bonds, the Supervisory Board consulted several times on short-notice via telephone, email and passed written resolutions. Other key subjects were the successor arrangement for the position of CFO Dr. Ulrich Wandel who left the company for personal reasons on 30 September 2019, the Venlo 2020 project, nomination of new auditor as successor of BDO, M&A opportunities as well as the optimization of the country portfolio by withdrawal from the Spanish market.

Between meetings, the Chairman of the Supervisory Board maintains regular contact with the Management 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. Three 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

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.

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

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

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

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

Dr. Söder started his studies at the Distance Learning University of Hagen while working at merchant bank M.M. Warburg & Co. in Hamburg from 1991 to 1993. He graduated in economics 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 Beteiligungsberatung GmbH, as well as his own investment company, Parklane Capital Verwaltungsgesellschaft mbH, in 2004. Dr. Söder serves as managing director for both companies. Dr. Söder has been serving as vice-chairman of the Supervisory Board since the establishment of SHOP APOTHEKE EUROPE N.V. in 2016.

Audit Committee held three meetings in 2019

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 2019. The main issues were the discussion of the 2018 audit results, the selection and recommendation to the general assembly of a new independent auditor, specification of the 2019 audit plan, the financial reporting of the company as well as the company's risk control environment. In addition, on February 28th, 2020 the Audit Committee had both a separate meeting with the auditors to independently discuss the 2019 audit results and a joint meeting with the Management Board regarding the 2019 audit results.

Conflicts of interest

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

Activities during the financial year 2019

Agenda items of the meetings held in 2019 were the overall strategy of the group, the general and the financial risk assessment, the financial planning, the corporate calendar 2020, the annual audit 2019 and corporate governance. The Supervisory Board also met and engaged Mazars Accountants N. V., elected as auditors for the fiscal year 2019 by the general meeting held on 30 April 2019 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 employee stock option plan has been adopted and implemented in 2019.

Furthermore, the Supervisory Board considered the terms and conditions of the agreements in respect of the issuance of new shares and the tap of the existing convertible bonds. Both Supervisory and Management Board consulted with and received the advice of financial, legal and tax advisors and auditors and considered a variety of factors, taking into account the interests of the company's stakeholders.

Remuneration of the Supervisory Board

The chairman of the Supervisory Board receives an annual remuneration of EUR 30,000 and all other members each receive EUR 20,000 annually for their services as of the date of their appointment. In addition, the company funds the insurance premium for the directors and officers ("D&O") insurance for the members of our Supervisory Board.

As of the date of this report, there are no amounts reserved or accrued by the company or its subsidiaries to provide pension, benefit, retirement or similar benefits for members of the Supervisory Board.

The remuneration of the members of the Supervisory Board is determined by the General Meeting. The Supervisory Board will submit a proposal to the General Meeting from time to time.

Corporate governance and compliance

The Supervisory Board and management board act in the awareness that good corporate governance is in the interest of shareholders and the capital markets and is an important basis for the success of the company. All business activities are performed in accordance with Dutch law and German capital market law, as shares of SHOP

APOTHEKE EUROPE are admitted to trading in the Prime Standard Segment of Frankfurt Stock exchange and the convertible bonds are listed on Euronext Amsterdam. Basically, 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 egal 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 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 Management 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.

Supervisory Board effectiveness review

The aim of the continuous effectiveness review is to determine what measures could further improve the effectiveness of Supervisory Board work. As a result of this, the Supervisory Board has established an audit committee in December 2018.

Audit of the financial statements, Audit Committee

Appointed by the Annual General Meeting on 30 April 2019 to audit the financial statements for the 2019 financial year, Mazars Accountants N.V. audited the company and the Group's consolidated financial statements for the financial year 2019 prepared by the Management Board in accordance with IFRS-EU, and the management 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 28 February 2020, 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 report prepared by the Management Board. Following completion of our examination we came to the conclusion that no objections were to be raised and we established the financial statements and approved the consolidated financial statements.

The Supervisory Board would like to extend its appreciation to the members of the Management Board and all employees in the Group. Over the course of 2019, SHOP APOTHEKE EUROPE successfully dealt with growing the company strongly while simultaneously working on the continuous streamlining of processes as a prerequisite for profitability improvements as well as crucial investment projects.

Venlo, 16 March 2020
On behalf of the Supervisory Board

Jan Pyttel
Chairman of the Supervisory Board

05

COMBINED MANAGEMENT REPORT.

DEVELOPING SHOP APOTHEKE EUROPE FROM AN ONLINE-RETAILER TO A TECHNOLOGY DRIVEN E-PHARMACY PLATFORM.

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

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

Until 2024, we plan to significantly expand our business. The introduction of electronic prescriptions combined with digital health-oriented services, the launch of a healthcare-focused marketplace, private label products and faster delivery options will address more of our customers' needs and, hence create new revenue streams for SHOP APOTHEKE EUROPE.

Reservation in relation to forward-looking statements

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

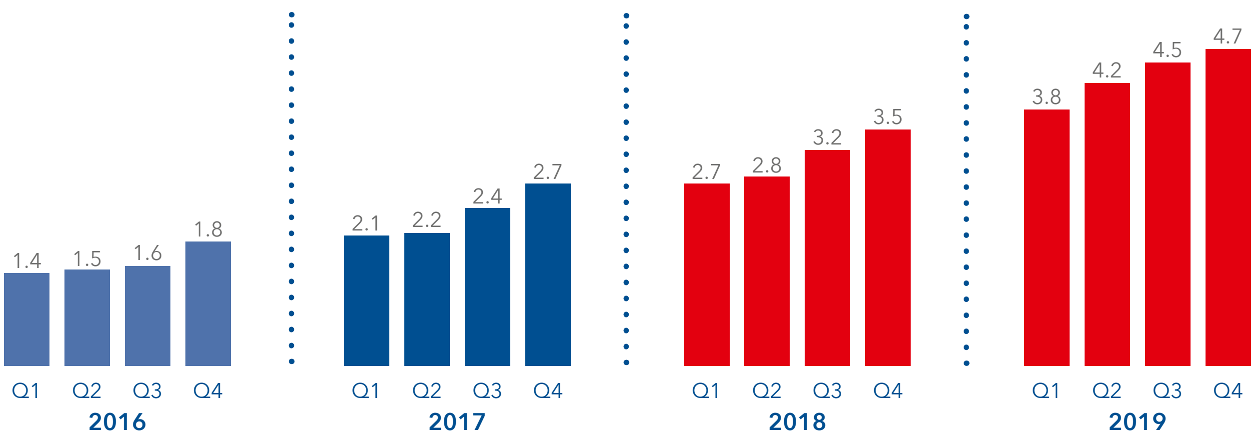
Company profile

Corporate structure

SHOP APOTHEKE EUROPE N.V., the Group's parent company is leading as the European online pharmacy in a sector where no other established pan-European offline or online brand currently exists. Our vision is to create the leading ePharmacy brand focused on prescription medications (Rx), over-the-counter medications (OTC) and pharmacy-related beauty and personal care (BPC) products that are otherwise almost exclusively distributed through brick-and-mortar pharmacies. Furthermore, we will become a player in delivering digital health services to our customers. Since our foundation in 2001 we have continually expanded our business and geographic reach across Continental Europe. Through the successful acquisition of the Europa Apotheek Group on 8 November 2017 we significantly expanded our offering, which had until then been focused on OTC and BPC, to also include prescription medications. Europa Apotheek is one of the largest online mail order pharmacies in Germany with an attractive customer profile focusing on chronically ill patients with low churn rates. Meanwhile, Europa Apotheek customers have been migrated to shop-apotheke.com and the two online shops have been merged. In 2018, we further expanded our offering with the acquisition of Berlin based nu3 GmbH, a specialist for functional nutrition products. The high-quality product range of nu3 which consists of natural food and health products, low carb products and sports nutrition with strong and well-known brands provides us with a USP.

Within the context of IFRS 8, we consider two business segments for external reporting purposes since fiscal year 2018: our "DACH" segment (which includes medications and pharmacy-related BPC products sold to customers in the German, Austrian and Swiss markets) and our "International" segment, which includes OTC medications and pharmacy-related BPC products only, sold to customers in the Belgium, the Netherlands, France, Italy and (until 31 December 2019) Spain.

Active customers (in millions)



SHOP APOTHEKE EUROPE's continuously growing active customer base

The Group's business success is also largely measured in growing both its German core market and the European market leadership. The results-oriented key financial performance indicators used in managing the group include gross profit, EBITDA as well as cash flow focused measures.

Business activity

SHOP APOTHEKE EUROPE is one of the leading online pharmacies in Continental Europe with total group sales of EUR 701 million in 2019 and an active customer base of 4.7 million as of 31 December 2019. 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.

The "DACH" region (Germany, Austria, Switzerland) continues to be the Group's biggest segment with around 88 % of sales in 2019 (2018: 91 %).

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

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

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

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

SHOP APOTHEKE EUROPE's value-added process

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

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

Strong growth drivers support our business

Demographic changes, growing health awareness, and the trend towards self-medication are all driving the demand for OTC medications and pharmacy-related beauty and personal care products. Furthermore, there is a clear shift towards online retailing that positively influences the growth of our target market. This trend is further strengthened by the rapidly growing use of mobile devices that allow customers to conveniently shop from any place, at any time. SHOP APOTHEKE EUROPE is in pole position to actively drive the market with its strong IT infrastructure and country-specific cultural know-how.

The Rx business has been boosted by – in addition to demographic changes and the elder generation moving online – the European Court of Justice's (ECJ) 2016 ruling to allow pharmacies based outside of Germany (such as SHOP APOTHEKE and Europa Apotheek) to sell Rx medications to consumers based in Germany with a price incentive.

Furthermore, the German Government plans to promote electronic prescriptions. The corresponding "Law for more safety in the supply of medicines (GSAV)" came into force on 16 August 2019. Within seven months, the necessary foundations for the use of electronic prescriptions shall be created. The technical specifications will be defined by 30 June 2020 to ensure a secure telematics infrastructure in the healthcare system can be used for the transmission of electronic prescriptions in the future. Pharmacies shall be connected to the telematics infrastructure by 30 September 2020. SHOP APOTHEKE EUROPE is anticipating a nationwide launch of electronic prescriptions in 2021. Electronic prescriptions are expected to boost SHOP APOTHEKE EUROPE's Rx-sales significantly in the coming years.

Strategy: Our formula for success in a rapidly growing market

Our vision is to become the leading ePharmacy platform player in Continental Europe, focused on prescription and OTC medications, pharmacy-related BPC products and 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:

- 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;
- enhancing the accuracy and efficiency of our fulfilment processes and reducing cost of sales to improve profitability;
- developing new revenue streams by expanding the product range e. g. with nu3 functional food, 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 profitability in excess of 6 % EBIT.

Our key competitive strengths

The currently still very 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 rapidly moving online.
- We pioneered the OTC and BPC online pharmaceutical retail markets in Germany and Continental Europe and have over the years developed a unique market-leading expertise in online pharmacy B2C retail, which we will adapt to the emerging Rx online retail opportunity.
- We have a strong value proposition for customers that includes attractive prices for a convincing and comprehensive product range while offering a convenient shopping experience and superior product information, expert consultation services and pharmaceutical safety standards.
- Our ability to offer attractive prices is supported by our efficient cost structure as well as the economies of scale we achieve in procurement and logistics.
- Our parcels include personalized letters to the customer that contain relevant product instructions and alert the customer to any contraindications detected by our automated checks.
- Our operating platform and the corresponding high market entry barriers have been developed over time, which we believe would be very difficult to replicate.
- We possess an attractive profile as demonstrated by relevant key performance indicators (KPIs). We strive to further increase the share of repeat customers in the future in order to further reduce the blended cost per order.
- We have a management team with expert know-how in the pharmacy and eCommerce space and a proven track record of successfully growing our business through excellence in execution.
- Our technology platform, mainly our web-shop and app, already reflect an industry-leading customer focus. We will continue to invest disproportionately in IT to further expand the gap versus our competition.
- We have and will continue to attract top talent by offering them opportunities to play an active role in shaping the future of SHOP APOTHEKE EUROPE.

General and industry-specific economic environment

Generally positive development of macroeconomic situation

Germany's economy has been growing for the past 10 years, the longest growth phase since the mid-1960s, amid surging exports. Unemployment is at its lowest level since German reunification in 1990. But the pace of expansion has slowed significantly in recent years, falling from 1.5 % in 2018 to 0.6 % last year, according to Destatis, the country's federal statistics office. For 2020, the German government modestly raised its economic growth forecast for the country to 1.1 % (from 1.0 % in October 2019). The revised forecast had been presented in the the Annual Economic Report 2020, adopted by the Federal Cabinet on 29 January 2020.

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 EUR 130 billion, EUR 35 billion and EUR 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 acceptance of e-commerce by consumers.

Overview of the online pharmacy market

The e-commerce penetration for Rx medications and OTC & BPC products is still very low in the core European markets. While customers are moving from using traditional pharmacies with a local physical presence to purchasing pharmaceutical products online, the shift is occurring much slower than in other retail sectors: Only around 2 % of pharmaceutical sales across Europe take place online – a low proportion compared to other categories, such as media products (39 %), appliances and electronics (17 %) or toys and games (20 %) (source: Euromonitor International, 2017; SEMPORA market study, 2017; IMS Health, 2017). The average online penetration rate across Europe for prescription medications 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). Overall, the cumulated online market volume for OTC pharmaceuticals and pharmacy-related BPC products in Continental Europe amounted to about EUR 1.384 billion in 2015 and is expected to reach EUR 3.48 billion by the end of 2020 (CAGR 2015 – 2020: 20.3 %), implying an estimated online market volume of EUR 2.104 billion in 2017. The average online penetration rate across Continental Europe (excluding Germany) is projected to grow from 2.0 % in 2015 to 6.0 % in 2020.

Competitive environment in the online pharmacy market

The e-commerce channel allows pharmacies to offer a broader range of products than local pharmacies because the former are not constrained by the amount 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 centre, sustained customer care as well as fulfilment capabilities; and
- a diverse range of product offerings in stock to meet consumer demand in a timely fashion.

Our competitors generally include other online pharmacies focused on the sale of OTC medications, online pharmacies focused on the sale of prescription pharmaceuticals, local pharmacies and general e-commerce players, such as Amazon, which offer marketplace functions for local pharmacies. Bricks-and-mortar pharmacies lack e-commerce capabilities. In addition, the restrictions on outside 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

[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.

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 includedrugstores, supermarkets and para-pharmacies.

Overview of SHOP APOTHEKE EUROPE's current markets

In 2019, SHOP APOTHEKE EUROPE was active in Germany, Austria, Switzerland, Italy, Spain, France, Belgium and the Netherlands. As part of its strategic and economic evaluation of the company's country portfolio, the Management decided to close the online shop for the Spanish market at the end of 2019. Compared to other European countries, the Spanish online pharmacy market has grown less dynamically in the last couple of years and has therefore not yet attained an economically relevant size. Moreover, the Management Board did not believe that it was possible for its Spanish business to turn profitable during the coming years.

We believe that the remaining seven markets exhibit similar demand characteristics to the German market and that limited online penetration in these markets provide significant market opportunities for us.

