SHOP APOTHEKE
EUROPE

ANNUAL REPORT
2016

SHOP APOTHEKE
EUROPE

ANNUAL REPORT.
GESCHÄFTSBERICHT.
BILAN DE SOCIÉTÉ.
JAARSVERSLAG.
RAPPORTO DI GESTIONE.
MEMORIA ANUAL.

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OUR MISSION.

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

KEY FIGURES.

HIGHLIGHTS 2016.

€177m (+41 %)
Revenue FY 2016

1.8m (+43 %)
Active customers

73 %
Repeat orders

3.5m
Average monthly visits

> 100k
Available products

01

OUR COMPANY.

INTRODUCING EUROPE'S LEADING ONLINE PHARMACY.

"OUR EUROPEAN CUSTOMERS' HEALTH IS A MATTER OF THE HEART TO US."

Michael Köhler
CEO and major shareholder SHOP APOTHEKE EUROPE.

As **Europe's leading online pharmacy** we not only offer our customers a broad range of products from the world of healthcare products at attractive prices, focusing on non-prescription medications (OTC), pharmacy-related beauty and personal care products (BPC) plus other items typically found in pharmacies; in addition, high-quality online consulting and outstanding customer counseling by our specialist pharmaceutical staff ensures a high level of pharmaceutical safety and enables our customers to make well-informed purchasing decisions. We leverage our many years of experience and our innovative thinking to continuously develop and improve our services.

With our brand **SHOP APOTHEKE** we are clear market leaders in **Germany** and **Austria** for **OTC** and **BPC products**; we also launched **SHOP PHARMACIE** in **France** and **Belgium** successfully. In September 2016 we acquired the business of the **Belgian online pharmacy FARMALINE**. The seamless integration of the FARMALINE business in the fourth quarter 2016 enabled us to accelerate the **expansion** into **Italy** and **Spain** while further **enhancing our market positions** in **Belgium, France** and **Austria**.

Fast delivery and easy-to-use services are also of great importance to us. Our comprehensive database on medications, their proper use, as well as possible side effects and interactions with other medications ensures a high standard of pharmaceutical safety for our customers. Combined with a superior product selection, a convenient shopping experience and outstanding pharmaceutical counseling, we offer our customers a very strong value proposition.

SHOP APOTHEKE EUROPE AT A GLANCE.

- Europe's leading online pharmacy for OTC and personal care products.
- Founded in 2001 as an online shop of a local pharmacy in Germany.
- Headquarters in Venlo (the Netherlands) with offices in Cologne and Düsseldorf (Germany), Paris (France) and Tongeren (Belgium).
- Active in seven Continental European markets.
- Clear market leader in Germany and Austria (OTC and BPC products).
- Successful online shops in Belgium, the Netherlands, France, Italy and Spain.
- Broad variety of more than 100,000 products at attractive prices.
- Highest standards of pharmaceutical safety.
- Outstanding customer counseling.

CREATING THE OTC ONLINE PHARMACY BRAND FOR EUROPE.

"THE SYNONYM FOR OTC ONLINE PHARMACIES IN A RAPIDLY GROWING MARKET."

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

The majority of retail verticals in Europe have strong brands in both areas, offline and online. Unlike other segments, the brick-and-mortar pharmacy segment does not have a comparable leading European brand. Among the key reasons for this are high market entry barriers for the pharmacy segment (in particular complex regulations resulting in a high market fragmentation).

SHOP APOTHEKE EUROPE plays a pioneering role in a highly attractive market segment where growth is driven by the shift towards e-commerce as well as the steadily growing demand for non-prescription (OTC) medications and pharmacy-related beauty and personal care (BPC) products.

We plan to further strengthen our market leadership and establish SHOP APOTHEKE EUROPE as the synonym for the OTC online pharmacies in Europe. Demographic change, growing health awareness and the trend towards self-medication are driving the demand for OTC medication and pharmacy-related beauty and personal care products. On the one hand, the ongoing trend towards online retail is positively influencing the growth of our markets in Europe, while on the other hand our strong IT infrastructure and country-specific cultural know-how form a solid foundation for the attainment of our goals.

SHOP APOTHEKE FARMALINE

OUR BUSINESS MODEL'S STRIKING ADVANTAGES.

PRESENTING A SUCCESSFUL EUROPEAN GROWTH STORY.

- € 177.4 m (+41 %) revenue FY 2016.
- € 36.3 m (+41 %) gross profit FY 2016.
- 1.8 m (+43 %) active customers.
- 73 % repeat orders.
- 3.5 m average monthly visits.

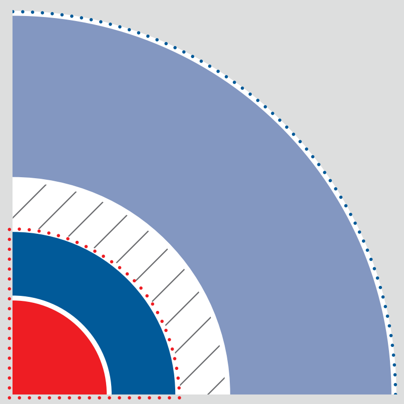
"WE ARE ENTREPRENEURS WHO ACTIVELY INVEST IN EUROPEAN MARKET LEADERSHIP USING OUR FIRST MOVER ADVANTAGE."

Dr. Ulrich Wandel CFO SHOP APOTHEKE EUROPE.

Acquiring the Belgian online pharmacy **FARMALINE** in fall 2016 was, together with the successful IPO in Frankfurt, Germany, a milestone in our internationalization strategy. Not only did we strengthen our leading position in the Belgian and French markets, but we also expanded simultaneously into Spain and Italy, two large Continental European markets, in just one step. This definitely strengthens our position as the leading European online pharmacy and is a solid base to continue our growth story in the future.

By investing in our IT, logistics and sales capabilities and capacities, we make sure that our key competitive strengths – excellent pharmaceutical consulting services and fast, low-cost delivery – will keep pace with our company's ongoing development. At the same time, this enables us to benefit from economies of scale.

HUGE MARKET OPPORTUNITIES IN CONTINENTAL EUROPE[2] WITH A CURRENT FOCUS MARKET OF € 33 BN.



RX = highly restrictive regulation € 120bn[1])
Non-pharmacy-related BPC € 31bn
Pharmacy-related BPC € 19bn
OTC medication € 14bn

Entire Pharma and BPC € 184bn

Source: SHOP APOTHEKE EUROPE, Sempora Research, Cosmetics Europe Research. All market sizes exclude VAT. Note: OTC is defined as non-prescription medication. Continental Europe excludes the 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. 1) Based on Sempora estimates (2015) incl. VAT adjusted by Rx VAT rate (source: Statista). 2) Euromonitor International; online penetration calculated by dividing the internet retailing market size across Continental Europe by the total market size for each vertical.

DEFINING TOP PHARMACEUTICAL STANDARDS.

"OUR CUSTOMERS CAN ALWAYS RELY ON OUR PHARMACEUTICAL EXPERTISE AS THE LEADING ONLINE PHARMACY."

Theresa Holler
COO and responsible pharmacist SHOP APOTHEKE EUROPE.

Our very special focus as an online pharmacy has always been on confidentially advising and safely providing OTC products for our customers. Our pharmaceutical know-how is an important part of **SHOP APOTHEKE EUROPE's** business strategy. Customers can rely on our pharmaceutical consulting hotline, where pharmacists and specially trained pharmaceutical experts make sure to provide them with individual and personal advice about OTC products.

Our parcels containing OTC medications include a personalized letter (from a continuously increasing stock of currently more than 5,000 letters developed by our pharmaceutical team) to the customer, containing pharmaceutical interaction checks. We ensure this high standard of pharmaceutical safety for our customers using our comprehensive database on medications, their proper use as well as interactions with other medications. All personal data provided to us are treated as strictly confidential.

CONTINUOUSLY MAXIMIZING THE TECHNOLOGICAL INFRASTRUCTURE.

“NO MATTER WHAT WE DO, TO GET BETTER RESULTS AND EFFECTIVE OUTCOMES EVERY DAY, TECHNOLOGIES COME FIRST.”

Marc Fischer
CTO and co-founder SHOP APOTHEKE EUROPE.

Being the OTC online pharmacy for Europe means to us that technology is of highest priority to fulfill all demands. We are continuously developing our technological infrastructure, which is relevant for the whole process in our corporation. Being pioneers in the online field, we have the experience and the technological know-how to be able to develop our very own concepts and solutions for our online shops as well as for different departments such as logistics or customer services.

Since our very special focus as an online pharmacy is on speed, flexibility and lean processes, the degree of automation will be spurred substantially. For this reason we invest on a massive scale in our technological platform, always seeking new ways to maximize our performance.

TAILOR-MADE SOLUTIONS FOR A DIGITAL WORLD.

At our locations in Cologne, Düsseldorf and Venlo, we are developing high-performance and perfectly interlinked solutions for electronic commerce on the Internet. We have more than 10 years of experience in the development of e-commerce technologies.

In addition to comprehensive consulting, we also offer the development of powerful e-commerce solutions and services. The integration of various external solutions via application programming interfaces (API interfaces) makes it easy and fast to integrate almost any external application into our e-commerce platform.

We attach great importance to the data security of our systems. The use of common and generic Internet technologies makes our solutions highly compatible with nearly all solutions on the market.

02

OUR CUSTOMERS.

MAKING OUR CUSTOMERS' LIVES HEALTHIER WITH JUST ONE CLICK.

WE CARE FOR FAMILIES.

OUR TARGET GROUPS.

CORE TARGET GROUP, **WOMEN AGE 31 TO 59** AND FAMILIES.
67%

GOLDEN AGERS, **WOMEN & MEN,** AGE 60 PLUS.
23%

FUTURE CORE TARGET GROUP, **WOMEN YOUNGER THAN 30.**
10%

SHOP APOTHEKE mainly focuses on families as its customers with marketing efforts particularly geared towards mothers.

They are often the **family's "health manager"** in charge of caring for all family members' needs for **OTC medications** as well as **pharmacy-related beauty- & personal care products** throughout the year, e.g. by re-stocking the medicine cabinet or putting together the first aid-kits for holidaytrips.