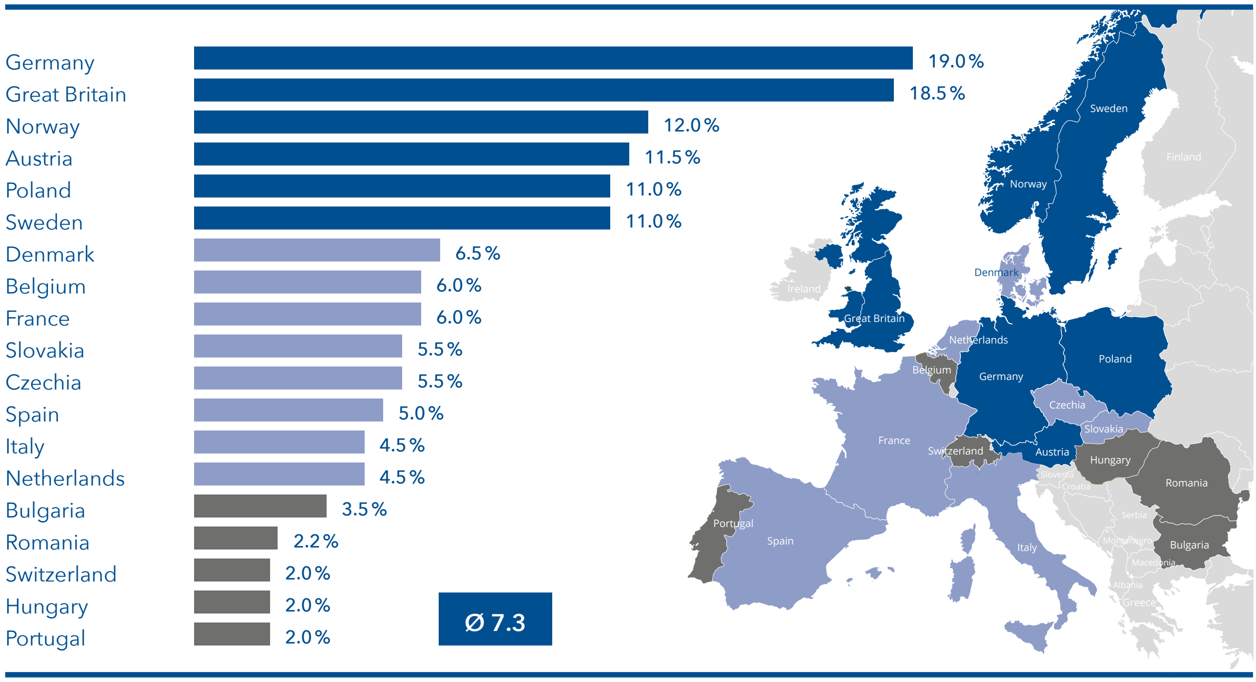
The Continental European market is highly fragmented, which we believe gives us the opportunity to accelerate penetration by replicating our established business model. The following table shows an overview of the expected online market penetration for OTC- and BPC products in 2020 in Europe.

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



OTC online penetration rates in Europe (Source: Sempora Consulting, 2017) the EU is permitted for pharmacies registered in the EU. With this verdict, online suppliers secured access to the over-the-counter market, after which their share of that market went from low levels to 16 percent in a decade[1].

On 19 October 2016, the ECJ passed a judgement allowing pharmacies based outside Germany 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 bricks-and-mortar pharmacies.

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.

Economic report

Forecast vs. actuals

Forecast	Actual	Target reached
Revenue growth of c. 30 % to around EUR 700 million	EUR 701 million	✔
Adjusted EBITDA level at least on the level of previous year, specified to – 2.0 % to – 2.3 % in November 2019	– 1.9 %	✔
Brand strategy: Reduce number of brands to save on marketing costs	Europa Apotheek customers migrated to shop-apotheke.com	✔

Revenues and earnings position

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 markets 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.

Expenses in connection with preparing the issue of new shares and the tap of the existing convertible bond have been recognized as expenses in the P&L. For better orientation, we also provide adjusted figures.

Business across the Group expanded and revenues surged more than 30 % from EUR 540 million in 2018 to EUR 701 million in 2019. The sales increase was driven by a strong focus on organic growth, reflected in a higher number of active customers and the greater volume of orders versus prior year The organic growth rate was 28 %.

Consolidated gross income climbed 38.7 % in the year under review from EUR 99.3 million to EUR 137.7 million. Hence, as a proportion of sales, gross margin improved from 18.4 % in 2018 by 1.2 percentage points (pp) to 19.6 % in 2019. The improvement in the gross margin is mainly due to the higher proportion of sales of OTC and BPC products, high-margin functional food products of our nu3 subsidiary and improved purchase prices.

Selling & distribution (S&D) costs rose by EUR 38.0 million, from EUR 105.4 million in the financial year 2018 to EUR 143.4 million, an increase of 35.8 %. The main reason for the disproportionate increase are higher marketing expenses to support SHOP APOTHEKE EUROPE´s strategical initiative to further boost organic growth in 2019.

The main categories within S&D are marketing expenses, distribution costs, operations and marketing personnel expenses. 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 5.8 million from EUR 22.7 million to EUR 28.5 million. Administrative expenses and selling and distribution costs have been adjusted by EUR 5.4 million for extraordinary items and one-off costs mainly related to non-cash expenses for stock options, the new logistics center as well as impairments related to the exit from the Spanish market. Despite one-off costs and the growth-driven increase, as a proportion of sales, SHOP APOTHEKE EUROPE succeeded in lowering administrative costs marginally from 4.2 % in 2018 to 4.1 % primarily through economies of scale.

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

Other income increased from EUR 0.2 million to EUR 0.7 million. Other income for 2019 is mainly related to an escrow release of EUR 0.6 million in connection with the nu3 acquisition. For 2018, other income mainly related to services rendered by subsidiary nu3 GmbH (EUR 0.2 million).

The operating loss of EUR 33.4 million was EUR 4.7 million higher than the prior year's loss of EUR 28.7 million. Considering extraordinary items this translates into an adjusted EBIT of EUR –28.2 million after an adjusted EBIT of EUR –24.9 million in 2018.

Financing expenses rose by EUR 4.2 million, from EUR 6.0 million in 2018 to EUR 10.2 million in 2019. The financing expenses are predominantly related to interest payments for the convertible bonds issued in April 2018 and April 2019 (EUR 7.1 million) and fees for payment providers for SHOP APOTHEKE EUROPE (EUR 2.6 million).

Segment information – non adjusted and adjusted

2019	DACH	International	Total
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	**615,424**	**85,587**	**701,010**
Cost of sales	–499,112	–64,217	–563,329
Adjusted cost of sales	*–499,112*	*–63,997*	*–563,109*
Gross profit	**116,311**	**21,370**	**137,682**
Adjusted gross profit	*116,311*	*21,590*	*137,902*
% of revenue	18.9 %	25.2 %	19.7 %
Other income	647	89	736
Adjusted other income	*64*	*89*	*153*
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			–26,241
Adjusted AE			*–21,091*
EBITDA			**–18,582**
Adjusted EBITDA			*–13,572*
Depreciation			–14,864
Adjusted depreciation			*–14,607*
EBIT			**–33,445**
Adjusted EBIT			*–28,179*
Net finance cost and income tax			–2,824
Net loss			**–36,270**
Adjusted net loss			*–31,003*

The net loss amounted to EUR – 36.3 million after EUR – 33.6 million or an adjusted net loss of EUR – 31.0 million compared to an adjusted net loss of EUR – 29.8 million in 2018.

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

Segment information – non adjusted and adjusted

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

The statement of results by segment below shows a significant expansion in business volume in both segments. The consolidated adjusted EBITDA amounts to of EUR – 13.6 million compared to an adjusted EBITDA of EUR – 11.8 million in 2018. Relative to sales, the adjusted EBITDA-margin improved from – 2.3 % in 2018 to – 1.9 % in the reporting period.

"DACH" segment rose significantly and improved segment EBITDA margin

During the 2019 reporting period, "DACH" segment sales in Germany, Austria and Switzerland rose profitably by 25.3 %. With sales of EUR 615.4 million in financial year 2019 the "DACH" segment generated nearly 88 % of total consolidated sales. In 2018, "DACH" segment sales accounted for EUR 491.1 million or around 91 % of total consolidated sales.

Cost of sales went from EUR 403.3 million in 2018 to EUR 499.1 million in 2019. The increase of 23.7 % was below the sales growth ratio. Thus, the segment's gross profit margin improved from 17.9 % to 18.9 % The increase of 1.0 percentage points was mainly attributable to a higher proportion of OTC, BPC and functional food products which typically have higher gross margins than prescription medicines.

Other income increased from EUR 0.2 million to EUR 0.7 million. Other income for 2019 is mainly related to an escrow release of EUR 0.6 million in connection with the nu3 acquisition. For 2018, other income mainly related to services rendered by subsidiary nu3 GmbH (EUR 0.2 million).

Adjusted for extraordinary items, selling and distribution expenses (excluding depreciation and amortization) increased by 34.5 % from EUR 76.6 million in 2018 to EUR 103.0 million. Thus, the ratio of selling expenses to revenues increased by 1.1 percentage points, from 15.6 % in 2018 to 16.7 % in 2019. The increase can especially be attributed to higher marketing expenses in connection with the strategic decision to further boost organic growth. In total, segment EBITDA for the "DACH" region climbed from EUR 9.8 million in 2018 to EUR 13.7 million in 2019 and EUR 11.3 million in 2018 vs. EUR 13.9 million in 2019 after adjustments. This translates into an adjusted segment EBITDA margin of 2.3 %, which is the same level as in the prior year.

"International" segment revenues rose significantly

Revenues outside the "DACH" region, which are posted to the "International" segment include sales in the Netherlands, Belgium, France, Italy and Spain. They rose by 76.1 % in the period under review from EUR 48.7 million to EUR 85.6 million. Thus, international sales accounted for around 12 % of 2019 consolidated sales versus 9 % in the year before.

Cost of sales in 2019 was EUR 64.2 million compared to EUR 37.0 million in 2018. This translates into a gross profit of EUR 21.4 million compared to EUR 11.6 million in 2018. Thus, the gross margin was at 25.0 %, 1.2 percentage points higher than in the previous year with 23.8 %.

As a result of the expansion strategy the "International" segment saw a considerable increase in the number of new customers. Due to significantly higher proportion of orders from new clients, along with the higher customer acquisition costs plus other market entry costs (e. g. higher marketing expenses), the segment EBITDA loss increased in absolute terms to EUR – 6.1 million in the financial year 2019 compared to EUR – 4.7 million in 2018. In 2019, no adjustments for extraordinary items were assigned to the "International" segment. Relative to sales, the segment EBITDA margin improved from – 9.6 % in 2018 (2018 adjusted: – 9.2 %) to – 7.1 % in 2019.

Cash flow

in EUR million	2019	2018
Operating loss for the period	– 33.4	– 28.7
Net cash flow for/from operating activities	– 30.4	– 14.5
Net cash flow for/from investing activities	– 33.4	– 38.6
Net cash flow for/from financing activities	102.1	66.5
Cash and cash equivalents at the beginning of the period	24.3	10.9
Change in cash and cash equivalents	38.3	13.4
Cash and cash equivalents at the end of the period	62.7	24.3

In the period under review, cash and cash equivalents increased from EUR 24.3 million to a year-end figure of EUR 62.7 million. As a safeguard against the unfavorable interest rate environment, EUR 50.6 million were invested in short-term securities and are shown in other financial assets (2018: EUR 34.4 million).

The cash outflow for operating activities ran at EUR – 30.4 million compared to an outflow of EUR – 14.5 million the year before. The increase of EUR 15.9 million in cash outflow used for operating activities mainly stems from the higher inventory related to a wider international product range to boost sales in 2019 and higher accounts receivables due to the expansion of the business.

Cash outflow for investing activities came to EUR – 33.4 million against an outflow of EUR – 38.6 million one year earlier. In 2018, an outflow of EUR 4.4 million was related to the cash component of the nu3 acquisition. During 2019, EUR 18.7 million have been invested in short-term securities (shown in other financial assets) after EUR 21.9 million in 2018. Investments in property, plant and equipment amounted to EUR 4.0 million after EUR 2.8 million in 2018. This mainly consists of investments in connection with the new logistic centre and equipment. Investments in intangible assets which mainly are related to software and brands amounted to EUR 10.7 million after EUR 9.1 million in 2018.

The issuance of new shares and additional convertible bonds in April 2019 led to a net cash inflow of EUR 107.7 million. Total cash flow from financial operations amounted to EUR 102.1 million. The previous year's figure of EUR 66.5 million was primarily driven by a convertible bonds issuance in April 2018. Interest expenses of EUR 7.4 million comprise fees for payment service providers working for SHOP APOTHEKE EUROPE and interest paid to the convertible bond holders. In 2018, cash flow from financial operations included interest payments equivalent to EUR – 4.0 million. Additional cash outflow of EUR – 1.1 million met payment obligations as a result of the FARMALINE acquisition.

The working capital as of 31 December 2019 was EUR 47.9 million.

The Group's 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 428.0 million after EUR 349.9 million at the end of the 2018 fiscal year. The increase is in large part due to the issuance of new shares and additional convertible bonds in April 2019 worth EUR 110 million in total (EUR 50 million and EUR 60 million). Current assets thus increased significantly in 2019, from EUR 135.7 million in 2018 to EUR 210.8 million. Within the current assets, inventories increased from EUR 43.3 million to EUR 56.7 million which is in line with the higher sales volume. Trade receivables rose from EUR 33.6 million to EUR 40.9 million due to the higher business volume. Cash and cash equivalents – including short-term investments in securities – increased by EUR 54.5 million, from EUR 58.8 million as of 31 December 2018 to EUR 113.2 million. Thereof, EUR 50.6 million are other financial assets which comprise investments in short-term securities (2018: EUR 34.4 million) and EUR 62.7 million are cash and cash equivalents (2018 EUR 24.3 million).

Non-current assets rose moderately from EUR 214.2 million in 2018 to EUR 217.2 million in 2019. This increase was primarily driven by a long-term part of other financial assets, investments property, plant and equipment and deferred tax assets.

Non-current liabilities at year-end 2019 totaled EUR 135.4 million compared to EUR 83.3 million in 2018. The increase is mainly related to the issuance of additional convertible bonds in April 2019, which increased Loans and Borrowings from EUR 72.4 million to EUR 131.5 million.

Current liabilities rose from EUR 52.7 million as of 31 December 2018 to EUR 59.8 million at the end of 2019. This was mainly attributable to the fact that the expansion in business volume led to an increase in trade liabilities to EUR 32.0 million over the reporting period after EUR 28.4 million in 2018 and Loans and borrowings which increased from EUR 6.4 million to EUR 7.5 million during the reporting period. Other lianilities increased by EUR 2.2 million, from EUR 7.9 million in 2018 to EUR 10.1 million.

At year-end 2019, total equity was EUR 232.8 million compared to EUR 214.0 million at year-end 2018. The equity ratio stood at 54.4 % after 61.0 % in 2018.

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	2018
Site visits	133,870,783	93,070,573
Mobile visits	89,827,590	54,589,063
KPI – mobile share	67%	59%
Number of orders	12,196,731	8,670,880
Repeat orders	81%	81%
Return rate	0.78%	0.84%
# Active customers	4,690,151	3,476,201
Average basket size	EUR 66.85	EUR 72.44

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.

Human resources

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

Working at SHOP APOTHEKE EUROPE offers a variety of interesting prospects as well as the opportunity to develop and implement new ideas. The atmosphere is positive, respectful and lively. Our objective is to attract experts as well as entrepreneurial employees, who work well in a team environment.

Our human resources strategy focuses on attracting key talent, retaining them by allowing them actively shape the future of the company and opening up developmental opportunities, and proactively managing the company’s cost of labor. Furthermore, we put an emphasis on occupational safety and health management.

As per 31 December 2019, SHOP APOTHEKE EUROPE employed 1,011 full-time equivalents. This compares to 843 full-time equivalents at the end of 2018.

Research and development

As a retail company, SHOP APOTHEKE EUROPE does not make its own products and therefore does not conduct research and development in the strict sense of the term. The 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 EUROPE is a technology-driven ePharmacy 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 front-end platform, developed by our wholly-owned subsidiary RedTecLab GmbH, 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 system 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

From 2020 onwards, SHOP APOTHEKE EUROPE wants to make sustainability an integral part of the firm's strategic positioning within the European online pharmacy market. This shift in strategic positioning was driven by two main internal objectives. The company considers itself to have a fundamental responsibility to actively contribute to the achievement of the Sustainable Development Goals (SDGs) of the United Nation's Agenda 2030. In addition, the company is convinced that proactively identifying and managing the company's material environmental, social and governance issues, not only strengthens competitive advantage in light of rapidly shifting consumer expectations, but also strengthens the company's positioning with regard to talent acquisition, employee engagement, and employee retention.

Environmental

Management is aware of negative impacts that occur throughout SHOP APOTHEKE EUROPE's entire value chain. Therefore, the company has initiated a strategic initiative for FY 2020 whereby core business-relevant SDGs and sub-indicators will be identified and analyzed to better prioritize areas as well as the establishment of milestones related to this goal-orientated initiative. The company has already established the below stated KPIs to measure energy consumption and packing processes within company operations. 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.

Packaging	2019	2018
Total amount of packaging material used in tons	1,365	947
Packaging material per ton of output	13.5 %	17.2 %
Total cost of packaging in EUR million	2.6	2.1
Building Consumption		
Total building electricity consumption	1,835,904 KWh	2,025,977 KWh
Total building gas consumption	89,870 M³	96,107 M³
Total alternative energy consumption	0	0

While SHOP APOTHEKE EUROPE aims to set clear performance-improvement goals with regard to the aforementioned indicators in the upcoming years, SHOP APOTHEKE EUROPE has planned to engage in a carbon footprint measurement with regard to Scope 1 and 2. However, given the fact that a significant amount of the firm's carbon footprint stems from the firm's downstream supply chain, the company will identify and develop methods and processes to measure indirect Scope 3 emissions in a subsequent step. An initial step has already been taken with regard to employees' commuting habits, as every Cologne-based employee has been granted a public transport ticket as a means of incentivizing employees to reduce their respective carbon footprint. Furthermore, the company is currently in the process of steadily migrating webshop services to the Google cloud, achieving climate neutrality in the operations of all migrated functionality.

Society

SHOP APOTHEKE EUROPE's community involvement will remain a key aspect in defining itself as a responsible corporate citizen. Thus, the partnership with Herzenswünsche e. V., a charity bringing happiness to severely ill children continues, and during 2019, the company donated over EUR 100 k. With the development of our own brand RedCare, SHOP APOTHEKE EUROPE further expands this cooperation. For every RedCare product sold, the company donates a share of revenue generated to Herzenswünsche e. V. The other community engagement projects vary from location to location: At nu3 for instance, employees get the opportunity to dedicate two working days a year to a charity project of their choice – in 2019, 10 employees served 600 waffles at

Suppenküche Franziskaner, a soup kitchen in Berlin-Pankow. Prospectively, this mindset of engagement will be actively encouraged and further developed, as the firm aims to increase positive impact and decrease negative impact through a rather strategic social entrepreneurial approach.

Employees

SHOP APOTHEKE EUROPE's employees are and will continue to be a true competitive advantage. To preserve and foster the ever-present and dynamic entrepreneurial culture and values of a former family-owned business, a strategic HR function is in the process of being established that aims at making SHOP APOTHEKE EUROPE an employer of choice. A central part of the development of this, is the holistic integration of sustainability into company culture, thereby contributing to the establishment of SHOP APOTHEKE EUROPE as a purpose-driven employer.

- Number of employees (male/female): 1,175 (703 female/472 male)
- Number of female executives: 1
- Number of student apprentices/trainees: 7
- Staff turnover: Percentage of FTE leaving p.a./total FTE: 38.1 %
- Training & qualification: Average expenses on training per FTE p.a: EUR 239 per FTE
- Maturity of workforce: Age structure/distribution

Age	# of employees	FTEs
-20	31	15
21-30	292	247
31-40	383	335
41-50	249	221
51-60	183	166
61 +	37	28
	1,175	1,011

- Share of full-time/part-time employees: 855/320
- Remuneration: Total amount of bonuses, incentives and stock options paid out in EUR 98,896 bonus (paid and accruals 2019) and 232,500 distributed options in 2019
- Total number of FTEs who receive 90 % of total amount of bonuses, incentives and stock options: 11 bonus recipients/33 recipients in 2019 stock option programme

Additionally, the company is currently developing and implementing a comprehensive employee benefit programme that includes, as an example, sporting activities. A "family first" package, granting additional holidays and financial support for Kindergarten fees, is launched – in a first step, for all employees working in Cologne in order to measure and analyze the effects resulting from the program. Again, the new location in Venlo will provide employees with an exceptionally modern and very flexible work atmosphere with regard to sports and relaxation opportunities.

Another important aspect for companies, and being a pharmacy, for SHOP APOTHEKE in particular, is employees' health management. Within this scope, a flu vaccination initiative was launched in 2019. With 10 % of employees taking part, the company continues to offer the flu vaccination on an annual basis.

Equality and fairness where identified to be among SHOP APOTHEKE EUROPE's key values. In this context, employees are offered and encouraged to take language classes to foster their ongoing development, not only professionally, but personally as well. In order to better understand the motivation behind employee departures, and thereby reduce the turnover rate, exit interviews were introduced as means of creating dataset to inform future decisions and initiatives. For critical personal or work-related situations, the company has established a comprehensive, yet informal, network of ombudspersons, which are elected by the employees and are now in place to offer support.

Patients' health

SHOP APOTHEKE EUROPE defines material ESG issues in a customer-centric manner as growing consumer awareness and growing expectations regarding the environmental and social responsibility of companies is considered by the company to be a market opportunity rather than a risk. Within this scope the company further developed its SMART programme for patients suffering from chronic diseases as well as digital healthcare solutions. This positioning is furthermore demonstrated by the company's development of the product portfolio which includes various organic cosmetic and nutrition products. Thus, the company was SKAL certified as organic wholesaler – which complements SHOP APOTHEKE EUROPE's quality standards according to ISO 9001:2015 and GDP certifications. The company's extremely high quality and safety standards are interlinked with the outstanding efforts to guarantee patient's health and safety such as cross checks to prevent severe interactions of medications.

Customer satisfaction	2019	2018
Percentage of total customers surveyed comprising satisfied customers	51 %/76	41 %/75 %

Data privacy and security

SHOP APOTHEKE EUROPE being a company operating in the European health sector is bound to very strict regulations and takes data security and privacy extraordinarily seriously. Part of the company's key principles is to protect sensitive customer data according to the highest standards.

To be able to adequately be responsive to all issues arising around the topic of data protection, SHOP APOTHEKE EUROPE has an internal IT-Security and Compliance Manager, who also functions as data protection coordinator and in this position, is responsible for all issues around the data security and data privacy. Next to that, an external data protection officer is in place who in close consultation holds an advisory and procedure directory function. On the executive level, the Chief Information Officer Marc Fischer and the lead pharmacist Robert Hess are responsible for data privacy and security issues.

The companies neither collect, nor process, nor transfer any personal data, (including both essential and non-essential personal data), without fulfilling its information obligations or, where needed, obtaining the customers' consent. Among others, the essential principles of lawfulness, fairness and transparency, and principles of data minimization, data economy and purpose limitation form the basis for designing the company's processes in this regard, inter alia meaning that only data essentially needed for running the business are collected and processed.

The privacy policy is transparent and available for every customer and visitor. It is retraceable in detail which data is collected, for what reason, how it is processed and which business partner and service provider receives which data and for what purpose. Furthermore, various opportunities are granted to the site visitor to decide which data is collected and to whom it is processed.

The privacy policy is continuously maintained and kept up to date. A versioned history of changes to the privacy policy is stored in order to ensure transparency. Customers are always informed and asked to refresh their consent if changes are made to the policy.

It is worth noting that SHOP APOTHEKE EUROPE never experienced a major data or privacy breach or incident that has led to data loss or corruption. To ensure this for the future, the company has established a process to timely respond to any critical situation. If a possible breach is reported, a cross-departmental task force immediately analyzes the breach, identifies necessary steps, and where required reports within 72 hours to the leading privacy authority. The decision to report is taken by a multi-disciplinary team according to a set of criteria defined in advance. Above that, the involved data subjects are informed. Furthermore, SHOP APOTHEKE EUROPE works closely with the Dutch authorities on that matter.

Hitherto, every incoming employee was sensitized in a mandatory session by the data protection coordinator. Starting in 2020 every employee will receive a data protection awareness training on an annual basis, developed and executed by the data protection coordinator and the data protection officer.

Governance

	2019	2018
Litigation risks: Expenses and fines on filings, lawsuits related to anti-competitive behavior, anti-trust and monopoly practices (in EUR)	90 k	88 k
Corruption: Percentage of revenues in regions with Transparency International corruption index below 6.0	0	0

Within the scope of SHOP APOTHEKE EUROPE's strategic positioning as a sustainable company, the firm has created and filled the position of "Manager Sustainable Development" who directly reports to the executive board, and by doing so ensures the comprehensive and holistic integration of sustainability into the overall strategy. Other than this top-down responsibility for ESG issues, the position is responsible for conducting an inside-out analysis which aims to achieve a "bottom-up" transformation strategy via an identification of material ESG topics within the various corporate departments as well as the introduction of relevant departmental concepts, e.g. "sustainable logistics", "sustainable operations". This will also include the development of a report based on an internationally acknowledged framework for ESG-reporting. As a foundation, the Chief Executive Officer, Stefan Feltens, signed the Letter of Commitment to the UN Global Compact; the official commitment to the 10 Principles, mirrors the company's established values and identification with responsible practices.

The company's Whistleblower Policy can be found on SHOP APOTHEKE EUROPE´s website in the Investor Relations/Corporate Governance section.

Risks and opportunities

Risks report

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 as the 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

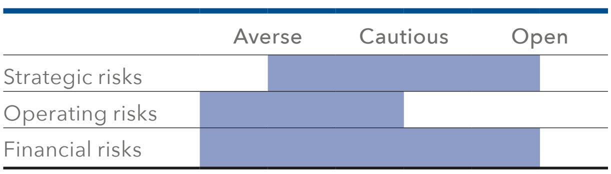
Strategic and operational events and actions, which have a significant impact on the existence and the economic situation of the Group, are considered risks. These also include external factors such as the competitive situation, the regulatory development and other factors that can compromise the achievement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

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 Management and the Supervisory Board. The Supervisory Board assesses the work of 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.

The Advocate General inter alia advised the European Court of Justice to rule that the current French restrictions on online advertising for pharmacies should have been notified in advance to the European Commission and the Netherlands. As a result, these rules are in principle inapplicable. In addition, the AG took many of our legal arguments on board. He also emphasizes repeatedly the importance for member states to justify restrictions they impose on the free movement of goods or on the provision of information society services and to show that such restrictions are (i) appropriate; and (ii) necessary to achieve the objective(s) pursued. However, a number of elements seems unfavorable for us. In the opinion of the AG, the prohibition of mass mailing to potential consumers of advertising leaflets containing promotions can be justified by the need to protect the dignity of the pharmacist profession. Also the requirement of prior completion of a health questionnaire is not considered disproportionate.

Regulatory risks

In Germany a legislative proposal introducing a bonus ban for prescription medicines will possibly be adopted in 2020 ("Vor-Ort Apotheken Stärkungsgesetz"). Discussions between the German cabinet and the European

Commission appear to be ongoing and may result in a complete or partial withdrawal of the proposal. If the legislative proposal were adopted in its current form, we would no longer be able to offer the existing bonus models to our customers. We are confident, however, that the German legislator will look for a solution to the apparent incompatibility of the current proposal with European law, in particular the free movement of goods and services.

Dependence on key personnel

Our future success is heavily depends on the continued service of our Management 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

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. 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 of 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 national legislation. This includes, 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.

Further acceleration of the trend towards e-commerce

The trend toward e-commerce at the expense of retail stores seems unbroken overall. 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. In 2015, retail e-commerce sales worldwide amounted to 1.55 trillion US dollars and e-retail revenues are projected to grow to 4.1 trillion US dollars in 2020, according to Statista, one of the leading statistics companies on the internet.

Subsequent events

On 1 February 2020, Jasper Eenhorst assumed the Chief Financial Officer (CFO) position of SHOP APOTHEKE EUROPE N.V. He still has to be elected by the annual general meeting on 30 April 2020.

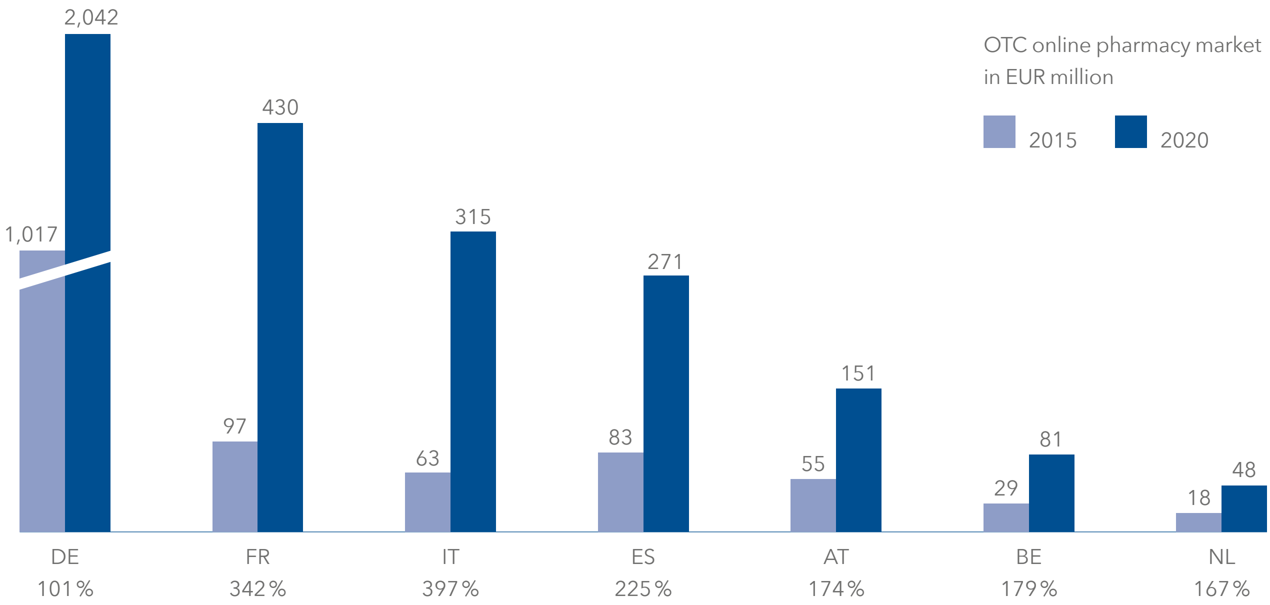
Outlook

GDP growth expected to continue

According to the December 2019 projections of the Deutsche Bundesbank, the central bank of the Federal Republic of Germany the German economy will gradually overcome its current weak phase. Accordingly, real gross domestic product (GDP) is likely to increase 2020 by only around ½ percent. In 2021 and 2022, however, economic output could then rise noticeably by around 1½ percent per year.