Knowing our target groups makes us aim and reach beyond. Therefore, we continuously **listen to their needs**, their **expectations** and **wishes**.

We use **market research** on local level to better understand our **customers' attitudes** and **emotions**, to get insights that are critical to our strategic process.

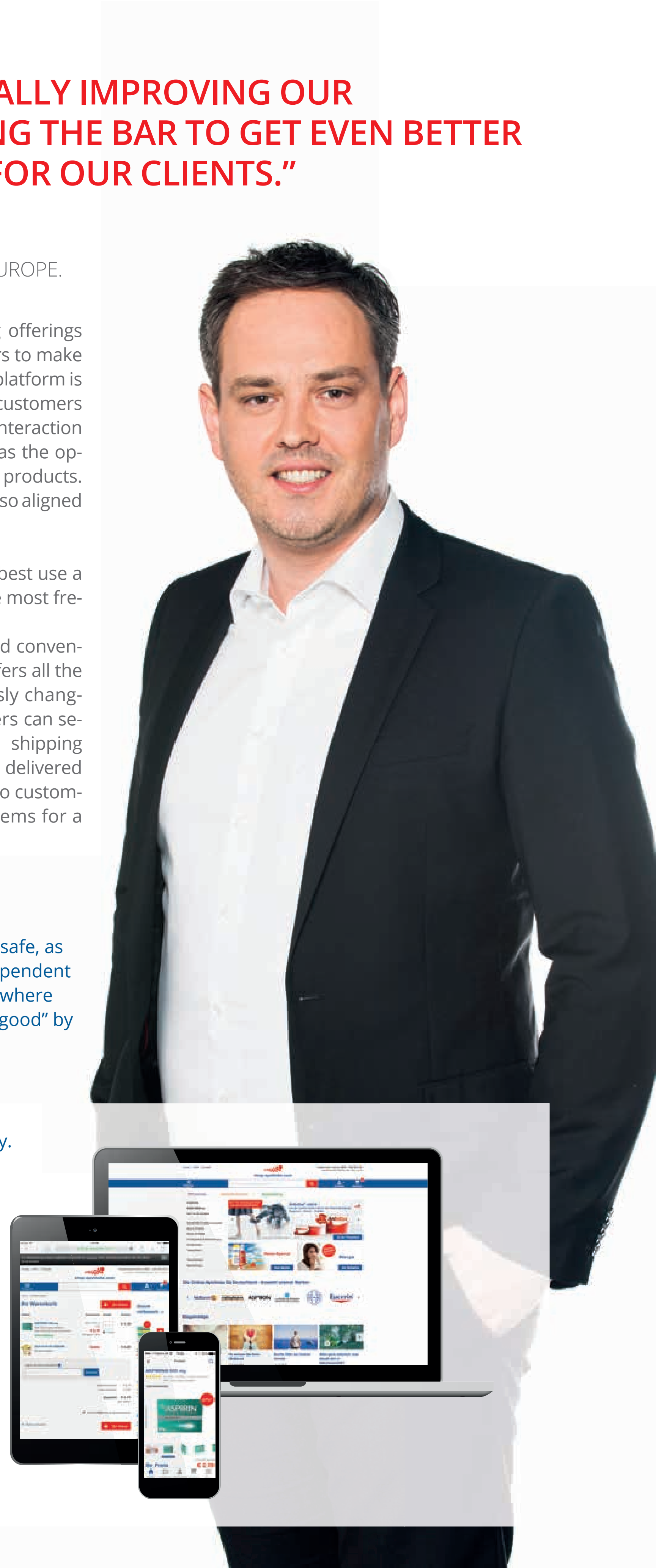
03

OUR COMPETENCES.

CONTINUOUSLY STRIVING FOR OPERATIONAL EXCELLENCE.

“WE ARE CONTINUALLY IMPROVING OUR ACTIVITIES, PUSHING THE BAR TO GET EVEN BETTER ONLINE SERVICES FOR OUR CLIENTS.”

Patrick Schneider
Director Sales SHOP APOTHEKE EUROPE.



Our comprehensive information and consulting offerings set new industry standards and enable customers to make well-informed purchasing decisions. Our central platform is the clearly structured website, which provides customers with detailed information on the ingredients, interaction checks and correct dosage for products as well as the opportunity to download package inserts for OTC products. The shopping experience at **SHOP APOTHEKE** is also aligned with customer preferences.

More than **700 application videos** show how to best use a product and provide helpful hints addressing the most frequent customer questions.
The online shop has been optimized for easy and convenient use with PCs, smartphones and tablets. It offers all the benefits of dynamic websites such as continuously changing special offers and full-text search. Customers can select their preferred method of payment and shipping provider from a range of options. Orders are delivered within one to two working days – free of charge to customers in Germany and Austria when they order items for a minimum of 19 Euros.

OUR CERTIFICATIONS.

Making online purchases at SHOP APOTHEKE is safe, as proven by the seals of approval granted by independent testing centers like TÜV Nord or Trusted Shops, where Germany’s shop-apotheke.com was rated “very good” by over 90,000 customers.

- EN ISO 9001 : 2015 certified by TÜV.
- Trusted Shops certified since 2002.
- EU logo as officially registered online pharmacy.
- ECC Certificate of Excellence 2012 – 2015.
- Member of EAMSP.

SETTING NEW STANDARDS AMONG MAIL ORDER PHARMACIES IN EUROPE.

“ALREADY PREPARED TO EFFECTIVELY MEET TOMORROW’S DEMAND.”

Christian Brüggemann
Director Operations SHOP APOTHEKE EUROPE.

Originally founded in Cologne, Germany, today our headquarters, pharmacy, customer services and logistics center are located in Venlo, the Netherlands. High-performance structures in our organization ensure that all processes run smoothly. The underlying technological platform was developed specifically for our company and is tailored to the requirements of selling pharmaceutical products online.

While the **IT systems** currently process more than **300,000 orders per month**, they have already been set up to effectively deal with a substantially greater volume. The increasing automation of processes at the logistics center will enable the company to send out over **1.5 million parcels per month** in future.

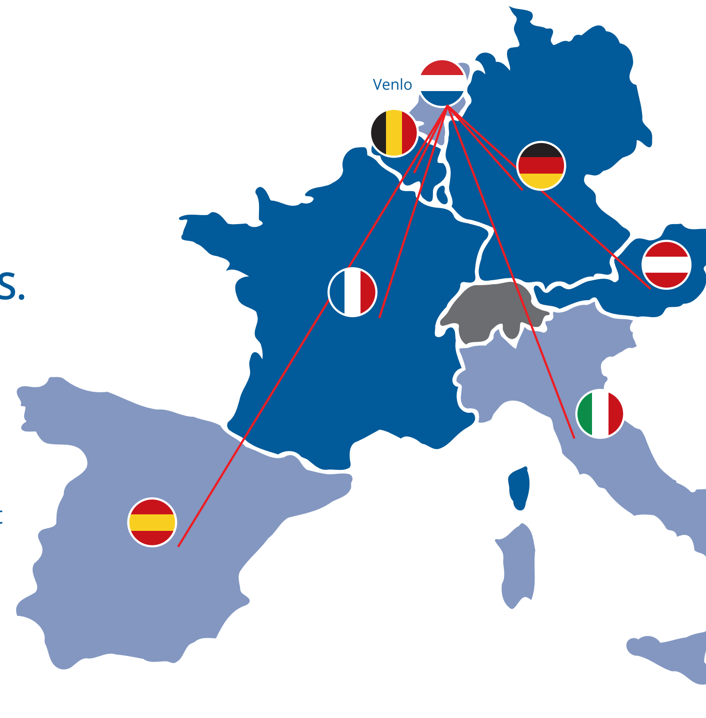
Our Logistics Department at a glance.

- Capacity of up to 65,000 shipments per day.
- Zero defect approach.
- Scanner-supported selection.

65,000 A DAY
(current maximum capacity)

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

Choosing Venlo in the Netherlands as operations center was a smart move. Located close to the Dutch-German border, it not only makes shipping orders to Germany efficient, but also acts as a central processing and distribution hub from which we ship to our customers in our different Continental European markets. Furthermore, it is an excellent base for future expansion.



DEDICATED TO OUR CUSTOMERS, COMMITTED TO THEIR HEALTH.

“OUR CUSTOMERS’ SATISFACTION INFORMS EVERYTHING WE DO.”

Monika Auberg
Director Customer Services SHOP APOTHEKE EUROPE.

A smile on our customer’s face is what we are aiming for in each and every conversation. We continue to invest in state-of-the-art technology to better communicate and to deliver a consistently outstanding experience for all our customers.

More than 50 colleagues in our customer service center make sure that no question remains unanswered. Expert staff members advise our customers in German, French, Dutch, English, Italian and Spanish via a toll-free hotline. All OTC products are mailed out with personalized, detailed and easy-to-understand information about correct dosage, potential side effects and interactions with other medications. By taking customers’ personal order histories into consideration, **SHOP APOTHEKE EUROPE** is able to include helpful advice regarding the intake of medications that have been ordered in the past.

It is very important to us that our customers can choose between different options in services. So, in Germany for example, they can personally decide if they prefer DHL or HERMES to deliever the order.

We embrace technology as a way to enhance the customer experience. Our mobile app, which is available for download for both the Android and iOS platforms, allows our customers to use their smartphones to order in a highly convenient way. We have continued to strengthen our presence on social media sites such as Facebook and Twitter through unique promotions.

KNOWING THE INNER SOUL OF YOUR BRAND.

"OUR BRANDING EFFORT SERVES AS AN EMOTIONAL BRIDGE BETWEEN OUR TARGET GROUPS AND OURSELVES."

Sven Schirmer
Director Brand Strategy, Communications & Media Services SHOP APOTHEKE EUROPE.

A brand is certainly more than just a name and a logo. We take care of the value of our brand. It is the total experience customers have with our company and crucial to increase loyalty and brand equity. Therefore, all our marketing communications use a consistent set of design and message elements based on our Brand Character. This consistent approach has been shown to be very effective in making us the preferred brand among online pharmacies by customers as well as by the pharmaceutical industry.