According to the Autumn 2019 Economic Forecast by the European Commission, the European economy is now in its seventh consecutive year of growth and is forecasted to continue expanding in 2020 and 2021. The labour markets remain strong and unemployment continues to fall. In the euro area, private consumption growth has held up relatively well in 2019. The purchasing power of households has increased on the back of further job creation and real wage growth, as well as supportive discretionary fiscal measures in some member states. Overall, private consumption growth in the euro area is

Development of the European online pharmacy market until 2020



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

expected to edge down in 2019 to 1.1 % (from 1.4 % in 2018), dampened by a higher increase in the savings rate than previously expected. It is forecasted to continue growing at about the same pace towards 2021.

Outlook for the overall pharmacy market in Continental Europe

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

Development of the online pharmacy market looks promising

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

Operational Outlook for the SHOP APOTHEKE EUROPE Group

The overall development of business in 2019 was characterized by continued profitable growth in our core market Germany 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 customer-centric and technology driven ePharmacy 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.

Corporate governance

The Management Board and the Supervisory Board of SHOP APOTHEKE EUROPE are firmly committed to the principles of transparent, responsible corporate governance and supervision. SHOP APOTHEKE EUROPE recognizes the importance of clear rules on corporate governance and, where appropriate, we have adapted our internal organization and processes to these rules. An outline of the broad corporate governance structure will be provided in this chapter. As SHOP APOTHEKE EUROPE is a publicly listed company incorporated under the laws of the Netherlands with its registered seat in Venlo, the Netherlands, it complies with all the principles and best practice provisions of the Dutch Corporate Governance Code (the Code), unless stipulated otherwise in this chapter. The Code contains principles and best practices for Dutch companies with listed shares. Deviations from the Code are explained in accordance with the Code's "comply or explain" principle. The Code is available on the website of the Dutch Corporate Governance Code Monitoring Committee (www.commissiecorporategovernance.nl).

Corporate structure

SHOP APOTHEKE EUROPE is a "Naamloze Vennootschap," or N.V., a Dutch limited liability company similar to a stock corporation (Aktiengesellschaft) in Germany. Its shares are listed in the Prime Standard Segment of Frankfurt Stock Exchange. Furthermore, convertible bonds are listed on Euronext Amsterdam. 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 Management 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 Management 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 Management Board are appointed by the General Meeting of shareholders. The full procedure for appointment and dismissal of members of the Management Board is explained in article 14 of the company's Articles of Association. The Management Board currently consists of Stefan Feltens (CEO), Stephan Weber (CCO and deputy CEO), Theresa Holler (COO) and Marc Fischer (CTO). CFO Jasper Eenhorst shall be elected as Management Board member at the Annual General Meeting of SHOP APOTHEKE EUROPE N.V. on 30 April 2020.

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

Committees of the Supervisory Board

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 2019, there were no transactions that led to a conflict of interest.

Generally, the company is aware of the fact that all of the members of its Management Board hold shares in the company as well as that three members of the Supervisory Board, Jan Pyttel, Dr. Frank Köhler and Dr. Björn Söder, hold shares in the company. Furthermore, Stephan Weber (CCO) and Marc Fischer (CTO) 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 Management Board and approved by the Supervisory Board of the company. This policy is publicly available on the company's website.

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

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

Whistleblower Policy and Code of Conduct

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

Diversity

We aim for diversity 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 Management 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.

Publication Requirements under German Law

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

Statement by the Management Board (Dutch corporate governance code)

For the purpose of complying with best practice provision 1.4.3 of the Code the Management Board believes 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 2019, the company complied with the Code with the exception of deviations from the following principles:

1.3 Internal audit function

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

2.1.5 Diversity

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

2.1.8 Independence of Supervisory Board members/ 2.3.4 Composition committees

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

2.2.4 Succession

The company does not comply with this recommendation as the Supervisory Board has only recently been reappointed and a retirement schedule is therefore not needed at this point of time. It is, however, intended 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 Management Board member may not exceed a one year's salary. In the event of termination of an agreement without serious cause as defined by the applicable laws, SHOP APOTHEKE EUROPE or a respective subsidiary would remain obliged to compensate the Management Board member for the remaining term of the employment agreement. SHOP APOTHEKE EUROPE believes that these contractual arrangements are justified given the tenures of the Management Board members.

3.4.1 Remuneration report

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

3.4.2 Agreement of Management Board member

The existing contracts with the Management 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, Jasper Eenhorst. The required amendment of the company's renumeration policy will be subject to approval by the next General Meeting scheduled 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 Management Board and the Supervisory Board consider to be adverse to the company's interests, the boards reserve the right to use all available powers (including the right to invoke a response time in accordance with provisions IV.4.4 and II.1.9 of the Code) while taking into account the relevant interests of the company and its affiliate enterprise and stakeholders.

Capital structure

On 31 December 2019, SHOP APOTHEKE EUROPE had a total of 13,463,815 ordinary bearer shares with voting rights. Each share has a nominal value of EUR 0.02. The total share capital amounts to EUR 269,276.30. The company does not hold treasury shares. There are no share types other than the ordinary bearer shares.

Authorization for the Management Board to repurchase shares

The general meeting held on 30 April 2019, authorized the Management Board to repurchase shares, on the stock exchange or otherwise, for a period of 18 months as of the date of the meeting (i.e. up to and including 29 October 2020), up to a maximum of 10% of the total number of issued shares outstanding on the date of the meeting (i.e. up to a maximum of 10% of 13,463,815 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 Management Board to issue shares

The General Meeting held on 30 April 2019 appointed the Management Board for a period of five years from the date of the meeting (i.e. up to and including 29 April 2024), 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 13,463,815 shares).

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

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

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

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

Shareholders' agreement on limitations on exercising of voting rights

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

Appointment and dismissal of members of the Management Board

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

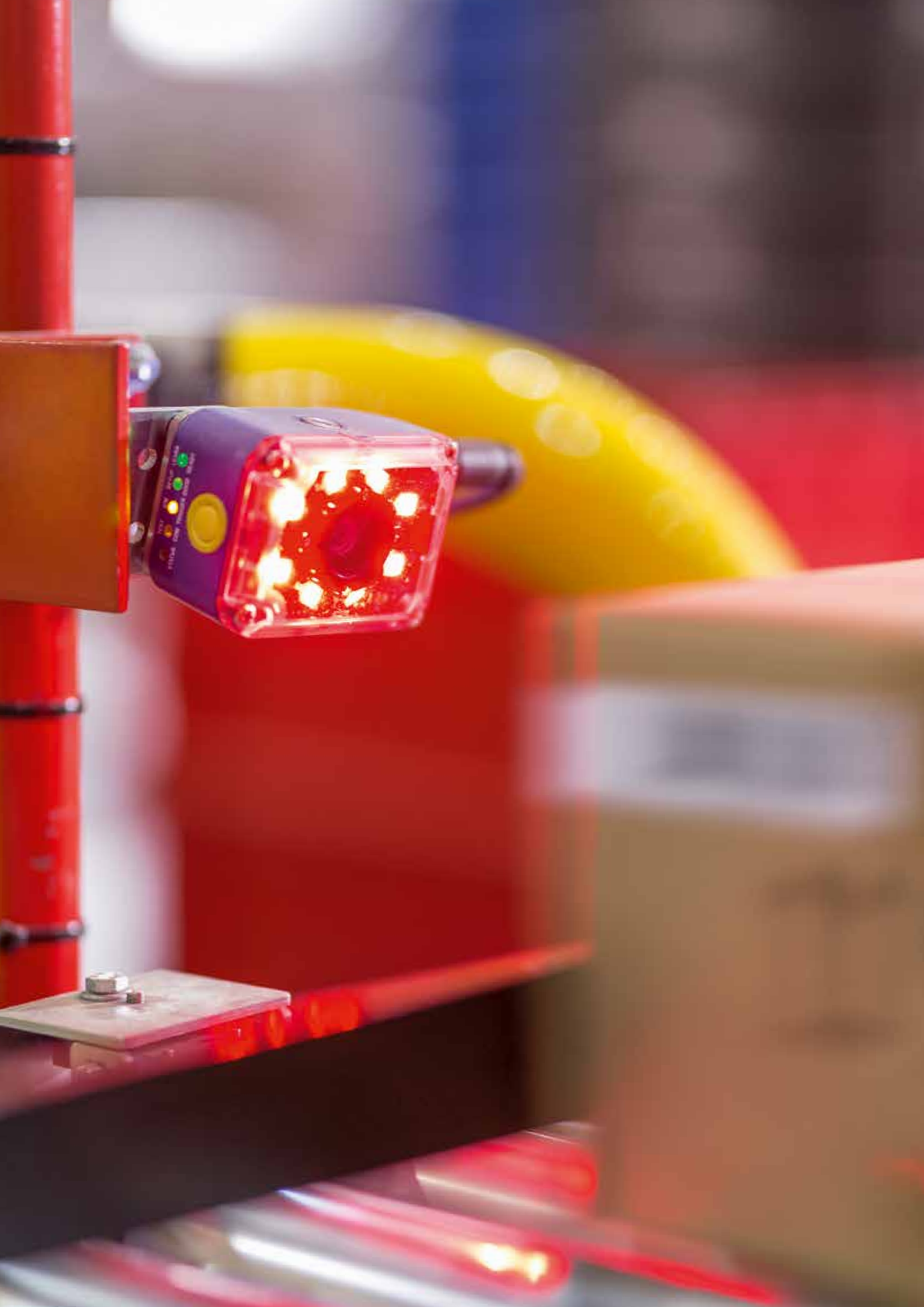
Each member of the Management Board shall be appointed for a maximum period of four years, provided that unless a Management Board member retires earlier, his term shall expire on the day following the day of closing of the annual General Meeting that will be held in the year in which his term expires.

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

Appointment and suspension of Supervisory Board members

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

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



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REMUNERATION REPORT 2019.

Introduction

The remuneration levels and all other contract terms for the members of the Management Board are set by the Supervisory Board. The remuneration policy has been adopted by the general meeting of shareholders of the company and supports our short- and long-term business objectives and our emphasis on long-term value creation. The supervisory board of the company ("Supervisory Board") is responsible for structuring and determining the remuneration.

The remuneration of the members of the Board consists of the following elements:

- a base salary
- allocation of stock options functioning as long-term incentive
- other benefits (if applicable).

The various elements of the remuneration package are set out in more detail below. Other than the ESOP (as defined below), the remuneration package did not include a variable element, such as annual performance related (bonus) payments.

Total remuneration for Management Board in 2019

Name of Director, Position	Period	Fixed remuneration			Variable remuneration		Extra-ordinary items	Pension expense	Total remune-ration	Proportion of variable and fixed remuneration
		Base salary	Fees	Fringe benefits	One-year variable	Multi-year variable				
S. Feltens, CEO	01/01 – 31/12/2019	151,200	–	5,520	–	–	–	–	156,720	100 % / 0 %
U. Wandel, CFO	01/01 – 30/09/2019	119,568	–	4,765	–	–	148,000	–	272,333	100 % / 0 %
T. Holler, COO	01/01 – 31/12/2019	171,720	–	5,580	–	–	–	2,280	179,580	100 % / 0 %
S. Weber, CCO	01/01 – 31/12/2019	172,939	–	2,372	–	–	–	–	175,311	100 % / 0 %
M. Fischer, CTO	01/01 – 31/12/2019	172,423	–	1,718	–	–	–	–	174,141	100 % / 0 %

Total remuneration for Management Board in 2018*

Name of Director, Position	Period	Fixed remuneration			Variable remuneration		Extra-ordinary items	Pension expense	Total remune-ration	Proportion of variable and fixed remuneration
		Base salary	Fees	Fringe benefits	One-year variable	Multi-year variable				
M. Köhler, CEO	01/01 – 31/12/2018	60,000	–	–	–	–	–	–	60,000	100 % / 0 %
U. Wandel, CFO	01/01 – 31/12/2018	138,436	–	6,132	–	–	–	–	144,568	100 % / 0 %
T. Holler, COO	01/01 – 31/12/2018	171,720	–	5,580	–	–	–	2,280	179,580	100 % / 0 %
S. Weber, CCO	01/01 – 31/12/2018	172,939	–	1,932	–	–	–	–	174,871	100 % / 0 %
M. Fischer, CTO	01/01 – 31/12/2018	172,697	–	1,718	–	–	–	–	174,415	100 % / 0 %

* The remuneration of 2018 has been adjusted for comparison reasons.
The social security expenses are no longer part of the total remuneration presented.

Total remuneration for Management Board in 2019

The table on the left provides an overview of the remunerationpayable to the individual members of the Management Board.

The members of the Management Board do not receive an additional compensation of group companies within the Group.

There was no deviation from the remuneration policy during the reported financial year.

Share-based remuneration

In 2018, share options were granted to the members of the Management Board. These grants are governed by the SHOP APOTHEKE Long-term Incentive Plan.

The share options granted in 2018 will vest in 2020 and 2021. For the details and parameters of the stock option programs, see the explanatory notes under Item 27 in the notes to the consolidated financial statements.

The table below provides an overview of the SHOP APOTHEKE share options granted:

Share options are not subject to performance conditions and no holding period applies.

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
	Specification of plan	Grant date	Vesting date	Expiry date	Strike price of the share in EUR	Share options awarded 1.01.2019	Share options awarded	Share options vested	Share options awarded and unvested
S. Feltens, CEO	1a 1b	26.04.2018 26.04.2018	01.01.2020 01.01.2021	01.01.2022 01.01.2022	45,20 45,20	17,500 17,500	– –	– –	17,500 17,500
U. Wandel, CFO	1a 1b	26.04.2018 26.04.2018	01.01.2020 01.01.2021	01.01.2022 01.01.2022	45,20 45,20	12,500 12,500	– –	– –	12,500 12,500
T. Holler, COO	1a 1b	26.04.2018 26.04.2018	01.01.2020 01.01.2021	01.01.2022 01.01.2022	45,20 45,20	12,500 12,500	– –	– –	12,500 12,500
S. Weber, CCO	1a 1b	26.04.2018 26.04.2018	01.01.2020 01.01.2021	01.01.2022 01.01.2022	45,20 45,20	12,500 12,500	– –	– –	12,500 12,500
M. Fischer, CTO	1a 1b	26.04.2018 26.04.2018	01.01.2020 01.01.2021	01.01.2022 01.01.2022	45,20 45,20	12,500 12,500	– –	– –	12,500 12,500

Short-term incentives and performance criteria

According to the remuneration policy the remuneration package did not include a variable element, such as annual performance related (bonus) payments.