Our Brand Character definition reflects the factual product and its positioning as well as the personality of the brand that emotionally binds our customers.

PRODUCT FEATURES + POSITIONING STATEMENT + PERSONALITY TRAITS = BRAND CHARACTER PHRASE

Conveniently ordering headache pills, facial cream or insect repellent online while benefitting from comprehensive pharmaceutical consulting, easy-to-use-services, a huge product selection and fast delivery – that is what is special about the SHOP APOTHEKE retail experience. As one of the leading online pharmacies, we offer our customers more than 100,000 OTC and BPC products at attractive prices. The offerings provided by the online shops in the different countries are specifically tailored to the needs and requirements of the individual markets. No matter which country you are in: You will always find your world of health. Self-medication at its best.

THE BRAND CHARACTER PHRASE.

MY WORLD OF HEALTH

self-medication at its best.

COMBINING ONLINE MARKETING EXPERIENCE WITH OUT-OF-THE-BOX THINKING.

"ONE OF OUR SUCCESS FACTORS IS TO FOLLOW OUR POTENTIAL CUSTOMER'S SEARCH BEHAVIOUR."

Nana Lohmanns
Director Marketing SHOP APOTHEKE EUROPE.

Marketing and customer acquisition play a key role in the company's dynamic growth. Our customers can access the online shop via desktops, tablets, smartphones, or by using our new app, which means the company is ideally positioned to increase the share of its sales via mobile platforms. This is the reason why we focus on online marketing because it is where potential customers are and where they have direct access to our online shops.
The spectrum of classic online advertising, search engine marketing and optimization through affiliate networks, price comparisons, and sector-specific online activities offer sufficient online marketing options.

We also employ a wide variety of social media channels, such as Facebook, Twitter and YouTube. Activities are adapted to the countries in which we operate, so we can acquire customers in the most efficient way. In addition, TV advertising helps establish our brand name.
It is no secret that TV advertising is a great tool in building brands.

SEO

SEA

CRM

AFFILIATE MARKETING

ONLINE ADVERTISING

REFLECTIONS OF OUR DAILY WORK.

“WE ARE PROUD OF BEING RECOGNIZED FOR OUR COMMITMENT TO OPTIMUM SERVICE.”

Claudia Manthey
Advisory to the board SHOP APOTHEKE EUROPE.

Awards such as the **German Inspirato Industry Award 2016** for best online pharmacy of the year are the result of our daily work, trying to do things better with every day.
Thirteen different criteria – such as **service orientation, general capabilities, innovative capacity and positioning** – were evaluated by decision makers from the pharmaceutical industry.
All these awards are further proof that we enjoy an excellent reputation among both consumers and industry experts.

AWARDS.

- 2016: Inspirato Industry Award. Best online pharmacy of the year.
- 2016: DtGV Service Award for delivery service.
- 2016: 1st place in Vetalio’s online pharmacy rankings.
- 2016: Top class ranking in Chip Hotline survey.
- 2016: Computer Bild Top Shop Food & Health.
- 2016: Rated very good by trialo test report.
- 2015: 1st place Inspirato Pharma Award end user marketing.
- 2015: 1st place German Online Retail Award Pharmacies.
- 2015: 3rd place DISQ Pharmacy Survey Online Retail Award.
- 2013: Die Welt newspaper’s Service Champion Gold.

BRINGING NEW IDEAS TO LIFE.

"TO MANAGE GROWTH ON THE ONE HAND AND TO DELIGHT OUR CUSTOMERS ON THE OTHER, WE BELIEVE IN COMPREHENSIVE TECHNOLOGICAL INTEGRATION."

Vincent Lammers
Director Product Management SHOP APOTHEKE EUROPE.

Turning an innovative idea into products and services is easier said than done. A lot of barriers might appear once you start to try to find the right approach. Being afraid of those unpredictable threats before or during launch, many companies prefer to use already developed products and programs to be on the safe side. Of course, we want to be on the safe side, but more important to us is to be on the best side. So who is better suited to developing new products than our own e-commerce technologies and IT services company? Now operating under the name RedTecLab, this wholly owned subsidiary of **SHOP APOTHEKE EUROPE** once again shows that we see ourselves as a technology-driven OTC online shop. Technology not only comes first, but being able to develop tailor-made e-commerce systems to meet our needs that are perceived as best in class gives us the freedom to stay independent from third-party offerings.

Developing our own systems and solutions means not accepting any compromise. We always make sure that the final product fulfils all requirements perfectly. Our in-house created products are important and irreplaceable components of our corporation, one of the group's key success factors. Special cross-selling and web analytics functions are as incremental to our success as our content and personalized newsletter features, the social media and application video integration. Furthermore, we see things through European eyes and know how to respond technically to country-specific characteristics and specifications.
Having a comprehensive IT integration plan is definitely the best way to ensure that business and IT functions meet their targets by speaking the same language. Moreover, we pay special attention to the fact that we continuously take our technological solutions to the next level of performance.

YES, WE CAN.

Besides the internal development of our front-end platform, our colleagues from Product Development are experts in their field, providing us a broad range of IT services.
Consulting.
Implementation.
Operation.
Maintenance services.
Upgrades.
Software Developments.
Provision of Hardware.
Supply of Security Systems.

CREATING AN ENTREPRENEURIAL CULTURE THAT FOSTERS PERFORMANCE.

“OUR COMPANY STANDS FOR A SPECIAL CULTURE OF EMPLOYEE ENGAGEMENT AND ENTREPRENEURIAL SPIRIT. HUMAN RESOURCES MAKES SURE THAT OUR EMPLOYEES’ WORK IS MEANINGFUL, EMPLOYEES ARE VALUED AND TEAMWORK IS KEY.”

Beate Krosch
Director Human Resources SHOP APOTHEKE EUROPE.

Working at **SHOP APOTHEKE** means that all our employees will have a variety of interesting prospects as well as the scope to develop and implement their own ideas. The atmosphere is positive, respectful and lively.

We are looking for new colleagues who don’t just want to contribute to our international team, but who actively want to take responsibility and act like entrepreneurs.

SHOP APOTHEKE is a European growth company where committed and pro-active employees have good opportunities for career advancement.

349 EMPLOYEES. FIVE LOCATIONS. ONE ENTREPRENEURIAL SPIRIT.

Besides our headquarters, we also have a marketing & sales office in Cologne, Germany, as well as a marketing office in Paris, France and a customer service center in Tongeren, Belgium. RedTecLab, part of the **SHOP APOTHEKE EUROPE Group** and responsible for all our IT services, is located in Düsseldorf, Germany.

ACQUIRING KNOWLEDGE, COMPETENCE AND ENTREPRENEURIAL STAFF.

“IT IS GREAT TO BE PART OF EUROPE’S LEADING OTC ONLINE PHARMACY.”

Leen Ponet and Lode Fastré Founders of FARMALINE.

Our key employees are entrepreneurial, highly motivated and loyal to the company. When acquiring the online business of the Belgian online pharmacy **FARMALINE** in September 2016, we also acquired people with this entrepreneurial background.

By creating a positive work environment and a culture that fosters responsibility and entrepreneurial action, **SHOP APOTHEKE EUROPE** has managed high sales growth along with the successful and fast integration of the FARMALINE business. Parelled to this, it has launched measures to increase warehouse capacity and automation.

Taking the current market position of our brands in the different European markets as a starting point, we are using the combined experience and resources to enhance the penetration of these markets and to expand further.

COMMITTED TO SUPPORTING CHARITABLE ORGANIZATIONS.

At **SHOP APOTHEKE EUROPE** we sponsor Herzenswünsche, a charity organization that grants wishes to children and youth affected by severe health issues. In 2016 we donated more than 80,000 Euros to help bring happiness to the lives of severely ill young people. To ensure an optimum and long-lasting positive effect for the young patients, all wishes are fulfilled in consultation with the relevant physician, with the children's families also involved in planning.

Herzenswünsche has been working with hospitals across Germany for over 25 years. The team of three full-time staff and around 60 volunteers grants an average of two wishes a day – from helicopter flights and backstage passes to leading the famous penguin parade at Germany's popular All Weather Zoo, located in the city of Münster.

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

04

OUR MEMBERS OF THE BOARD.

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

Michael Köhler
is the company's **Chief Executive Officer (CEO)**. He is one of the co-founders of Europa Apotheek Venlo B.V., which focuses on the sale of prescription medications and which controlled SHOP APOTHEKE until the 2015 legal reorganization. He has more than 20 years of professional experience in the pharmaceutical industry, having previously worked for Hoechst and Aventis.

Theresa Holler
is SHOP APOTHEKE's **Chief Operating Officer (COO)** as well as its responsible pharmacist, registered as the company's "gevestigde Apotheker" (resident pharmacist) in the Dutch Pharmacy Registry in 2008. She previously worked for Doc Morris, where she helped built 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.

Stephan Weber
is **Chief Marketing & Sales Officer (CMO) and Deputy CEO**. He is one of the founders of SHOP APOTHEKE and has been a member of the leadership team since the company's establishment in 2001.
He studied Pharmaceutics at the University of Bonn

Marc Fischer
As **Chief Technical Officer (CTO)**, Marc Fischer is responsible for SHOP APOTHEKE's technical operations. The Swiss IT expert is also one of the company's founding members and has served in various leadership roles since 2002. After finishing 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.

05

LETTER FROM THE MANAGEMENT BOARD.

Dear Shareholders, Ladies and Gentlemen,

2016 was a successful business year for SHOP APOTHEKE EUROPE. And it was a year in which we made key decisions on our way to becoming Europe's leading online pharmacy.

The successful IPO on the Frankfurt Stock Exchange (FSE) and the successful acquisition of the Belgian online pharmacy FARMALINE were two important milestones on our journey down this path.

In operational terms, in 2016 we achieved the ambitious goals specified in our expansion strategy. Following several years of strong organic growth, the acquisition of FARMALINE enabled us to substantially expand our presence in Europe still further with one strategic step. We operate in seven European target markets, namely Germany, Austria, the Netherlands, Belgium, France, Italy, and Spain.

The growth rate was correspondingly dynamic in business year 2016. In late 2016 more than 1.8 million active clients were already ordering on our country-specific websites, an increase of around 43 percent on the prior year. SHOP APOTHEKE EUROPE generated consolidated revenues of EUR 177.4 million, up 41 percent in comparison with the prior year. SHOP APOTHEKE EUROPE grew particularly strongly outside Germany: With revenues totaling EUR 30.4 million the volume of international business more than tripled in the year under review.

Given structural trends such as an aging society, the strong growth in affinity for online shopping across all groups, and an increasing focus on self-medication, the market for non-prescription drugs and standard pharmacy beauty and care products is growing. Whereas in almost all retail sectors in Europe strong brands dominate their particular market both online and offline, in the pharmacy market there are neither comparable e-commerce companies nor stationary pharmacies with a focus on non-prescription drugs and beauty and care products active in several European countries – a unique opportunity that cannot be found in any comparable e-commerce sector.

According to a survey conducted by Sempora Management Consultants, in Germany – the e-commerce pioneer in Europe – online pharmacies now have about a 15-percent share of the total market, and it is growing quickly. As the leading European online pharmacy SHOP APOTHEKE is in a prime position to benefit from the trend in online trade. We see our particular opportunity as a first mover when it comes to conquering the major European markets that still exhibit very low online penetration of in some cases less than two percent. For this reason we are pressing the pace of international growth still further.

At the same time we are pushing the medium-term goal of profitability at Group level. Our core market Germany is proof that profitable online trade in drugs and beauty and care products is possible. In 2016 we increased our German segment EBITDA from EUR 0.8 million to EUR 4.0 million, while the German segment EBITDA margin rose from 0.7 percent to 2.7 percent.

Our growth is also the result of according highest priority in our business activities to a client focus. Beside a broad range of more than 100,000 products at attractive prices, our client concept includes excellent, comprehensive pharmaceutical advice, supported by customized guidance letters, usage videos, client-specific dosage instructions, automated interaction checks, detailed product descriptions, and round-the-clock professional, not to forget multilingual telephone consulting. The systematic advice for our customers, taking their fully documented personal order history into account, guarantees a high degree of safety with regard to drugs, and sets a unique information and safety standard for handling of medicines. Furthermore, in view of different consumer habits in individual countries, the local thrust of our services is a major success factor.

One advantage of our focus on non-prescription drugs lies in the general regulatory conditions. The EU Medical Products Directive involves no particular restrictions for mail-order retailing, neither generally nor for cross-border trade between member states. Given their non-prescription status these products are ideally suited for e-commerce, because as opposed to prescription drugs online processing is possible. Furthermore, given their size, drugs and beauty and care products are perfect for mail-order business as they fit into small packages and only need minimum storage space. Furthermore, in comparison with consumer goods such as clothing, the return rate for our products is negligible.

In the next few years the integration of FARMALINE, which was successfully concluded as early as the fourth quarter of 2016, will ramp up our growth course still further. For this reason and given the promising start into the fiscal year 2017 we plan another year of strong sales growth.

Targeted investments in capacity expansion in Operations and IT as well as in the further automation of picking, packaging and logistics processes will ensure that our main competitive strengths – swift, low-cost delivery and excellent advisory services – will keep pace with the growth of the SHOP APOTHEKE EUROPE Group. The construction of a high-rack storage system at our central warehouse in Venlo, Netherlands, in the fourth quarter of 2016 marked the start of a EUR 30 million investment program over the next three years. With the net proceeds from the IPO and repayment of the shareholder loans in October 2016, SHOP APOTHEKE EUROPE is debt-free and has strong financial resources at hand with EUR 38.5 million in cash and EUR 20 million short-term securities as at 31 December 2016. SHOP APOTHEKE EUROPE plans to pay its investments without additional financing needed, and is in a good position to achieve positive cash-flows from operating activities in the mid-term that will finance future international growth. The equity/assets ratio as at year-end 2016 was 77.5%.

As entrepreneurs with many years of experience and combined expertise in pharmacy products, logistics and online shopping, we are optimistic as regards the future. The successful IPO gives us a strong financial base we can capitalize on for the next steps. SHOP APOTHEKE EUROPE is a successful European growth story.

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 2016 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 2016, and of the 2016 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 2016, and the state of affairs during the financial year 2016, together with a description of the principal risks faced by the Group.

Signed
Michael Köhler Dr. Ulrich Wandel Theresa Holler Marc Fischer Stephan Weber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06

THE SHOP APOTHEKE EUROPE SHARE.

SHOP APOTHEKE EUROPE'S SHARE DEBUTS SUCCESSFULLY.

On 13 October 2016 trading commenced in the SHOP APOTHEKE EUROPE N.V. share under the ISIN symbol "SAE" on the regulated market of the Frankfurt Stock Exchange (Prime Standard) in the context of an initial public offering (IPO). The SHOP APOTHEKE EUROPE IPO was over-subscribed many times at the issue price of EUR 28.00 per share. Of the placed shares, more than 99 percent were allocated to institutional investors in Europe and the United States. The remaining shares were placed with private investors. The first price was quoted at EUR 30.05.

In the context of the IPO a total of 4,107,142 shares were placed with investors. Of them, 3,571,428 shares are new ordinary bearer shares from a capital increase. A further 535,714 ordinary bearer shares were made available from the holdings of existing shareholders in the course of a greenshoe option. The greenshoe, made available to the syndicate banks from the holdings of a group of existing shareholders in the framework of the IPO, was exercised almost in full, with 532,019 ordinary bearer shares. Including the over-allocations, the full placement volume of the IPO was approx. EUR 115 million.

The share capital of SHOP APOTHEKE EUROPE following the capital increase effected through the IPO comes to a total of EUR 181,397.56, divided into 9,069,878 shares. Accordingly, the par value of one share is EUR 0.02.

In the first few months on the stock exchange the equity price tended very stable. Although towards yearend the price fell some 3.6 % on the issue price to EUR 27.00, at the beginning of 2017 it clearly moved above the EUR 28-mark again. One contributing factor was the publication of preliminary revenue figures for 2016, which confirmed that the ambitious growth goals had been achieved. Overall the stock market environment in final quarter 2016 was increasingly friendly. The announcement by the European Central Bank that it would continue its expansionary monetary policy in 2017 as well as the hope for an extensive economic stimulus package by the new US President drove a year-end rally with the DAX closing 2016 up +6.87%.

Prior to the IPO, the Management Board presented the SHOP APOTHEKE EUROPE business model at various capital market events and roadshows, outlining its expansion strategy in Europe, investment plans, market developments and sales strategies for Germany and foreign markets. Analysts have also shown great interest in the company from the start: With Berenberg, Citigroup and Commerzbank, three renowned institutes track and assess the company's performance. On the basis of their evaluation models, their analysts identify a further upside for the SHOP APOTHEKE EUROPE equity and have issued a "buy" recommendation.

Following the IPO, SHOP APOTHEKE EUROPE neither agreed upon nor took capital measures in Q4 2016. SHOP APOTHEKE EUROPE began its investor relations work by presenting interim financial statements for 9-months 2016.

As a listed company, the open, continuous and prompt dialog with all capital market participants is an important component of SHOP APOTHEKE EUROPE's corporate communications. With transparent reporting, SHOP APOTHEKE EUROPE strives to explain in a comprehensible manner its business model and its growth and earnings potential to all capital market players. SHOP APOTHEKE EUROPE is convinced that this will be reflected in an appropriate share valuation, which also takes into account SHOP APOTHEKE EUROPE's growth and leading European brand perspectives in the OTC online pharmacy market.

07

REPORT OF THE SUPERVISORY BOARD.

REPORT OF THE SUPERVISORY BOARD.

The Supervisory Board of SHOP APOTHEKE EUROPE was established in September 2016. Following its constitution and an induction program, the Supervisory Board performed its duties pursuant to the law and the Articles of Association and the Supervisory Board rules. It regularly monitored and advised the Management Board on all relevant business matters such as international growth and market leadership, investments in capacity expansion and automation as well as risk management and control systems and compliance with the Dutch and German corporate governance code.

Composition of the Supervisory Board

The profile and composition of the Supervisory Board as a whole is logically aligned to the profile and strategy of the company: The Supervisory Board strives for a balanced distribution of expertise in relation to the business activities, strategy and long term goals of the company. Each member of the Supervisory Board should therefore 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.

The company is aware of the fact that three members of the Supervisory Board, Jan Pyttel, Dr. Björn Söder and Frank Köhler, hold long-term share positions. Furthermore, Michael Köhler (CEO) and Frank Köhler, a Supervisory Board Member, are brothers.

The following table shows the current composition of the Supervisory Board of SHOP APOTHEKE EUROPE:

Name	appointed	Scheduled for reappointment	Position
Jan Pyttel	2016	AGM 2019	Chairman
Dr. Björn Söder	2016	AGM 2019	Vice-Chairman
Frank Köhler	2016	AGM 2019	member
Jérôme Cochet	2016	AGM 2019	member

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

Köhler graduated from the University in Stuttgart in 1996 with in Technical Business Administration. After his studies, he worked in different management positions in merchandising such as Loriot Design GmbH.
In 2000, he joint Aroma Company, a distributor of high-end beauty and perfume products. In 2005, he became co-owner and director of the firm, expanded the 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 in branding and marketing in the luxury sector. He has been a member of the Supervisory Board since the establishment of Shop Apotheke Europe N.V. in 2016.

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

Cochet studied Business Administration at the University of Bayreuth and at the ESCP-EAP Business School in Paris, Oxford and Berlin and graduated in 2003 in Business Administration, with a M.Sc. and a Diplôme de Grande Ecole. In 2007, he also completed his MBA at the Institut Européen d'Administration des Affaires (INSEAD). In 2004 he started his career 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 from 2010 onwards. 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 holding commercial power of attorney in 2013. From 2011 to 2013, Mr. Cochet served as Zalando SAS. He has also been Managing Director of Zalando Media Solutions GmbH since 2015. Mr. Cochet has been a member of the Supervisory Board since the establishment of Shop Apotheke Europe N.V. in 2016.