Extraordinary items

During the financial year an extraordinary remuneration item has been paid to Mr. Wandel. This item relates to a severance payment. Furthermore it has been agreed that Mr. Wandel will keep the rights of the share options although the vesting conditions cannot being met.

Pension

Other than payment of the employer's contribution to the Dutch Pensioenfonds Medewerkers Apotheken (SPOA) for T. Holler, the company's COO, members of the Management Board did not receive any contribution towards pension and similar retirement benefits.

Right to reclaim

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

SHOP APOTHEKE EUROPE pay ratio

SHOP APOTHEKE EUROPE's pay ratio is calculated as the total salary of the Management Board divided by the average remuneration per employee. This standardised approach makes external comparisons possible, using the IFRS financial statements.

- The total remuneration of the Management Board as published in the remuneration report;
- The average employee compensation is based on salaries and pension costs and other employee expenses 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 over the past four years is shown in the table below. Since SHOP APOTHEKE EUROPE N.V. has been incorporated in 2016 the table doesn't show the required five year period. The remuneration in years with changes in the composition of the Management Board shows the remuneration on an annual basis of the most recent function holder.

Position	FY 2019		FY 2018		FY 2017		FY 2016	
	Director's remuneration	Pay Ratio	Director's remuneration	Pay Ratio	Director's remuneration	Pay Ratio	Director's remuneration	Pay Ratio
CEO	156,720	4.0	60,000	1.7	60,000	1.6	30,000	0.6
CFO	272,333	7.0	144,568	4.1	176,302	4.6	168,570	3.6
COO	179,580	4.6	179,580	5.1	177,300	4.6	176,520	3.7
CCO	175,311	4.5	174,871	4.9	188,122	4.9	181,572	3.8
CTO	174,141	4.5	174,415	4.9	186,615	4.9	182,201	3.9

Remuneration of the Supervisory Board

Supervisory Board members receive non-performance-related remuneration paid annually in the amount of EUR 20 k. The chair of the Supervisory Board receives EUR 30 k. Corresponding to their membership in committees, the members of the Supervisory Board received the compensation shown on the right in 2019.

Other

Neither the company nor its subsidiaries have granted loans to members of the Management Board or the Supervisory Board.

Supervisory Board	Audit Commitee	Year ended 31.12.2019	Year ended 31.12.2018
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

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CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS.

For the year ended 31 December 2019

	Notes	Period ended 31.12.2019	Period ended 31.12.2018
		EUR 1,000	EUR 1,000
Revenue	5	701,010	539,710
Cost of sales		-563,329	-440,392
Gross profit		**137,682**	**99,318**
Other income	6	736	196
Selling and distribution	7	-143,392	-105,564
Administrative expenses	8	-28,470	-22,679
Operating result		**-33,445**	**-28,730**
Finance income	10	1,333	24
Finance expenses	10	-10,171	-5,983
Share of profit of associates and joint ventures	16	104	97
Result before tax		**-42,180**	**-34,591**
Income tax	11	5,910	982
Result after tax		**-36,270**	**-33,609**
Attributable to:			
Owners of the company		-36,270	-33,609

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

For the year ended 31 December 2019

	Notes	Period ended 31.12.2019	Period ended 31.12.2018
		EUR 1,000	EUR 1,000
Loss for the period		-36,270	-33,609
Other comprehensive income/loss		0	0
Total comprehensive loss		-36,270	-33,609
Attributable to:			
Owners of the company		-36,270	-33,609
Earnings per share	12	EUR	EUR
Basic and diluted per share 31 December		-2.78	-2.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

For the year ended 31 December 2019

	Notes	31.12.2019	31.12.2018
		EUR 1,000	EUR 1,000
Assets			
Non-current assets			
Property, plant and equipment	13	13,178	11,924
Intangible assets	14	199,850	199,892
Deferred tax assets	11	120	973
Other financial assets	19	2,500	0
Investments in equity-accounted joint ventures	16	1,105	1,002
Investments in associates		402	400
Investments in equity-instruments		10	10
		217,165	214,201
Current assets			
Inventories	17	56,688	43,349
Trade and other receivables	18	40,894	33,580
Other financial assets	19	50,581	34,422
Cash and cash equivalents	20	62,653	24,338
		210,815	135,689
Total assets		427,980	349,890
Equity and liabilities			
Shareholders' equity	21		
Issued capital and share premium		341,192	292,045
Reserves/accumulated losses		–108,429	–78,069
		232,763	213,976
Non-current liabilities			
Loans and Borrowings	22	131,512	72,411
Deferred tax liability	11	3,904	10,841
		135,417	83,252
Current liabilities			
Trade and other payables	23	32,004	28,436
Loans and Borrowings	23	7,522	6,488
Amounts due to banks	24	10,167	9,805
Other liabilities	23	10,108	7,933
		59,801	52,662
Total equity and liabilities		427,980	349,890

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY.

For the year ended 31 December 2019

	Issued and paid-up share capital	Share premium	Accumulated losses	Equity part on convertible bonds	Reserve for stock option	Undistributed results	Equity
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Equity as of 1 January 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	0	0	0	2,941	0	0	2,941
Share-based payment charge for the period	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**

For the year ended 31 December 2018

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

CONSOLIDATED STATEMENT OF CASH FLOWS.

For the year ended 31 December 2019

	Notes	Period ended 31.12.2019	Period ended 31.12.2018
		EUR 1,000	EUR 1,000
Cash flow from operating activities			
Operating result		–33,445	–28,730
Adjustments for: – Depreciation and amortisation of non-current assets	9	14,864	13,170
– Corporate income tax		4	0
– Net foreign exchange differences	10	–28	–794
– Movements in provisions		0	0
– Share-based payment charge for the period	27	2,967	1,450
Operating result adjusted for depreciation and amortisation, taxes and provisions		**–15,639**	**–14,904**
Movements in working capital			
– (Increase)/decrease in trade and other receivables	18	–7,314	–5,174
– (Increase)/decrease in inventory	17	–13,339	128
– (Increase)/decrease in trade and other payables	23	5,926	5,425
Working capital movement		**–14,727**	**379**
Net cash (used in)/generated by operating activities		**–30,366**	**–14,525**
Cash flow from investing activities			
Investment for property, plant and equipment	13	–4,003	–2,804
Investment for intangible assets	14	–10,739	–9,051
Investment for other financial assets	19	–18,658	–21,913
Investment associates		0	–400
Investment equity instruments		0	–10
Acquisition of subsidiary, net of cash acquired	29	0	–4,379
Net cash (used in)/generated by investing activities		**–33,400**	**–38,557**

	Notes	Period ended 31.12.2019	Period ended 31.12.2018
		EUR 1,000	EUR 1,000
Cash flow from financing activities	24		
Interest received	10	1,333	324
Interest paid	10	–7,402	–4,002
Payment of earn-out obligations Farmaline	23	–1,100	–1,100
Capital increase		49,148	0
Issue convertible bond	22	58,592	73,499
Issue other long-term liability		3,965	0
Cash-out lease payments	30	–2,456	–2,221
Net cash (used in)/generated by financing activities		102,080	66,500
Net increase/(decrease) in cash and cash equivalents		38,314	13,418
Cash and cash equivalents at the beginning of the period	20	24,338	10,920
Net foreign exchange difference		0	0
Cash and cash equivalents at the end	20	62,653	24,338

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 2019 were authorised for issue in accordance with a resolution of the Management Board on 16 March 2020. 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. The company is registered at the Chamber of Commerce under Commercial register Number 63986981.

SHOP APOTHEKE EUROPE N.V. is a mail-order pharmacy business primarily for prescription and non-prescription ("over-the-counter" or "OTC") pharmaceuticals, food supplements and beauty and personal care products (BPC).

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
- RedTecLab GmbH, Düsseldorf, Germany
- Farmanatur Productes S.L., Sant Cugat del Vallès (Barcelona), Spain
- Hygée Santé S.A.R.L., Pont-A-Marcq, France
- Pharma Doc srl., Milan, Italy
- nu3 Schweiz GmbH, Lachen, Switzerland

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

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

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

Associates/equity instruments
The Group has a 25% interest in DatamedIQ GmbH (2018: 25%) and a 5% interest in verkstedt GmbH (2018: 5%), both 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 (2018: 50%) and König IT Systeme GmbH (2018: 50%), both incorporated and located 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 (IFRS as adopted in the 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 2019 the company incurred losses before tax of EUR 42,2 m (2018: EUR 34.6 m). The working capital at the end of 2019 is positive at EUR 47.9 m. Development of the working capital is in line with expectations.

	31.12.2019	31.12.2018
	EUR 1,000	EUR 1,000
Trade and other receivables	40,894	33,580
Inventory	56,688	43,349
Trade and other payables	-32,004	-28,436
Loans and borrowings (short-term)	-7,522	-6,488
Other liabilities (short-term)	-10,108	-7,933
Working capital	**47,948**	**34,072**
% Revenue	6.84 %	6.31 %
Working capital incl. cash and short term securities	151,014	84,043

On 19 April 2018, the Company issued 750 4.5 % convertible bonds with an aggregate principal amount of EUR 75,0 m. On 17 April 2019, the Company issued additional 600 4.5 % convertible bonds with an aggregate principal amount of EUR 60.0 m. Each bond entitles the holder to convert to ordinary shares at a conversion price of EUR 46,6864. Interest of 4,5 % per annum is/will be paid semi-annually in arear on each interest payment date, until the bonds are converted or redeemed. Maturity date is 19 April 2023.

The Company is closely monitoring its cash position and has taken the necessary measures to ensure future growth financing. After the completion of the planned automation projects, extraction of scale effects and the expansion into additional cash-generating businesses, the Company expects higher profitability and positive free operating cash flows. Liquidity is secured from the current financial year but additional financing may be needed if the Company undertakes sizeable acquisitions or fails to obtain funding for the equipment and machinery of its new logistics facility.

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 of 31 December 2019. 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:

- 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 characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Consolidated Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

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 at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Upon the sale of products to customers, the date on which the goods are delivered at the indicated place of destination is the date on which economic title to the products passes to the customer. 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” that 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 product promotion and discounts'. Allowances on inventories reflect write-downs of inventories to their net realizable value to allow for risks from slow-moving goods, items past their use-by date or reduced 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 this material 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. Until April 2019, the employer contribution amounted to 17.6 % (2018: 17.6 %) of the pensionable base. As per April 2019, the employer contribution amounts to 16.3%.
- 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'. Until April 2019, the employer contribution amounted to 17.6 % (2018: 17.6 %) of the pensionable base. As per April 2019, the employer contribution amounts to 16.3 %

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 2019 amounts to 95.9 % (31 December 2018: 95,2 %). (Source: website SPOA)

The coverage ratio of the PMA pension fund as per 31 December 2019 amounts to 98.2 % (31 December 2018: 98.4 %). (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.

3.3.7 Share-based payments

Employees (including senior executives) of the Group receive 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 balance sheets. These amounts, along with estimates of interest and penalties on tax liabilities are also recorded in income taxes payable, and are included in current tax expense.

Deferred tax

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

Deferred tax 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.

Sales tax

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 presented 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 of 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. Additional disclosures are provided in Note 4.1.

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, Europa Apotheek Brand, 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 decision 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, net of outstanding bank overdrafts as they are considered 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 Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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 and other financial assets (included under current assets).

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

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

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 IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. In 2019, the Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16: Leases
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

As the Group has applied IFRS 16 for its non-cancellable operating lease commitments, mainly being real estate rental contracts, in the 2017 Financial Statements for the first time, there is no impact on the consolidated financial statements 2019 of the Group.

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

Straight line depreciation applies for the right-of-use assets, considering the useful life to be equal the remaining duration of the underlying lease contract. The lease liabilities have been adjusted on a monthly basis for interest and lease payments.

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

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

In the financial statements 2018, the Group applied IFRIC 23 for the first time. Upon adoption of the Interpretation in, the Management Board's members determined that the application of this consideration would not have a significant impact on the Group's consolidated financial statements since the level of valued taxable losses was relatively small.

Amendments to IFRS 9:
Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments are only clarifications and therefore had no impact on the consolidated financial statements of the Group.

Amendments to IAS 28:
Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to

which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The Financial Statements do not include losses relating to long-term interests in associates and joint ventures. Therefore these amendments had no impact on the consolidated financial statements of the Group.

Annual improvements 2015–2017 cycle

- IFRS 3 Business Combinations:

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- IFRS 11 Joint Arrangements:

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

- IAS 12 Income Taxes:

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

- IAS 23 Borrowing Costs:

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

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).

Discontinued operations

On 11 October 2019, the Board of Directors announced its decision to discontinue the activities in the Spanish market of Farmanatur Productes S.L., a wholly owned subsidiary.

Operations of Farmanatur Productes S.L. are not classified as a discontinued operation, because these activities do not represents a separate major line of business or geographical area of operations. These activities are also not part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of 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.

SA Europe BV
As at 31 December 2019, the Group recognised a deferred tax asset based on the Dutch tax losses of SA Europe BV (as a corporate income tax entity, together with its Dutch subsidiaries) for the years ending 31 December 2015 until 31 December 2017 since this amount can be offset against the company's deferred tax liability from Shop Apotheke and nu3 goodwill. Under consideration of IAS 12, no deferred tax asset has been recognized in excess of existing deferred tax liabilities, since no positive operative results have been reported yet.

RedTecLab GmbH
As at 31 December 2019, the Group recognised a deferred tax asset based on the German tax losses of RedTecLab GmbH from past years, under consideration of IAS 12. The historical data for RedTecLab GmbH and the existing forecast data represent sufficient reason for the expectation that taxable profit will be available against which the deductible temporary difference can be utilized in time. Impairment reviews were prepared by comparing the carrying value of the fiscal unity concerned to estimated future tax profits and the use of the applicable tax losses carried forward within the designated use period. The most important estimates relate to growth rates used to calculate revenue growth and planned cost development. Growth rates are based on past performance, external market growth assumptions, and forecast market conditions by our management using a combination of our business plans and growth assumptions for the next years. Estimates are reviewed at least annually as of the date of each impairment test and believed to be appropriate. However, changes in these estimates could change the outcomes of the impairment reviews and therefore affect future financial results, the effects of which would be recognised in the Consolidated Statement of Profit and Loss through operating profit. Further details on taxes are disclosed in note 11.

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.

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

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 con-

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			-26,241
EBITDA			-18,582
Depreciation			-14,864
EBIT			-33,445
Net finance cost and income tax			-2,824
Net loss			-36,270

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

ditions 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. 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.

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.

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

Revenue from major products and services

The revenue from major products and services is the following:

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Prescription (Rx)	187,762	167,008
Over-the-counter (OTC) & beauty and personal care (BPC)	513,247	372,377
Other services	2	326
	701,010	539,710

2019 revenue from the country of domicile amounts to EUR 674.0 m (2018: EUR 526.8 m). The Group has no revenues from transactions with a single external customer amounting to 10% or more of the revenues.