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

Mr. Pyttel graduated from the University of Mannheim in 1991 and graduated in Business Administration. 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 cofounded Iberia Industry Capital Group SARL, an industrial holding firm focused on acquiring businesses in special situations, where he has been Managing Director since 2013.
Mr. Pyttel has been Chairman of the Supervisory Board since the establishment of Shop Apotheke Europe N.V. in 2016.

Dr. Björn Söder, Vice-Chairman of the 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 gained a PhD in Economics. He worked for McKinsey & Company with a focus on corporate finance and consumer goods from 1998 to 2000. Prior to being appointed Vice-Chairman of the 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 is managing director for both companies. Since 2012, he has also been a member of the supervisory board of Pflegezeit AG. Dr. Söder has been Vice-Chairman of the Supervisory Board since the establishment of Shop Apotheke Europe N.V. in 2016.

Activities during the financial year 2016

After its constitution in September, the Supervisory Board held one meeting in 2016 and set up a meeting schedule for 2017. In addition to the regular meeting, the Chairman and other members of the Supervisory Board maintained regular contact with the CEO and CFO of the company. Agenda items for the meeting held in December 2016 were the overall strategy of the group, the general and the financial risk assessment, approval of the financial planning for fiscal year 2017, the corporate calendar 2017, the annual audit 2016 and corporate governance. Furthermore, Dr. Ulrich Wandel, CFO of SHOP APOTHEKE EUROPE, has been appointed as company secretary. The Supervisory Board also met and engaged Deloitte Accountants B.V., Eindhoven as auditors for the fiscal year 2016, and discussed audit procedures, risk management and control systems at Shop Apotheke Europe N.V. In addition, the Supervisory Board discussed the functioning of management board and the relevant remuneration policies to be established in 2017.

Remuneration of the Supervisory Board

The Chairman of the Supervisory Board receives only a fixed annual retainer of €30,000 and all other members each only receive a fixed sum of €20,000 annually for their services as of the date of their appointment. In addition, the insurance premium for the directors and officers („D&O") insurance is refunded for each member of the Supervisory Board.

The General Meeting shall determine the remuneration of the members of the Supervisory Board. The Supervisory Board will submit a proposal to the General Meeting from time to time.

Corporate Governance

The Supervisory Board and the Management Board act in the awareness that good corporate governance is in the interest of the shareholders and the capital markets, and forms an important basis for the success of the company. The SHOP APOTHEKE EUROPE shares are admitted to trading in the Prime Standard Segment of the Frankfurt Stock Exchange. The company essentially complies with the regulations and requirements of both, the Dutch and the German Corporate Governance Codes. Nevertheless, some deviations are emerging from legal and from business requirements. A detailed report on compliance with the Dutch Corporate Governance Code is provided in the Corporate Governance section of this annual report.

Audit of the financial statements

The auditor Deloitte Accountants B.V., Eindhoven audited the financial statements of the company and the consolidated financial statements of the group and issued an unqualified opinion. The financial statements, the management report and the auditor´s report were made available to the Supervisory Board for its own review.

At its meeting of 20 March 2017, the Supervisory Board approved the auditors' findings and had no objections to the financial statements and the management report prepared by the Management Board.

On behalf of the Supervisory Board, I would like to sincerely thank the members of the management board and all of the Group employees for their great personal dedication and their contribution to the successful conclusion of the financial year 2016, also with relation to the successful IPO in October 2016.

Venlo, 24 March 2017
On behalf of the Supervisory Board

Signed
Jan Pyttel
Chairman of the Supervisory Board

08

COMBINED MANAGEMENT REPORT.

SHOP APOTHEKE EUROPE: A SUCCESSFUL EUROPEAN GROWTH STORY.

Founded in 2001 as the online shop of a local pharmacy in Germany, SHOP APOTHEKE EUROPE has emerged as **Europe's leading OTC online pharmacy brand**. Our broad product portfolio focuses on non-prescription medications (OTC) as well as on pharmacy-related beauty and personal care products (BPC). **We are the clear market leader** for OTC and pharmacy-related BPC products in Germany and Austria. In addition, we run successful OTC online pharmacy webshops in Belgium, the Netherlands, France, Italy and Spain.

In our online shops customers find a **superior selection of more than 100,000 products at attractive prices** specifically tailored to the needs and requirements of the market we serve. Combined with a convenient shopping experience, highest standards of pharmaceutical safety and outstanding customer counselling, we offer our customers a **very strong value proposition**.

RESERVATION IN RELATION TO FORWARD-LOOKING STATEMENTS

This management report includes forward-looking statements that are based on management estimations which are current 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.

COMPANY PROFILE

Corporate structure

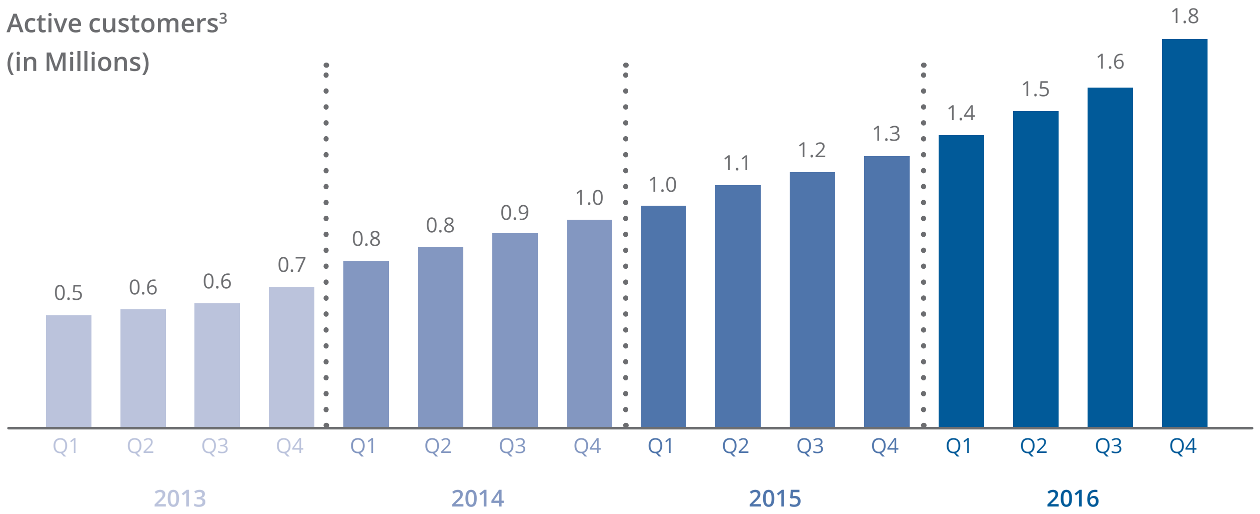
SHOP APOTHEKE EUROPE N.V., the parent company of the Group, is the leading European OTC online pharmacy with a business focused on non-prescription, over-the-counter („OTC") medications and beauty and personal care („BPC") products that are otherwise almost exclusively distributed through pharmacies.

We operate three segments for the purposes of external reporting within the meaning of IFRS 8: our "Germany" segment (which basically includes OTC Medications and Pharmacy-related BPC Products sold to customers located in the German market), our "International" segment (which includes only OTC Medications and Pharmacy-related BPC Products sold to customers located in the Austrian, Belgian, Dutch, French, Italian and Spanish markets) and "Germany Services" segment (which includes the RedTecLab GmbH webshop services provided principally to German customers).

The Group's business success depends to a large extent on it growing its international revenues and European market leadership. The results-oriented key financial performance indicators used in managing the Group include gross profit and segment EBITDA.

Business activity

SHOP APOTHEKE EUROPE is the leading OTC online pharmacy in Continental Europe in terms of sales (2016: EUR 177.4 million) and active customer base (2016: 1.8 million). Our overriding business objectives are dynamic growth in our established markets, moving into additional major continental European markets and quickly growing our sales in these markets.



SHOP APOTHEKE EUROPE's continuously growing active customer base

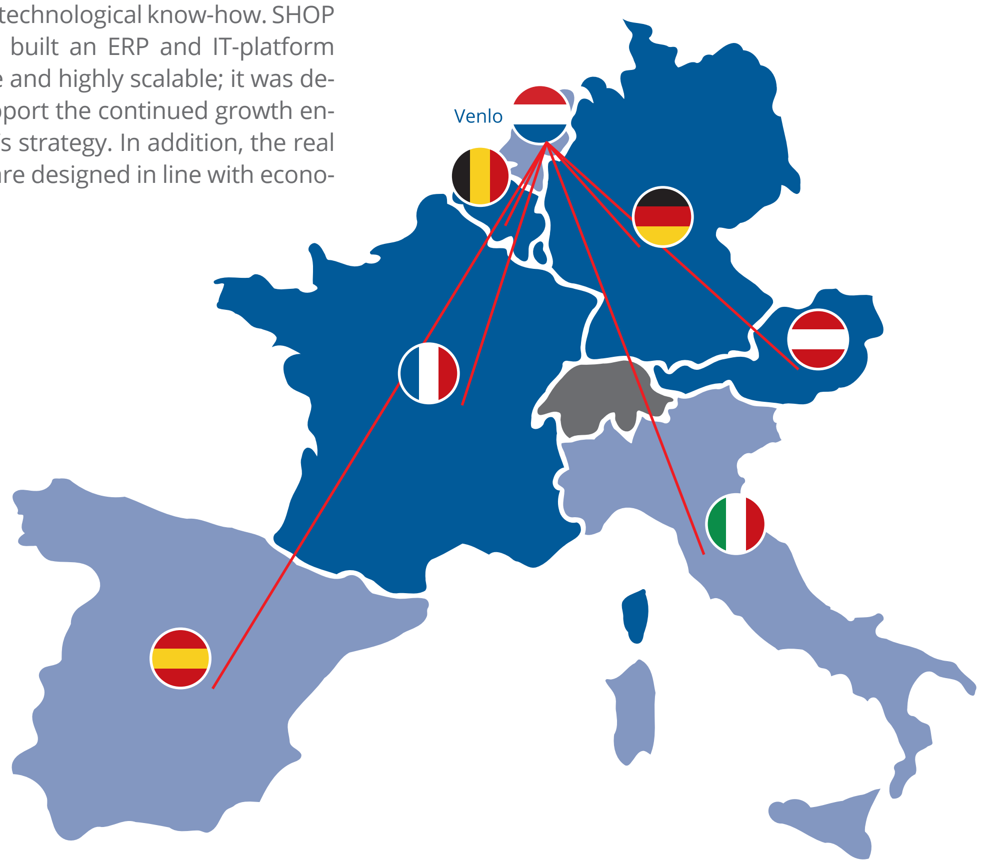
The focus of business operations is currently on the German market, where approx. 82 % of sales were generated in 2016 (previous year: 92 %) as well as on the dynamic development of our international market position and market share - here we more than tripled our transaction volume in 2016. With the integration of Belgian pharmacy FARMALINE business we expanded into a number of European markets previously targeted, including the Netherlands, Spain and Italy, at one fell swoop. At the same time, we significantly speeded up our Continental European roll-out.

The Venlo-based business offers the advantage of a more advanced regulatory regime concerning the mail-order of pharmaceuticals as a platform for our expansion into new continental European markets as well as advantages in terms of a central logistical hub for Europe that can draw on plenty of available premises for expansion going forwards.

Across the markets in which we operate, our business is supported by our strong technological know-how. SHOP APOTHEKE EUROPE has built an ERP and IT-platform that is robust and secure and highly scalable; it was designed specifically to support the continued growth envisaged by the company's strategy. In addition, the real estate and warehouses are designed in line with economies of scale.

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

In 2015, the Continental European market for OTC medication and BCP products had a total volume of EUR 33 billion based on estimates by Sempora Management Consultants. The as yet low online penetration of markets outside of Germany (just two percent on average) offers significant potential for SHOP APOTHEKE. As a first mover, SHOP APOTHEKE EUROPE is excellently positioned in seven continental European countries. That is a unique competitive position as currently no established pan-European offline or online brands exist alongside SHOP APOTHEKE EUROPE. SHOP APOTHEKE EUROPE's strategy of expanding and dynamically growing the business is located in a competitive environment in the pharmacy market in continental Europe characterized by high fragmentation.



SHOP APOTHEKE EUROPE's value added process

The base-line of the company's value-added process is the procurement of non-prescription, over-the-counter medications as well as beauty and personal care products which are then sold via country-specific online shops to private end consumers. The three main pillars of the sales process are first SHOP APOTHEKE EUROPE's pharmaceutical know-how, second its IT-expertise in designing and running online webshops and thirdly, its sophisticated logistics, which facilitate timely delivery to any location.

SHOP APOTHEKE EUROPE's country-specific websites provide access to more than 100,000 products. This is substantially greater than the range of products offered in traditional pharmacies that have a local, physical presence. Prices for OTC medications and pharmacy-related BPC products are on average 15 %[1] lower than the prices charged in traditional pharmacies.

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

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

Strong growth drivers support our business

Demographic change, growing health awareness, and the trend towards self-medication are all driving the demand for OTC medication and pharmacy-related beauty and personal care products.

In addition, there is a clear trend towards online retailing which positively influences the growth of the market we address. This trend is further strengthened by the rapidly growing use of mobile devices, which allow customers to conveniently shop anywhere and at any time. SHOP APOTHEKE EUROPE is fully capable of actively driving the market with its strong IT-infrastructure and its country specific cultural know-how.

[1] Source: Stiftung Warentest 2014

OUR VISION: CREATING THE OTC-ONLINE PHARMACY BRAND.

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

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

Strategy: Our formula for success in a rapidly growing market

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

- further expanding market leadership in existing markets;
- accelerating penetration of new markets;
- continuing to invest in our logistics, fulfilment and distribution infrastructure and our front-end platform;
- enhancing the accuracy and efficiency of our fulfilment processes and reduce cost of sales to improve gross margins;
- developing new revenue streams by expanding the product range to include non-pharmacy related BPC products, thus becoming the advertising platform of choice for the largest OTC medications and BPC brands.

Our key competitive strengths

The still very low online penetration in the Continental European market for OTC medications and pharmacy-related BPC products as well as the absence of leading online and offline brands in this market and the increasing demand for pharmaceutical products represent a unique opportunity for SHOP APOTHEKE EUROPE's business to gain traction on the existing platform. On this basis the company has acquired a number of competitive strengths:

- We are focused on a large addressable market in Europe that has historically demonstrated stable growth[2] and which is rapidly moving online.
- We have a strong value proposition for customers, comprising highly attractive prices for and a large selection of approximately 100,000 products, while offering a convenient shopping experience and superior product information, consultation and pharmaceutical safety.
- Our ability to offer attractive prices is supported by our lean and streamlined cost structure as well as by the significant economies of scale we achieve in procurement and logistics.
- We aim to offer our customers the widest range of OTC medications and pharmacy-related BPC products available in the countries in which we operate,
- Our parcels containing OTC medications include a personalized letter (out of a continuously increasing database of currently more than 5,000 letters developed by our pharmaceutical team) to the customer, containing relevant instructions and alerting the customer to any of the counter-indications detected by our automated customer-indication checks.
- We believe that the outstanding value we provide to our customers is illustrated by our website, shop-apotheke.com, being ranked „excellent" and receiving an exceptional overall rating of 4.86 points out of 5 possible points from Trusted Shops, as of 30 June 2016.
- We are a clear market leader positioned in the German and Austrian OTC medications and pharmacy-related BPC products markets, and have an excellent Launchpad for emerging as leaders in Europe.
- We believe that the operating platform we have established over the years, as well as the unique „online pharmacy" know-how we have accumulated, will strongly support the penetration of our current markets as well as our expansion in the future
- We have achieved excellence in all areas of our operations. Our operating platform and respective high market entry barriers have been built up which we believe would be very difficult to replicate.
- Our 18,000-sqm centralized logistics and distribution center in Venlo is key to our growth strategy. It is based on a highly efficient semi-automated logistics infrastructure customized for online pharmacy operations, with further upside from full automation.
- We possess an attractive financial profile evidenced by relevant key performance indicators. We strive to further increase the share of existing customers in the future, hence driving decline in blended cost per order.
- We have a founder-led management team with expert

[2] (source: SEMPORA Study October 2015)

know-how in the pharmacy and online pharmacy business and a proven track record of successfully growing the business. Our management team has been working together for more than five years.

GENERAL AND INDUSTRY-SPECIFIC ECONOMIC ENVIRONMENT

Generally positive development of macroeconomic situation

In its "Annual Report 2016-7", which was published in November 2016, the German Council of Economic Experts assumes that in light of macro-economic developments in global trade the period under review was characterized by restrained economic growth, with global gross domestic product (GDP) rising by 2.5%. As regards the Eurozone, the economic experts say that the economy continued to recover for the third consecutive year and therefore expect that GDP climbed 1.6% in 2016. Employment has picked up noticeably in recent years and the jobless rate is now at about 10.1% or at its lowest level since 2011. The economic recovery is driven, so the Council suggests, primarily by domestic demand. In particular, consumer demand among private households has climbed consistently. Nevertheless, the experts discern highly uneven trends in Euroland as a whole, with the economic bounce-back differing in part greatly from one member state to another.

The German Council of Economic Experts believes that German gross domestic product increased in 2016 by a strong 1.9%. They are thus of the opinion that the upturn which commenced in spring 2013 has persisted. The upswing is fuelled, among other things, they explain, by clearly higher private and public-sector spending. According to the Council, the expansion in consumer spending alone accounted for 1.6% of the rise in GDP in 2016. The improved consumer sentiment also reflects good labour market conditions.

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 products, has been steadily growing over the past years. In 2015, the total addressable pharmacy market in Continental Europe[3] amounted to approximately EUR 184 billion (including Non-pharmacy-related BPC products in the amount of EUR 31 billion and excluding VAT), whereby the market for prescription medications amounted to EUR 120 billion.[4] It is expected that the overall Continental European pharmacy market will grow along with Continental European GDP over the upcoming four years (source: SEMPORA Study June 2016).

In 2015, the Continental European market for OTC medications amounted to approx. EUR 14 billion, while the market for pharmacy-related BPC products came to approx. EUR 19 billion.[5] It is expected that the OTC medications and Pharmacy-Related BPC market will grow at a CAGR of 3.6 % in the period 2016 to 2020 and will reach EUR 39.4 billion by the end of 2020.[6]

Overview of the online pharmacy market

Overall, the cumulative 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 3.480 billion by the end of 2020 (CAGR 2015-2020: 20.2%).[7]

The online penetration in the market for OTC medications and pharmacy-related BPC products is still very low compared to other product categories, such as media products (35.9%), appliances and electronics (19.6%) or apparel (13.8%) (Source: Euromonitor), due, in particular, to regulatory restrictions on shipping medications from outside the premises of a pharmacy. The average share of pharmaceuticals purchased online in the overall pharmacy turnover in Continental Europe, excluding Germany, amounted only to around 2% in 2015.[8] Translated into absolute figures, in 2015, the online OTC medications and pharmacy-related BPC products market had a volume of around EUR 529 million in Continental Europe, excluding Germany.[9]

Only Germany has a mature online market for OTC medications and pharmacy-related BPC products, with an online share of around 13.5 % and a volume of EUR 855 million in 2015.[10] The average online penetration across Continental Europe (excluding Germany) is forecast to grow from 2.0 % in 2015 to 6.0% in 2020.[11]

[3] 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.
[4-11] SEMPORA Study June 2016

Competitive environment in the online pharmacy market

The e-commerce channel allows pharmacies to offer a broader range of products compared to local pharmacies because the former are not constrained by 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, optimized and efficient logistics center, lasting customer care as well as fulfilment capabilities; and
- a diverse range of product offerings all available in stock in order to meet consumer demand in a timely fashion.

Our competitors in the OTC medications market 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 market place functions for local pharmacies. Brick-and-mortar pharmacies lack e-commerce capabilities and are not predominantly focused on the sale of OTC medications. In addition, the restrictions on outside ownership of pharmacies in several Continental European countries limit the brick-and-mortar pharmacies ability to raise direct external financing and thus their expansion potential. The latter is also true for online pharmacies focused on the sale of OTC medications. Online pharmacies predominantly focused on the sale of prescription pharmaceuticals, on the other hand, offer only a limited number of OTC medications, while general e-commerce players, which also offer only a limited number of OTC medications, lack pharmacy license and pharmaceutical expertise. In the pharmacy-related BPC market, our competitors generally include drug-stores, supermarkets and para pharmacies.