Other geographical information

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

Other geographical information – location of non-current assets

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Netherlands	207,046	205,613
Germany	4,388	4,842
Belgium	906	454
Spain	138	504
France	385	321
Italy	165	82
	213,028	211,816

Other geographical information – additions to non-current assets

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Netherlands	14,825	21,312
Germany	469	5,094
Belgium	617	251
Spain	0	84
France	151	46
Italy	132	96
	16,194	26,883
Additions and acquisitions		
Property, plant and equipment	5,455	7,270
Intangible assets	10,739	19,613
	16,194	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 2019, the other income relates mainly to an escrow release of EUR 0.6 million in connection with the nu3 acquisition. For 2018, other income relates mainly to services rendered by subsidiary nu3 GmbH. (EUR 0.2 m).

7. Selling & distribution

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Other selling & distribution expenses	93,202	64,714
Employee benefit expenses	37,557	29,654
Depreciation and amortisation expenses	12,634	11,196
Total selling & distribution	143,392	105,564

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

8. Administrative expenses

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Other administrative expenses	15,509	13,789
Employee benefit expenses	10,732	6,914
Depreciation and amortisation expenses	2,230	1,976
Total administrative expenses	28,470	22,679

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

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

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Included in selling & distribution	37,557	29,656
Included in administrative expenses	10,732	6,914
Included in cost of sales	501	580
	54,078	39,983

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Wages & salaries	46,859	34,384
Social securities	6,718	5,019
Pension contributions	5,790	3,413
	54,078	39,983

The expenses as mentioned above include expenses of own employees (including expenses for the share option plan) 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 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
FTEs (full-time equivalents) as at 31 December	1,011	843

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

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Cost of sales	118	95
Selling & distribution	799	660
Admin	94	88
	1,011	843

All employees are involved in providing the Group's services relating to its online pharmacy and e-commerce activities. As at 31 December 2019, 268 out of the 1.011 FTE's were working outside the Netherlands (31 December 2018: 211 out of 843).

Total expenses defined contribution pension plans
The total expenses of EUR 0.5 m (2018: EUR 0.6 m) recognised in profit or loss represents contributions payable to the plan by the Group.

As at 31 December 2019, contributions of EUR 221 k (2018: EUR 7 k) due in respect of the reporting period had not been paid over to the plan.

9. Total depreciation and amortization expenses

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Depreciation of property, plant and equipment	4,018	3,623
Amortisation of intangible assets	10,588	9,547
Impairment of property, plant and equipment	91	0
Impairment of intangible assets	166	0
	14,864	13,170

10. Finance income and expenses

Finance income	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Income from other financial assets	1,220	0
Other finance income	112	24
	1,333	24

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Interest expenses convertible bonds	7,121	3,116
Expenses for online payment methods	2,563	1,671
Net foreign exchange differences	28	794
Interest costs related to leasing	363	327
Other finance expenses	96	75
	10,171	5,983

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 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Result before tax	-42.180	-34.591
Temporary difference fiscal amortization goodwill	0	-460
Temporary difference fiscal amortization software	686	263
Temporary difference intangible assets from business combination	5.851	5.634
Temporary difference leases	-1.943	0
Permanent difference convertible bonds	1.305	0
Permanent difference share option plan	2.967	0
Limited deductible costs	77	
Taxable result before tax	-33.238	-29.154
Fiscal result other countries	1.218	-2.685
Taxable result before tax Netherlands	-34.457	-26.469
Income tax expense:		
Income tax rate Netherlands	25,0%	25,0%
Effect of tax during the year Netherlands	-8.614	-6.617
No deferred tax due to uncertainty	3,116	6.617
Effect of tax loss carry forward Netherlands	0	0
Effect of current taxes in other countries	-234	-319
Effect of tax loss carry forward Germany	0	0
Effect of current taxes prior years	60	0
Effect from movement deferred taxes	586	1.301
Tax expenses in profit and loss	5,910	982

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 expenses in profit and loss can be divided into deferred and current taxes as follows:

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Current taxes	-174	-312
Deferred taxes	6,084	1,294
Total expenses in profit and loss	5,910	982

Deferred tax balances

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 21.7% in the Netherlands and 30% in Germany (2018: 20.5% 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 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Balance 1 January	-9,868	-9,264
Recognised in profit and loss	6,083	1,294
Recognised in shareholder's equity	0	0
Arising on business combination	0	-1,898
Balance 31 December	-3,785	-9,868

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.

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 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**

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

The Company has carry-forward losses in the Netherlands for an amount of EUR 110,5m at the end of 2019 and EUR 83.3m at the end of 2018. The anticipated applicable tax rate is the Dutch corporate tax rate of 25% payable by corporate entities in the Netherlands on taxable profits for all periods up to 2020 and of 21.7% for all years including and following 2021, and the corporate tax rate of 30% payable by corporate entities in Germany on taxable profits.

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

	2019	2018
	EUR m	EUR m
Unused tax losses	88.5	83.8
The expiry date of the unused tax losses is as follows:		
31 December 2020	0.8	0.0
31 December 2021	6.1	0.0
31 December 2024	0.0	10.4
31 December 2025	40.9	26.1
31 December 2026	20.3	21.7
31 December 2027	20.3	25.6
31 December 2028	0,0	0.0

In addition, a deferred tax loss has not been recognized for EUR 10.8 million for German tax loss carry-forward that do not expire.

Deferred tax liabilities
As per 31 December 2019, the deferred tax liability for intangible assets 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 991k (2018: EUR 841k);
- 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 7.883k (2018: EUR 8.525k);
- and to the intangible assets identified in the purchase price allocation to the acquisition of nu3 in 2018: an amount of EUR 1.380k (2018: EUR 1.475k).

Deferred tax assets
For fiscal entity SA Europe BV and respectively SHOP APOTHEKE EUROPE N.V., a deferred tax asset of EUR 2.371k (2018: 841k) and EUR 3.979k (2018: EUR 0k) 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 RedTecLab GmbH, a deferred tax asset from losses carried forward EUR 120k (2018: 132k) 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 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Result for the year attributable to owners of the Company	-36,270	-33,609
Earnings used in the calculation of basic and diluted earnings per share	-36,270	-33,609
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	-36,270	-33,609
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	13,064,272	12,046,124

Basic and diluted earnings per share

	Year ended 31.12.2019	Year ended 31.12.2018
	Euro per share	Euro per share
From continuing operations	-2.78	-2.79
From discontinued operations	0.00	0.00
Total basic and diluted earnings	**-2.78**	**-2.79**

As outlined in note 22, The Group issued a EUR 75m convertible bond on April 12, 2018 and a EUR 60m convertible bond on April 17, 2019. Assuming full conversion of the total convertible bond 2,891,634 new shares would be issued in future.

In addition the annual general meeting on April 2, 2019 authorized The Group's Management Board to issue up to 270,000 stock options, of which 235,000 stock options were subsequently completely issued in the course of 2019, and a respective expense for share-based payment was recognized in the 2019 result. Assuming full execution of these options and the outstanding issued options in 2018, an additional 653,000 new shares would be issued in future, and assuming full conversion of the convertible bond and full execution of all stock options, the total number of shares issued as at 31 December 2019 (13,463,815) would increase to 17,008,449. The respective diluted earnings per share, under the assumption that the result remains unchanged, would respectively be EUR – 2.13.

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 2018	0	602	10,605	501	11,708
Reclassification	6.508	– 421	– 7,199	– 61	– 1,173
Acquisitions	0	0	48	0	48
Additions	4.964	0	2,698	– 440	7,222
Disposals	0	0	0	0	0
Balance 31 December 2018	**11,472**	**181**	**6,152**	**0**	**17,805**
	0		0		
Reclassification		0		0	0
Additions	1,787	0	1,503	2,164	5,455
Acquisitions	0	0	0	0	0
Disposals	– 92	0	0	0	– 92
Balance 31 December 2019	**13,167**	**181**	**7,656**	**2,164**	**23,167**
Accumulated amortisation and impairment					
Balance 1 January 2018	0	282	3,149	0	3,431
Reclassification	1,437	– 254	– 2,147	0	– 964
Depreciation	2,343	18	1,053	0	3,414
Disposals	0	0	0	0	0
Balance 31 December 2018	**3,780**	**46**	**2,055**	**0**	**5,881**
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**
Carry value					
Balance 31 December 2018	7,692	135	4,097	0	11,924
Balance 31 December 2019	6,788	109	4,117	2,164	13,177

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

- Machinery, leasehold improvements, furniture, office equipment: 10 years
- IT- and communication equipment, cars, other: 5 years
- Right of use assets (according to IFRS16): 2–6 years depending on underlying contracts

In view of the expected 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.

In 2018, the reclassification included a transfer of (IFRS16-related) right of use assets from intangible assets to property, plant and equipment.

The pre-payments/ under construction assets relate to the expected relocation in 2020 of the Venlo location 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 2018	21,026	8,832	38,383	128,191	3,019	199,451
Reclassification	869	331	0	0	0	1,200
Acquisitions	114	5,123	2,475	2,975	0	10,687
Additions	4,642	0	0	0	4,290	8,932
Disposals	-27	0	0	0	0	-27
Balance 31 December 2018	**26,624**	**14,286**	**40,858**	**131,166**	**7,309**	**220,243**
Reclassification	4,278	0	0	0	–4,278	0
Additions	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**
Accumulated amortisation and impairment						
Balance 1 January 2018	6,500	855	390	1,879	0	9,624
Reclassification	993	147	0	0	0	1,140
Amortisation	3,501	3,264	2,842	0	0	9,607
Disposals	–20	0	0	0	0	–20
Balance 31 December 2018	**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	10,577
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**	**31,132**
Carry value						
Balance 31 December 2018	15,650	10,020	37,626	129,287	7,309	199,892
Balance 31 December 2019	18,717	6,866	34,613	129,121	10,533	199,850

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

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

In 2018, the reclassification included a transfer of (IFRS16-related) right of use assets from intangible assets to property, plant and equipment.

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
- CGU Farmaline
- CGU Farmanatur
- CGU Hygee Sante
- CGU nu3

Following the definition of CGU's the following analyses were performed:
Since 2018, Shop-Apotheke (SA) and Europa Apotheek (EAV) are tested as one CGU Shop-Apotheke.

Hygee Santé and Farmanatur were both 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 nu3 for the first time. The value of the goodwill related to nu3 as determined as part of the purchase price allocation in 2018 is tested for impairment for the first time in 2019.

15.3 Overview goodwill

As a result, the following table shows the goodwill existing in the GROUP as at 31 December 2019:

	Year ended 31. 12. 2019	Year ended 31. 12. 2018
	EUR 1,000	EUR 1,000
SHOP APOTHEKE	121,962	121,962
Farmaline	4,179	4,179
Farmanatur	0	166
Hygee Sante	5	5
nu3	2,975	2,975
	129,121	129,287

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. 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, France, Belgium, Italy, the Netherlands and Switzerland.

The Group delivers a broad range of more than 100,000 original products to over 4.7 million active customers and at attractive prices. In addition, The Group provides comprehensive pharmaceutical consulting services. With the integration of Europa Apotheek Venlo under the Shop Apotheke brand in the German market, Shop Apotheke now has a single face to customers in Germany. Shop Apotheke's goal is to gain a relevant share of the online prescription market growth that is expected from the introduction of electronic prescriptions in Germany in 2021, as stated by the German Health Minister in December 2018, thus growing to EUR 1 bn sales in the next years both organically and (on an opportunistic basis) by acquisitions of suitable targets.

In order to assess the potential impairments on the listed goodwill, the Group follows 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 high barriers of entry and loyal, long-term customers with high customer lifetime values. As the online market is expected to stay in a growth mode for a number of years due to an aging population 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 and also the long-term growth phase expected from the introduction of electronic prescriptions.

In the past, Shop-Apotheke has shown c. 50% sales growth p.a. in the German OTC/BPC online markets but calculates with c. 20% sales growth p.a. going forward. The growth of the prescription medication (Rx) sales were 10–15% p.a., but it is expected that Rx sales will grow at a more rapid pace following the introduction of the electronic prescriptions in the German market.

2018 and 2019 were exceptional years both in terms of building capacity to reach all-time-high sales and integrating the prescription business of Europa Apotheek as well as the functional food business of nu3 that was acquired in July 2018. To profit of the growth opportunity resulting from the nationwide introduction of e-scripts in Germany (in 2021), the Group is currently setting up the necessary structures and processes in-house. In addition to the already completed integration of Europa Apotheek, this includes the further development of interfaces for digital workflows on a technological level, as well as further improvements of the company's existing patient care programs ("Smart").

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 status 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 resulting from these calculations are compared with organic growth rates realized historically. The lower of the two is then taken unless there are specific reasons/actions why the higher growth rate is chosen.

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

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

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

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

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

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

Upsides and downsides

The downside risk of the impairment test for the CGU Shop-Apotheke is a potential, though very unlikely (as in conflict with European law) ban of mail order for prescription medications in Germany. In addition, a potential cap on the bonus provided to prescription medication customers could have a negative impact on the acquisition of new customers. Furthermore a delay in the implementation of the electronic script could be a potential downside risk of the impairment test.

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. 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 8.2 % 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 9.8 % for the Shop Apotheke impairment test, 11.3 % for the nu3 impairment test and 9.9 % 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;
- Farmaline;
- Farmanatur;
- nu3.

On 11 October 2019, the Management Board announced its decision to discontinue the activities in the Spanish market of Farmanatur Productes S.L., a wholly owned subsidiary. This resulted in an impairment loss of EUR 166 k for CGU Farmanatur.

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 as publicly announced by the German health minister Jens Spahn in December 2018, the total number of annual prescriptions in Germany as well as c. 10 % online penetration rates of electronic prescriptions in markets such as Switzerland, Sweden and the United States. The related cash-flow projections include projected investment in capacity expansion as well as increased personnel cost and working capital needs in line with the expected sales growth. Due to the long-term growth perspective based on demographic factors, i. e. market studies projecting an ageing population with a respective higher need for prescription medication, the respective calculations are based on a eight-year forecasting period.

The assumptions used in the impairment test as at 31 December 2019 are summarized in the table below:

CGU	Terminal sales growth	Revenue growth rate	EBITDA margin	Discount rate
SHOP APOTHEKE	0%	8% – 40%	0.4% – 10.2%	9.8%
Farmaline	0%	5% – 47%	0.6% – 11.1%	9.9%
Nu3	0%	8% – 16%	7.2% – 18.4%	11.3%

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% (2018: 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	
		2019	2018
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 201 k in financial year 2019 (2018: EUR 217 k).

König IT Systeme GmbH had a result after taxes of EUR minus 6 k (2018: EUR 16 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 31.12.2019	As at 31.12.2018
	EUR 1,000	EUR 1,000
Non-current assets	141	36
Current assets	929	833
Total assets	1,070	869
Equity	930	735
Current liabilities	129	134
Total equity and liabilities	1,059	869

[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

	2019	2018
	EUR 1,000	EUR 1,000
Revenue from contracts with customers	1,289	1,258
Other operating income	62	27
Cost of sales	-69	-114
Operating expenses	-990	-846
Result before tax	291	324
Income tax expense	-96	-91
Result for the year (continuing operations)	195	233
Total comprehensive income for the year (continuing operations)	195	233
Group's share of result for the year	98	117

The operating expenses include depreciation expenses of EUR 43 k (2018: EUR 33 k).