Overview of SHOP APOTHEKE EUROPE's current markets

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

The Continental European market is highly fragmented, which we believe gives us the opportunity to accelerate penetration by replicating our business model. The following table shows an overview of our current markets.

	Our current markets						
Pharmacy market	Germany	Austria	France	Belgium	Netherlands	Italy	Spain
Total pharmacy turnover in €m (2015)	37,252	3,351	32,744	5,025	5,632	21,509	17,173
Avg. % of OTC and p-r BPC (2015)	17%	28%	17%	30%	17%	25%	25%
Market volume OTC and p-r BPC (€m) (2015)	6,333	950	5,650	1,517	960	5,339	4,276
Online penetration OTC and p-r BPC (2015)	13.5%	5.1%	1.5%	1.9%	1.9%	1.0%	1.7%

Source: SEMPORA Study October 2015 as partly updated in January 2017

REGULATORY ENVIRONMENT

Continuously subject to deregulation
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 in place comprehensive regulatory frameworks. Thus, SHOP APOTHEKE EUROPE's business is subject to regulatory restrictions with respect to the medicinal and pharmaceutical aspect of the products which are delivered as well as to the e-commerce aspect.

A verdict passed down by the European Court of Justice in December 2003 confirmed that the principle of the free movement of goods within the EU applies to non-prescription medications. National laws prohibiting the mail order sale of such products were found to be incompatible with European (i.e. EU) law. Hence, the cross-border sale of non-prescription medications within the EU is permitted for pharmacies registered in the EU. With this verdict suppliers secured access to the over-the-counter market, after which their share of that market went from low levels to 16 per cent in a decade.[12]

In October 2016 the European Court of Justice issued a ruling that went against fixed prices for prescription drugs in Germany. The Court found that a German law fixing prices of prescription drugs „constitutes an unjustified restriction of the free movement of goods" in the European Union. In principal, the verdict could open the way for foreign mail order companies to compete with domestic pharmacies on prescription drug prices, potentially increasing. Nonetheless, the impact on consumers remains unclear for the time being as German officials are still reviewing the court's decision. Should the regulation continue to exist there might be an additional upside for SHOP APOTHEKE EUROPE's business model as turnover with prescription medicine is currently below 2% on Group level.

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

[12] Financial Times, „German patients may enjoy cheaper drugs after ECJ ruling, 19 October 2016

SHOP APOTHEKE EUROPE CONTINUED ITS DYNAMIC INTERNATIONAL GROWTH IN 2016.

2016 was a successful year for us. We reached an important milestone in our internationalization strategy by acquiring the OTC-online pharmacy FARMALINE. Thus, we substantially strengthened our leading position in the Belgian and French markets and successfully expanded into several of our large continental European target markets, including Spain and Italy, with one single step. This further bolstered our position as a leading continental European online pharmacy and enabled us to increase our market share further.

Group revenues grew by 41% on 2015 and accelerated to 52% in fourth quarter. Even though international expansion is currently a strategic priority, SHOP APOTHEKE EUROPE continued to improve its positive segment EBITDA in its German core and home market.

The successful IPO in September 2016 has set the necessary prerequisites for investments in logistics and IT structures that will enable us to take our European growth story to the next level.

ECONOMIC REPORT

Revenues and earnings position

SHOP APOTHEKE EUROPE can look back on a successful financial 2016. Thanks to strong growth in all the relevant European markets, business throughout the Group expanded and revenues surged 41% from EUR 125.6 million in 2015 to EUR 177.4 million in 2016. The sales increase was driven not only by the greater volume of orders, but also by the higher number of active customers.

The core "Germany" segment remained the main market, with sales climbing 26% from EUR 115.7 million to EUR 145.5 million. The second core segment of "International" reported high growth of 262%, with sales soaring from EUR 8.4 million to EUR 30.4 million. With its webshop services, which are reported in the segment "Germany Services" SHOP APOTHEKE EUROPE posted gross sales of EUR 4.1 million compared to EUR 3.4 million in 2015, an increase of 21%. Gross sales by the "Germany Services" segment include sales revenues for intra-Group services in the period under review totalling EUR 2.6 million that were then netted as part of consolidation.

Consolidated gross income was up 41% in the year under review from EUR 25.7 million to EUR 36.3 million. Despite higher expenses relating to international expansion and the relevant costs for developing new clients, the gross result increased in line with sales. As a proportion of sales, the cost of sales ratio thus remained in line with the previous year at 79.5 %.The total gross margin of 20.5 % was on the same level as in 2015 but up +0.3 % in the segment "Germany".

Against the backlight of the sales growth, selling and distribution costs rose from EUR 29.1 million in the financial year 2015 by EUR 10.9 million to EUR 41.0 million.

Alongside improved efficiencies that helped lower fulfilment costs per order, economies of scale led to marketing costs falling in relation to sales. In absolute terms, increased marketing expenses can be attributed mainly to marketing measures relating to the international expansion, which served to raise brand awareness in the newly developed markets.

Administrative costs including depreciation and amortization increased in absolute terms by EUR 2.4 million from EUR 6.7 million to EUR 9.1 million, of which EUR 1.6 million were one-off IPO-related. Despite this growth-driven rise, as a proportion of sales SHOP APOTHEKE EUROPE succeeded in slightly lowering administrative costs primarily through economies of scale and increased efficiencies.

Other operating income rose in the period under review by EUR 0.9 million from EUR 1.3 million to EUR 2.2 million. This item includes revenue from service agreements with Europa Apotheek Venlo B.V., for whom SHOP APOTHEKE EUROPE renders services in the field of procurement, warehousing and order picking. The increase results first from the greater volume of services and second from payments that stretch across a period of two years.

The operating loss of EUR 11.6 million was EUR 2.8 million more than the prior year loss of EUR 8.8 million. This includes one-time expenses for the international expansion and IPO-related costs amounting to EUR 1.4 million.

In September 2016, SHOP APOTHEKE EUROPE acquired the online pharmacy FARMALINE, originally located in Belgium, in order to accelerate its international growth in particular in Belgium, Italy and Spain. As SHOP APOTHEKE EUROPE successfully speeded up the integration of FARMALINE in order to pave the way for high international sales growth in 2017, one-time costs such as personnel costs as well as the short-term increased deployment of temporary staff sliced EUR 1.1 million off the operating result.

The rise in financing expenses from EUR 2.3 million in business 2015 by EUR 7.0 million to EUR 9.3 million is mostly related to accounting for the repayment of the shareholder loan in October 2016 at its nominal value of EUR 27.1 million as against its discounted book value of EUR 20.2 million.

Expenses in connection with preparing the IPO in the third and fourth quarter totalling EUR 5.4 million were posted directly to equity. Further IPO related costs amounting to EUR 1.4 million have been recognized as expenses in the P&L as shown above.

Revenues and earnings by segment

SHOP APOTHEKE EUROPE's business activities are divided into three segments. The "Germany" segment at present posts the highest sales and essentially consists of sales of OTC pharmaceutical products and mostly pharmacy-exclusive beauty and healthcare products. The second core segment is "International", which is made up exclusively of sales of OTC pharmaceutical products and beauty and healthcare products in other European markets: Austria, Belgium, France, Italy, the Netherlands and Spain. The third segment, "Germany Services", includes webshop services offered primarily to Germany clients by the subsidiary RedTecLab GmbH. Sales from intra-Group services that RedTecLab renders for the SHOP APOTHEKE GROUP, are eliminated in the course of the consolidation of the financial figures.

The statement of results by segment below shows a significant expansion in business volume in all segments. The above-average sales growth in the "International" segment by around 262% on the 2015 figure reflects the success of the company's expansion strategy.

Segment information - non adjusted and adjusted

2016	GERMANY	INTERNATIONAL	GERMANY SERVICES	ELIMINATIONS	CONSOLIDATED
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	**145,549**	**30,376**	**4,108**	**-2,641**	**177,391**
Cost of sales	-115,910	-24,777	-423	0	-141,109
Gross Profit	**29,640**	**5,599**	**3,685**	**-2,641**	**36,282**
% of revenue	20.4%	18.4%	89.7%		20.5%
Other income	1,810	363	31	0	2,204
Selling & Distribution	-27,458	-10,698	-2,742	2,641	-38,255
Adjusted S&D	-27,419	-9,901	-2,742	2,641	-37,421
Segment EBITDA	**3,992**	**-4,735**	**975**		**231**
Adjusted Segment EBITDA	4,030	-3,939	975		1,066
Administrative expense					-8,597
Adjusted AE					-6,855
EBITDA					**-8,366**
Adjusted EBITDA					-5,789
Depreciation					-3,273
EBIT					**-11,638**
Adjusted EBIT					-9,062
Net finance cost and income tax					-6,807
Adjusted net finance cost and income tax					-1,644
Net Loss					**-18,445**
Adjusted Net Loss					-10,733

Segment information - non adjusted and adjusted

2015	GERMANY	INTERNATIONAL	GERMANY SERVICES	ELIMINATIONS	CONSOLIDATED
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	**115,660**	**8,425**	**3,398**	**-1,905**	**125,578**
Cost of sales	-92,383	-7,163	-295	0	-99,841
Gross Profit	**23,277**	**1,262**	**3,103**	**-1,905**	**25,737**
% of revenue	20.1%	15.0%	91.3%		20.5%
Other income	1,194	363	31	0	2,204
Selling & Distribution	-23,603	-10,698	-2,742	**1,905**	-38,255
Segment EBITDA	**841**	**-2,269**	**1,194**	**0**	**-234**
Administrative expense					-6,419
Adjusted AE					-5,020
EBITDA					**-6,653**
Adjusted EBITDA					-5,254
Depreciation					-2,166
EBIT					**-8,819**
Adjusted EBIT					-7,420
Net finance cost and income tax					-1,729
Net Loss					**-10,548**
Adjusted Net Loss					-9,149

Adjusted segment EBITDA and EBITDA

Selling and Distribution costs have been adjusted for one-off costs mostly related to the integration of Farmaline and the accelerated automation of operations in quarter 4 by EUR 835 thousand, resulting in an Adjusted Segment EBITDA of EUR 1.1 million versus EUR -234 in 2015. Administrative expenses have been adjusted for mostly IPO-related one-off costs of EUR 1.8 million, resulting in an Adjusted EBITDA of EUR -5.8 million versus -5.3 million in 2015 and an adjusted EBIT of EUR -9.1 million (EUR -7.4 in 2015). Net finance costs and income tax have been adjusted for EUR 5.3 million one-off interest expense and deferred tax related to the repayment of the shareholder loan, resulting in an adjusted net loss of EUR -10.7 million (EUR -9.1 million in 2015).