The share of profit of associates and joint ventures of EUR 104 k (2018: EUR 97 k) relates to the group's share of result for the year of EUR 98 k (2018: EUR 117 k) and a small prior year adjustment.

17. Inventories

The cost of inventories recognised as an expense during the year in respect of continuing operations was EUR 563.3 m (2018: EUR 440.4 m).

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

18. Trade and other receivables

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Trade receivables	26,711	22,055
Pre-payments	5,677	5,387
Other current assets and deferred income	8,505	6,138
	40,894	33,580

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Trade receivables	29,736	25,524
Provision for impairment	-3,024	-2,453
	26,711	23,071

The average credit period on sales of goods and services is 14 days in 2019 (2018: 15 days).

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	-168	-2,855
Net trade receivables	26,711	21,408	3,982	626	247	488
Expected credit loss	10%	0%	0%	0%	40%	86%

At December 31, 2018, 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	24,508	16,393	2,297	568	643	4,607
Provision for impairment	-2,453	-60	-60	-231	-163	-1,934
Net trade receivables	22,055	16,333	2,237	337	480	2,673
Expected credit loss	10%	0%	3%	41%	25%	42%

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 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Balance beginning of the year	2,453	1,840
Provision for expected credit losses	886	3,255
Write-off	–315	–2,642
Balance end of the year	3,024	2,453

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 53.1 m. Of this has EUR 50.6 m been shown as short-term securities in other financial assets according to IAS 7 (2018: EUR 34.4 m).

20. Cash and cash equivalents

All cash balances are at free disposal of the Group, except for a rent guarantee of EUR 337 k.

For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash at banks and on hand as shown as assets on the balance sheet.

21. Shareholders' equity

Share capital
The share capital of the Group as at 31 December 2019 amounts to EUR 269.3 k (31 December 2018: EUR 241.5 k) divided into 13,463,815 shares (31 December 2018: 12,074,926) each with a nominal value of EUR 0.02 all of which have been issued and fully paid.

22. Non-current liabilities

Loans and borrowings

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Amounts due to banks	114	149
Lease liabilities	4,147	4,764
Convertible bond	123,250	67,498
Other loans from third parties	4,000	0
	131,512	72,411

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 75,0 m. 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 m. Each bond entitles the holder to convert to ordinary shares at a conversion price of EUR 46,6864.

Conversion of the above mentioned bonds may occur in the period to and including the earlier of the following days:

- the 35th business day prior to the maturity date (19 April 2023); or
- if the bonds are redeemed by the issuer, the 10th business day prior to the redemption rate

or if such day falls within an excluded period, the 1st business day prior to the beginning of this excluded period.

To the extent the bonds have not previously been redeemed, converted or repurchased and cancelled they will be redeemed at their principal amount plus accrued interest on the maturity date (19 April 2023). The issuer will be entitled to fulfil its obligation to redeem the bonds in cash by redeeming all, but not some only, of the bonds, according to the share redemption option. Interest of 4.5 % per annum will be paid semi-annually in arear on each interest payment date, until the bonds are converted or redeemed.

The convertible bonds contain two components: liability and equity elements. The equity element is presented in equity under the heading of "option premium on Convertible Bonds".

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

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	
Liability component issued convertible bond	0	69,056	69,056
Interest charged calculated at an effective interest rate of 6.0%	0	3,117	3,117
Interest paid	0	– 1,688	– 1,688
Balance 31 December 2018	**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**

Current versus non-current classification

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Liability component	128,514	70,485
– of which long-term position	123,250	67,490
– of which short-term position	5,264	2,995

Other loans from third parties
The Group increased its borrowings under these loan contracts by EUR 4.0 million during the reporting period. These loans are unsecured and have a duration time of 5 year, ending on 31 December 2024. After 5 years, both contracting parties are allowed to ask for a wholly or partially repayment of the loan. The annually interest amount to 4.5 % of the principal amount.

23. Current liabilities

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Trade and other payables	32,004	28,436
Loans and borrowings	7,522	6,488
Other liabilities	10,108	7,933
	49.634	42.857

Trade and other payables

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Trade payables	31,351	26,083
Other payables	653	2,353
	32,004	28,436

The average credit period on purchases is 20 days in 2019 (2018: 23 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 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Lease liabilities – short term position	2,258	2,401
Convertible bond – short term position	5,264	2,987
Farmaline acquisition remaining payment	0	1,100
	7,522	6,488

Amounts due to banks are further disclosed in note 24.

Lease liabilities are reported under non-current and current liabilities. A further disclosure of leases can be found in note 30.

Other liabilities

	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000
Corporate income tax	323	145
Wage tax & soc. security charges	1,204	936
VAT	426	765
Employee benefit liabilities	2,996	2,173
Liability due to customer loyalty program	3,218	1,419
Accrued expenses	1,941	2,495
	10,108	7,933

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:

			Non-cash changes			
During fiscal year 2019	31.12.2018	Cash flows	Acquisition	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	1,333	7,482	149,201

			Non-cash changes			
During fiscal year 2018	31.12.2017	Cash flows	Acquisition	Addition/ movement	Fair value changes	31.12.2018
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Long term borrowings	183	–34	0	0	0	149
Short term borrowings – bank overdraft	4,914	4,891	0	0	0	9,805
Lease liabilities (non-current)	3,033	0	0	1,401	330	4,764
Lease liabilities (current)	1,622	–2,221	0	3,000	0	2,401
Convertible bond	0	71,811	0	–4,443	3,117	70,485
	9,752	70,004	0	4,401	3,447	87,604

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 1.333 k (2018: EUR 4.401 k) please refer to note 30.

The cash flow of EUR 53.854k in the convertible bond in the table above relates to EUR 58.592k cash inflow for proceeds from issue convertible bond and EUR 4.738k on cash outflow for interest paid. Refer to note 22 on the convertible bond. The addition/movement of EUR 2.944k in the convertible bond in the table relates to the non-cash equity component of the convertible bond which has been classified as equity. Additional information on convertible bonds and movements during the financial year is disclosed in note 22. The total cash-flow of short term borrowing – bank overdraft is mentioned in the cash-flow as part of working capital changes.

25. Financial instruments

Categories of financial instruments

	Financial assets at fair value through profit or loss		Loan and receivables	
	Year ended 31.12.2019	Year ended 31.12.2018	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Trade and other receivables	0	0	40,894	33,580
Other financial assets	0	0	50,581	34,422
Cash and cash equivalents	0	0	62,653	24,338
Total financial assets	0	0	154,127	92,340

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	
	Year ended 31.12.2019	Year ended 31.12.2018	Year ended 31.12.2019	Year ended 31.12.2018
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Non-current liabilities (excluding lease)	0	0	127,365	67,647
Trade and other payables	0	0	32,004	28,436
Loans and borrowings (excluding lease)	0	0	15,431	13,892
Other current liabilities	0	0	8,154	6,087
Total financial liabilities	0	0	182,954	116,063

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 2020 on the Group profit or equity, since the credit facility is only partly used for a very short period and the convertible bond has a fixed interest rate of 4.5 % p. a.

Credit risk

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

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

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

Liquidity risk

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

The Group's liquidity needs are affected by many factors, some of which are based on the normal ongoing operations of the business, and others that relate to the uncertainties of the global economy and the industry. Although cash requirements fluctuate based on the timing and extent of these factors, the Group believes that cash generated from operations, together with the liquidity provided by existing cash and cash equivalents are sufficient to satisfy the current requirements, including the 2020 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 2019				
Non-current liabilities (excluding lease)	0	154,302	0	154,302
Trade and other payables	32,004	0	0	32,004
Loans and borrowings (excluding lease)	16,242	0	0	16,242
Other current liabilities	8,154	0	0	8,154
Total financial liabilities	**56,400**	**154,302**	**0**	**210,702**
At 31 December 2018				
Non-current liabilities (excluding lease)	0	67,647	0	67,647
Trade and other payables	28,436	0	0	28,436
Loans and borrowings (excluding lease)	13,892	0	0	13,892
Other current liabilities	6,087	0	0	6,087
Total financial liabilities	**48,416**	**67,647**	**0**	**116,063**

Capital management

The Group manages its equity to ensure it will be able to continue as going concern with an emphasis on capital preservation. After the acquisition of the Farmaline business, the successful listing in the Prime Standard market segment of the Frankfurt Stock Exchange on 13 October 2016 and the acquisition of the Europa Apotheek business on 8 November 2017 through issuance of new shares, the Group's overall strategy is leadership in all relevant European markets. The Group is subject to reporting and governance rules of the Dutch Autoriteit Financiële Markten (AFM) and the Frankfurt Stock Exchange and has been listed in the SDAX of the Frankfurt Stock Exchange since 24 September 2018. As of 21 June 2019, the issued convertible bonds are listed in the Euronext Amsterdam (AEX).

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

In the annual report 2019 no related parties with outstanding balances are presented since outstanding balances to related parties do not exist as at 31 December 2019.

26.1 Loans to key management personnel

The Group has not provided any loans to its key management in 2019.

26.2 Compensation of key management personnel

The compensation of key management personnel is disclosed in the remuneration report.

26.3 Loans from related parties

As in 2018, no loans from related parties were obtained in 2019.

26.4 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*	Amounts owed to related parties*
Joint venture in which the parent is an venturer:					
König IDV GmbH	2019	–	347	–	22
	2018	–	272	–	21
König IT-Systeme GmbH	2019	–	–	–	–
	2018	–	–	–	–

* 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 company

Details of the employee share option plan of the company
The company has a share option scheme for a selected group of employees (mostly senior management) of the company and its subsidiaries. In accordance with the terms of the plan 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 company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

At the annual general meeting of April 26, 2018 shareholders granted options to purchase ordinary shares to certain employees. In addition, the annual general meeting of April 2, 2019 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 in EUR	Fair value grant date in EUR
1a	171,000	26.04.2018	01.01.2020	01.01.2022	45.20	8.36
1b	171,000	26.04.2018	01.01.2021	01.01.2022	45.20	8.36
2	36,000	26.04.2018	01.01.2020	01.01.2022	34.81	12.09
3a	30,000	12.07.2018	01.01.2020	01.01.2022	45.20	14.58
3b	30,000	12.07.2018	01.01.2021	01.01.2022	45.20	14.58
4a	29,500	13.06.2018	01.01.2020	01.01.2022	45.20	10.06
4b	29,500	13.06.2018	01.01.2021	01.01.2022	45.20	10.06
5a	1,500	24.08.2018	01.01.2020	01.01.2022	45.20	15.16
5b	1,500	24.08.2018	01.01.2021	01.01.2022	45.20	15.16
6a	78,333	02.07.2019	18.06.2021	30.06.2026	35.50	12.72
6b	78,333	02.07.2019	18.06.2022	30.06.2026	35.50	12.72
6c	78,333	02.07.2019	18.06.2023	30.06.2026	35.50	12.72

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 12,72 (2018: 9,20). 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 real value of the option. The Black-Scholes valuation method for option valuation was used, taking into account the terms and conditions on which the share options were granted.

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.

No share options were granted to members of the Supervisory Board.

For the number of share options granted to the Managing Board see the remuneration report.

Inputs to the model

Inputs to the model	Series 1a	Series 1b	Series 2	Series 3a	Series 3b	Series 4a	Series 4b	Series 5a	Series 5b	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)	2	3	2	2	2	2	2	2	3	2	3	4
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

Since the underlying stock of the option has limited historical prices, the stock's standard deviation is based on a different (but comparable) stock than the underlying. The long-term standard deviation of the underlying stock is determined using historical daily returns between June 18, 2014 up until June 28, 2019.

The dividend yield is equal to 0.00%, since the company has not been profitable so far.

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

	2019		2018	
	Number of options	Weighted average exercise price in EUR	Number of options	Weighted average exercise price in EUR
Balance at beginning of the year	500,000	44.45	-	-
Granted during the year	235,000	35.50	500,000	44.45
Forfeited during the year	-82,000	45.20	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Total financial liabilities	**653,000**	**41.14**	**500,000**	**44.45**

The different options are are exercisable as of:

- January 1, 2020: 227,000 options
- January 1, 2021: 191,000 options
- June 18, 2021: 78,333 options
- June 18, 2022: 78,333 options
- June 18, 2023: 78,333 options

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 41.14 (2018: EUR 44.45) and a weighted average remaining contractual life of 432 days (2018: 536 days).

Regarding the share option plan, a total expense-amount of EUR 2,967 k was recognised in the 2019 result (2018: EUR 1,450 k).

28. Business combinations during the period

Subsidiaries acquired

During 2019, no new entities were acquired by the Shop Apotheke Group.

29. Business combinations completed in prior period

Subsidiaries acquired

During 2018, the following entities were acquired by the Shop Apotheke Group:

- 100% of the shares of nu3 GmbH.

Acquisition of nu3 GmbH

On 12 July 2018, the Shop Apotheke Group acquired 100% of the shares of nu3 GmbH ("nu3") in order to further expand the product range to a younger target group with functional nutrition products.

SAE acquired nu3 by way of a combination of cash and new shares of SAE, created via a capital increase.

The total consideration transferred is 54.470 new shares, which is based on the share price at acquisition date (EUR 50,20 per share) = EUR 2.734,4k, plus a cash payment of EUR 5.363k.

The results of nu3 are consolidated effective from 12 July 2018 (and directly contributed to the earnings per share). The acquisition has been financed from issuing new shares and cash.

Consideration transferred

	Book value	Adjustment	Fair value
	EUR 1,000	EUR 1,000	EUR 1,000
Tangible fixed assets	48	0	48
Intangible fixed assets	114	7,593	7,707
Financial fixed assets – participations	25	0	25
Inventory	3,488	0	3,488
Trade receivables	1,574	0	1,574
Other receivables	785	0	785
Cash	984	0	984
Provisions	–1,034	0	–1,034
Non-current liabilities	0	0	0
Trade payables	–3,131	0	–3,131
Other payables and current liabilities	–3,421	0	–3,421
Goodwill on acquisition	0	2,975	2,975
Deferred tax liabilities	0	–1,898	–1,898
Total consideration	–568	8,670	8,102

No contingent consideration arrangements apply.

The goodwill arising on the nu3 acquisition is not deductible for tax purposes.

Impact of acquisition on the results of the Group

Included in the gross profit for the year 2018 is EUR – 3.1 m attributable to the additional business generated by the nu3 acquisition. Revenue for the year 2018 includes EUR 13.0 m in respect of the nu3 business.

Should the acquisition have been at 1 January 2018, contribution to the revenue 2018 would have been EUR 28.5 m.

In 2018, the group incurred acquisition related costs for an amount of EUR 1.1 m (2017: EUR 4.7 m). These costs have been included in selling & distribution expenses (EUR 924 k) and administrative expenses (EUR 134 k).

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.

Initial recognition values were based on the net present value of the contractually agreed lease payments as per 1 January 2017 for existing contracts, and on the net present value of the remaining contractually agreed lease payments as per applicable starting dates for lease contracts with a later starting date.

The development of right-of-use assets and lease liabilities in the year was as follows:

	Right of Use Asset	Lease Liability
	EUR 1,000	EUR 1,000
Balance 1 January 2018	4,542	4,655
Additions	4,401	4,401
Depreciation charge	– 2,238	0
Interest expense	0	330
Cash-out lease payments	0	– 2,221
Balance 31 December 2018	**6,705**	**7,165**
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**

	31.12.2019	31.12.2018
	EUR 1,000	EUR 1,000
Balance 1 January 2018	4,147	4,764
Additions	2,258	2,401
Balance 31 December 2018	**6,406**	**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 2018	2,444	5,031	521	7,996
Movements 2019	– 120	– 714	– 148	– 982
As at 31 December 2019	**2,324**	**4,317**	**373**	**7,014**

31. Contingent liabilities

Corona virus

The new Coronavirus disease known as COVID-19 has spread rapidly since the outbreak began in China in December 2019. At the moment of preparing these financial statements we are not aware of any significant impact on our business. We have experienced a temporary surge of customer orders but as of today, order levels have returned to normal. Going forward, the situation is characterized by a very high degree of uncertainty. The impact on our business could be favorable or very unfavorable. We are closely monitoring our supply chain, tightened our internal hygiene standards and established a task force to monitor the situation and protect our workforce as well as our operations.

Guarantees

Guarantee obligations regarding rental contracts have been provided by the Group for EUR 337 k.

Credit facility

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

Fiscal unity

For the purpose of value added tax, SHOP APOTHEKE EUROPE N. V., SA Europe BV, Euroservice Venlo BV, Shop Apotheke BV, Vitazita BV, Shop Apotheke Services BV, EHS Europe Health Services BV, EHSC BV, Europa Apotheek Venlo BV and Europa Apotheek Venlo Services BV 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). With the acquisition of 100 % of EHS Europe Health Services B. V., a second corporate income tax fiscal unity consisting of EHSC B. V., Europa Apotheek Venlo B. V. and Europa Apotheek Service Venlo B. V. has been added, and its members are severally liable for the corporate income tax owed by that fiscal unity, and EHS Europe Health Services B. V. has been added as an additional separate corporate income tax unit.

Article 403 of the Dutch Civil Code

As of its incorporation on 30 September 2015, SHOP APOTHEKE EUROPE N. V. is liable for the Dutch group companies SA Europe B. V., Shop Apotheke B. V., Shop Apotheke Service B. V., VitaZita B. V., EuroService Venlo 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 2019 (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 contractual obligations for the lease of property of the new distribution center as at 31 December 2019. This lease will commence per 1 April 2020 and has a duration of 15 years. The estimated total future payments per year amounts approx. EUR 3.4 million. Since the company does not have the right of use of the property as per 31 December 2019 and the contract is subject to a development agreement which has to be fulfilled its lease contract has not been accounted for in accordance with IFRS 16.

Furthermore 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 total outstanding contract value of the off balance sheet commitments as at 31 December 2019 amounts to EUR 40.887 k. Of which is EUR 35.052 k is due in 2020 and EUR 5.835 k is due in 2021.

Legal proceedings

SHOP APOTHEKE EUROPE and its subsidiaries are parties to a number of other legal proceedings arising out of their business operations. SHOP APOTHEKE EUROPE believes that the ultimate resolution of these proceedings will not, in the aggregate, have a material adverse effect on SHOP APOTHEKE EUROPE's financial position, results of operations or cash-flows. Such other legal proceedings, however, are subject to inherent uncertainties and the outcome of individual matters is unpredictable. It is possible that SHOP APOTHEKE EUROPE could be required to make expenditures, in excess of established provisions, in amounts that cannot reasonably be estimated.

32. 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 new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. This standard is not applicable to the Group.

Amendments to IFRS 3: Definition of a Business

In October 2018, 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. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

33. Events after the reporting date

No events occured after the end of the reporting period that should be adjusted and/or disclosed in the financial statements.

34. Other Information

Auditor's fees

The company's 2019 financial statements were audited by Mazars Accountants N.V. (2018: BDO Audit & Assurance B.V.) The following auditor's fees were expensed in the Statement of Profit and Loss in the reporting period:

	Year ended 31.12.2019			Year ended 31.12.2018	
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
	Mazars Accountants NV	Other network	Other audit firms	BDO Audit & Assurance B.V.	Other network
Audit of the financial statements	255	15	–	215	–
Other audit related services	–	–	56*	50**	–
Other audit procedures – capital increase/acquisitions	–	–	–	36,7	–
Total	255	15	56	302	-

* This amount includes 56k relating to the audit 2018.
** This amount includes 50k relating to the audit 2017.

Approval and signing
of the Consolidated Financial Statements

Venlo, 16 March 2020

Management Board Members

Stefan Feltens
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 2019

Before appropriation of result	Notes	31.12.2019	31.12.2018
		EUR 1,000	EUR 1,000
Assets			
Financial fixed assets			
Subsidiaries	3	160,116	181,971
Current assets			
Trade and other receivables		603	518
Receivables from Group companies	4	151,281	66,640
Tax receivables		0	1,241
Other financial assets		53,081	34,422
Cash and cash equivalents	5	13,577	146
		218,542	102,967
Total assets		**378,658**	**284,938**
Equity and liabilities			
Capital and reserves			
Issued capital		269	241
Share premium		340,923	291,803
Legal reserves		8,509	4,748
Equity part on convertible bonds		7,384	4,443
Reserve for stock option plan		4,417	1,450
Accumulated losses		-92,470	-55,100
Net income for the year		-36,270	-33,609
Shareholders' equity	6	232,762	213,976
Non-current liabilities			
Loans and borrowings	7	127,250	67,498
Provisions for subsidiaries	3	7,061	0
		134,312	67,498
Current liabilities			
Trade and other payables	7	100	144
Loans and borrowings		5,264	0
Payables to Group companies	8	6,456	0
Other liabilities	9	-236	3,320
		11,584	3,464
Total equity and liabilities		**378,658**	**284,938**

COMPANY STATEMENT OF PROFIT AND LOSS.

For the year ended 31 December 2019

	Notes	Period ended 31.12.2019	Period ended 31.12.2018
		EUR 1,000	EUR 1,000
General & administrative expenses		-1,422	-1,386
Total expenses		**-1,422**	**-1,386**
Other income		0	1
Financial income		1,223	1,243
Financial expenses		-7,154	-3,854
Result before tax		**-7,353**	**-3,996**
Income tax expenses		0	0
Share of post-tax results of subsidiaries	3	-28,917	-29,613
Net result		**-36,270**	**-33,609**

NOTES TO THE COMPANY FINANCIAL STATEMENT.

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.

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 2018	43,419	168,166	211,585
Result 2018	-22,767	-6,846	-29,613
Balance 31 December 2018	**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**

4. Receivables from Group companies

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

	31.12.2019	31.12.2018
	EUR 1,000	EUR 1,000
SA Europe B.V.	71,443	66,640
Euroservice Venlo. B.V.	49,151	0
Europa Apotheek Service B.V.	27,856	0
Shop Apotheke B.V.	2,826	0
Vita Zita B.V.	6	0
Balance 31 December	**151,281**	**66,640**

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

5. Cash and cash equivalents

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

6. Shareholder's equity

The total authorised number of ordinary shares is 13,463,815 at 31 December 2019 (31 December 2018: 12.074.926) with a par value of EUR 0.02 per ordinary share. The issued and paid-up share capital of the company amounts to EUR 269 k divided into ordinary shares of EUR 0.02 each.

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 2019 relate to the net balance of capitalization and amortization of software development.

	Legal reserves
	EUR 1,000
Balance, 1 January 2018	12,524
Changes	–7,776
Balance, 31 December 2018	4,748
Changes	3,761
Balance 31 December 2019	8,509

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 m. 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 m. Each bond entitles the holder to convert to ordinary shares at a conversion price of EUR 46.6864.

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

The short term liability portion of the convertible bond amounts EUR 5.264 k (31 December 2018: EUR 2.995 k).

8. Payables to Group companies

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

	31.12.2019	31.12.2018
	EUR 1,000	EUR 1,000
Shop Apotheke Service B.V.	6,076	0
Europa Apotheek Venlo B.V.	381	0
Balance 31 December	6,457	0

9. Personnel

The number of employees employed by SHOP APOTHEKE EUROPE N.V. at 31 December 2019 was 0 (31 December 2018: 0).

10. Commitments and contingencies

SHOP APOTHEKE EUROPE N.V. forms a fiscal unity together with its Dutch subsidiaries SA Europe BV, Euroservice Venlo BV, Shop Apotheke BV, Vitazita BV, Shop Apotheke Services BV, EHS Europe Health Services BV, EHSC BV, Europa Apotheek Venlo BV and Europa Apotheek Venlo Services BV for the purposes of Dutch value-added tax laws. As a consequence, the company bears joint and several liability for the debts with respect to value-added taxes of the fiscal unity.

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

Furthermore SHOP APOTHEKE EUROPE N.V. is liable for its German group company Nu3 GmbH in accordance with paragraph 264.3 of the German Civil Code.

Credit facility

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

11. Related party transactions

Outstanding balances from related parties are disclosed in note 4 and note 8. No other related parties with outstanding balances are presented since outstanding balances to related parties do not exist as at 31 December 2019.

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 2019.

11.3 Loans from related parties

As in 2018, no loans from related parties were obtained in 2019.

12. Auditor's fees

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

13. Events after the balance sheet date

No events occurred after the end of the reporting period that should be adjusted and/or disclosed in the financial statements.

14. Appropriation of result for the period 1 January 2019 – 31 December 2019

The board of directors proposes that the loss for the period 1 January 2019 – 31 December 2019 amounting to EUR –36.271 k should be deducted from the other reserves.

15. Signing of the financial statements

Venlo, 16 March 2020

Signed Statutory directors:
Stefan Feltens
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 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 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 2019, and of its result and its cash flows for 2019 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 2019 and of its result for 2019 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 2019;
2. the following statements for 2019: 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:
1. the company balance sheet as at 31 December 2019;
2. the company statement of profit and loss for 2019; and
3. 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 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 208 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;
- used the work of other auditors when auditing entity nu3 GmbH in Germany;
- performed review procedures or specific audit procedures 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 matters

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 matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of intangibles assets

As at 31 December 2019 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.

Financing and working capital

During 2019 the company issued a EUR 60 million convertible bond together with the issuance of EUR 50 million new shares which are disclosed in Note 3.1 Basis of preparation, Note 21 Shareholders' equity, and Note 22 Loans and Borrowings.

The assessment of financing and working capital position at year-end 2019 was important for our audit as the related amounts are significant and represents the capacity of the company to fulfil its financial obligations.

We assessed whether the accounting of the convertible bond and the equity component included in the convertible bond were in accordance with IFRS. Furthermore we verified that cash proceeds resulting from the issuance of the bond and shares were received.

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:

- the Combined Management Report (excluding the non-financial information paragraph);
- Remuneration report;
- 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, 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 combined management 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

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.

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 appropriateaudit 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, 16 March 2020

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

Adjusted EBITDA
EBITDA before certain non-recurring or extraordinary items

Administrative expenses
Corporate overhead costs related to IT, finance and management and excluding depreciation and amortization

AFM
Dutch Authority for the Financial Markets (Autoriteit Financiële Markten)

Articles of Association
Articles of Association (statuten) of the company

BPC
Beauty and personal care

Brick-and-mortar pharmacies
Traditional pharmacies with a local/physical presence

CAGR
Compound annual growth rate

Combined segment EBITDA
The total segment EBITDA for our operating segments

Continental Europe
Germany, France, Italy, Spain, Poland, Romania, the Netherlands, Belgium, Portugal, the Czech Republic, Hungary, Sweden, Bulgaria, Denmark, Slovakia, Norway and Austria

CRM
Customer relationship management

DFSA
Dutch Financial Supervision Act (Wet op het financieel toezicht)

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortization

ERP
Enterprise resource planning

Europa Apotheek (Group)
EHS Europe Health Services B.V. including its direct and indirect subsidiaries

Farmaline acquisition
Acquisition of all relevant assets and agreements of the online business of the Belgian online pharmacy Farmaline

FRSA
Dutch Financial Reporting Supervision Act (Wet toezicht financiële verslaggeving)

GDP
Gross domestic product

General Meeting
General meeting (algemene vergadering) of the company

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

IFRS
International Financial Reporting Standards as adopted by the European Union

Management Board
The company's Management board

Mobile visits
Site visits originating from tablets and smartphones as well as other non-desktop computer based means of visiting our sites, such as smart TVs

Non-GAAP measures
Measures not defined by IFRS used as key figures by our management to monitor the performance of the Group included in the prospectus

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

OTC medications
Medicines sold to a customer without a prescription from a healthcare professional, as compared to prescription-only medicines, which may be sold only to customers who have a valid prescription

Personal care
Industry that manufactures consumer products used for personal hygiene as well as beautification

Pharmacy-related BPC products
Personal care products that are almost exclusively distributed through pharmacies

Return rate
Percentage of billed orders that incorporated a return or reclamation of total billed orders in a given time period.

SEA
Search engine advertising

Segment EBITDA
Defined as EBIT for each segment before depreciation and amortization expenses and administrative expense. "Administrative expenses" relates to corporate overhead costs relating to IT, finance and management and excludes depreciation and amortization

SEO
Search engine optimization

Share of mobile visits
Mobile visit as a percentage of site visits

Share of repeat orders
Percentage of total orders billed during the measurement period that are not the initial order bill to the customer

Site visits
Interaction of a visitor on our website; a visit is considered terminated when the visitor leaves the browser tabor has not interacted with the page for more than 30 minutes

WPG
Medicines Prices Act
(Wet geneesmiddelenprijzen)

FINANCIAL CALENDAR. EVENTS.

30 April 2020
Annual General Meeting, Venlo

14 May 2020
Publication of the results for 3M 2020

6 August 2020
Publication of the results for H1 2020

5 November 2020
Publication of the results for 9M 2020

IMPRINT.

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shop-apotheke.com
Postfach 410118
41241 Mönchengladbach

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

Commercial Register:
K.v.K. (Dutch Chamber of Commerce) Venlo 63956004

Responsible pharmacist:
T. Holler
(legal occupational title: pharmacist, entered in the
Dutch pharmacy registry:
BIG number: 99054129717)

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

Responsible health authority:
Staatstoezicht op de Volksgezondheid:
Inspectie voor de Gezondheidszorg, Regio Zuidoost

Service hotline.:
0800 - 200 800 300
(toll-free for calls originating from Germany's
fixed-line of mobile networks)
Monday to Saturday from 8 am to 8 pm

Fax:
0800 – 90 70 90 20

Websites:
www.shop-apotheke.com
www.shop-apotheke.at
www.shop-pharmacie.fr
www.shop-apotheke.ch
www.farmaline.nl
www.farmaline.be
www.shop-farmacia.it

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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/

Image rights:
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iStock | shutterstock.

Concept, text and layout:
SHOP APOTHEKE with the collaboration of
rikutis consulting, Hamburg and
pom point of media GmbH, Willich

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