"Germany" segment with significantly improved profit situation

With sales of EUR 145.6 million in financial 2016 the "Germany" segment generates about 82 % of consolidated sales. In 2015, "Germany" segment sales accounted for EUR 115.6 million or around 92 % of consolidated sales. During the 2016 reporting period, "Germany" segment sales rose profitably by 26 %.

Costs of sales went from EUR 92.4 million in 2015 to EUR 115.9 million in 2016; at the same time segment's gross profit margin rose from 20.1 % to 20.4 %.

Other income totalling EUR 1.8 million stems from service agreements with Europa Apotheek Venlo B.V., for whom SHOP APOTHEKE EUROPE renders services in the fields of procurement, warehousing, and order picking. Selling and distribution expenses excluding depreciation and amortization of EUR 27.5 million as against EUR 23.6 million in the prior year increased relatively slower than actual sales. The ratio of selling expenses to sales thus fell from 20.4 % in business 2015 by 1.5 percentage points to 18.9 % in financial 2016. This favourable trend is the product of general better efficiency, started automation and economies of scale as well as a higher proportion of orders by existing clients (repeat orders) in the "Germany" segment. In the event of repeat orders, the customary acquisition costs associated with new clients are not applicable.

The improvement in the ratio of selling expenses to sales led to a rise in the segment EBITDA from EUR 0.8 million the prior year to EUR 4.0 million in business 2016. This translates into an EBITDA margin for the segment of 2.7 % as compared to 0.7 % one year earlier.

"International" segment revenues more than tripled

Revenues outside Germany, which are posted to the "International" segment, more than tripled in the period under review. The total surged from EUR 8.4 million to EUR 30.4 million and accounted for 17.1 % of 2016 consolidated sales, whereas a figure of only 6.7 % of consolidated sales was generated by international activities the prior year.

With the incorporation of the online business of originally Belgium-based online pharmacy FARMALINE, which supplies a broad international client base, SHOP APOTHEKE EUROPE has appreciably expanded its leading position in the Belgian and French markets and in one single step expanded into the European target markets Spain and Italy. The acquisition means the company has further strengthened its position as the leading European OTC online pharmacy. Since 14 September 2016, FARMALINE has been consolidated, resulting in an accelerated international sales growth. The inclusion has meant that the strong pace of growth in the segment has picked up still further. On balance, about 20 % of the sales growth in the consolidation is attributable to FARMALINE. The remaining 80 % of the growth was generated by organic growth.

Cost of sales in 2016 were EUR 24.8 million as compared to EUR 7.2 million in 2015. This translates into gross profits of EUR 5.6 million as against EUR 1.3 million in 2015. The gross margin thus improved by 3.4 percentage points, rising from 15.0 % for the previous year to 18.4 %.

Hand in hand with the expansion strategy, the "International" segment saw a considerable increase in new customers. The significantly higher proportion of orders from new clients, along with the correspondingly higher customer acquisition costs as well as other market entry costs (e.g., higher marketing expenses) caused segment EBITDA to drop to EUR -4.7 million in the financial year 2016 – compared to EUR -2.3 million in 2015.

"Germany Services" segment maintains high-level margins

In business 2016, gross sales by the "Germany Services" Segment rose to EUR 4.1 million from EUR 3.4 million in the prior year period. In financial 2016, the figure included sales revenues for intra-Group services totalling EUR 2.6 million that will be eliminated as part of the consolidation.

Gross profits for 2016 came to EUR 3.7 million, EUR 0.6 million up on the prior-year figure of EUR 3.1 million. Because internal efforts resulted in less outside project work in the first half-year 2016, the gross margin decreased slightly from 91.3 % to 89.7 % on a whole-year basis, but was up again to its previous level in the fourth quarter. The reason for the mild decline in the margin: the high proportion of intra-group services associated with the international expansion of the SHOP APOTHEKE EUROPE Group. At the segment EBITDA level, the result was EUR 1.0 million as a result of the development of new customers to spur international growth, and thus slightly down from EUR 1.2 million.

Cash Flow

In EUR million

	2016	2015
Operating Loss for the period	-11.6	-8.8
Net cash flow for/from operating activities	-17.2	-8.8
Net cash flow for/from investing activities	-24.5	-4.1
Net cash flow for/from financing activities	76.6	16.1
Cash and cash equivalents at the beginning of the period	3.5	0.3
Change in cash and cash equivalents	35.0	3.2
Cash and cash equivalents at the end of the period*	38.5	3.5

*excluding EUR 20 million investment in short-term securities

In the period under review, the item for cash and cash equivalents increased from EUR 3.5 million to a year-end figure of EUR 38.5 million. As a measure against the unfavorable interest rate environment, further EUR 20 million have been invested in short-term securities in December 2016 and are shown in other financial assets. The cash outflow for operating activities ran at EUR -17.2 million as compared to an outflow of EUR -8.8 million the year before. The increase of EUR 8.4 million in cash outflow used for operating activities mainly stems from the higher inventory and accounts receivable related to the strong growth in fourth-quarter 2016.

Cash outflow for investing activities came to EUR -24.5 million as against an outflow of EUR 4.1 million one year earlier. Investments include the acquisition of FARMALINE in September 2016 and short-term securities amounting to EUR 20 million in December 2016.
The cash flow from financing activities in 2016 totalled EUR 76.6 million as compared to EUR 16.1 million in the financial year 2015. Of this figure, around EUR 94.6 million result from the proceeds of the IPO on 13 October 2016. Interest and other expense and the repayment of shareholder loans led to a net cash outflow of EUR 28.0 million.

As at year-end 2016, the SHOP APOTHEKE EUROPE Group was debt-free. Due to the repayment of shareholder loans in October, long-term loans and/or other forms of noncurrent liabilities due to banks did not exist.

With the increase in cash and cash equivalents, SHOP APOTHEKE EUROPE has secured the capital base to finance the intended growth in the group. The Group member companies were at all times during the past business year able to meet all payment obligations.

Assets and liabilities

Noncurrent assets rose from EUR 16.0 million in 2015 to EUR 24.8 million in 2016. This increase by EUR 8.8 million was mainly driven by investments in intangible assets, which included the construction of a high-bay warehouse at the central logistics hub in Venlo.
Current assets increased in business 2016 appreciably, from EUR 26.7 million to EUR 95.6 million.
The item for current assets includes EUR 48.5 million for cash and cash equivalents as at 31 December 2016 versus EUR 3.5 million on the year-before.

Inventories rose from EUR 10.4 million as at 31 December 2015 to EUR 18.8 million as at 31 December 2016. This increase can be attributed to overall sales growth and broader product assortment. Moreover, international expansion requires increased warehousing capacity, as in part country-specific products need to be kept available.

Trade receivables went up in line with sales growth from EUR 4.1 million in 2015 to EUR 8.3 million in 2016.

Noncurrent liabilities at year-end 2016 totalled EUR 3.3 million as against EUR 24.6 million in 2015. The decrease is mainly related to the repayment of the shareholder loan.

Current liabilities rose from EUR 15.7 million as at 31 December 2015 to EUR 20.8 million as at 31 December 2016. This was mainly attributable to the fact that the expansion in business volume led to an increase in trade liabilities by EUR 3.9 million in the course of the reporting period.

As at year-end 2016, total equity was EUR 93.2 million as compared to EUR 2.5 million at year-end 2015. The increase mainly results from the proceeds from the IPO on 13 October 2016.

As at 31 December 2016, the equity ratio thus came to 77.5 %.

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:

	2016	2015
Site visits	41,841,536	25,496,383
Mobile visits	17,997,761	8,946,672
KPI – mobile share	43%	35%
Number of orders	3,949,886	2,801,358
Repeat orders	73%	73%
Return rate	0.76%	0.7%
# Active customers	1,809,028	1,266,706
Average cart size	52.24 €	52.31 €

Number of site visits/number of mobile site visits

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

Number of active customers

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

Number of orders

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

Average gross basket size

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

Repeat orders

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

Return rate

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

Human Resources

SHOP APOTHEKE EUROPE is already one of the leading online pharmacies in Continental Europe. We want to further strengthen our leading position in this segment and establish the brand name "SHOP APOTHEKE" as a synonym for OTC online pharmacies. To achieve this goal, we need to ensure that the company produces long-term growth. Therefore we need dedicated employees who bring our strategy to life in their everyday work and create added value for our customers.

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

Our human resource strategy focuses on two key aspects: on human resource management, which includes employee recruitment, retention and development, and on occupational safety and health management.
As at 31 December 2016, SHOP APOTHEKE EUROPE employed 349 full-time equivalents, versus 251 full-time equivalents a year earlier.

Research and Development

As a retail company, SHOP APOTHEKE EUROPE does not make its own products and therefore does not conduct research and development in the strict sense of the term. The sector and the customers currently find themselves in a profound transformation process which is being driven in particular by megatrends such as digitization and social change. These trends have a great impact on the way customers live, work and consume.

SHOP APOTHEKE is a technology-driven OTC online shop which offers solutions to this change. The new and further development of the core processes and the most important systems of the business model are primarily initiated and carried forward internally. External partners leverage our internal know-how and implementation capacities meaningfully.

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

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

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

Corporate Social Responsibility

SHOP APOTHEKE EUROPE has close ties with its social environment and cultivates relationships with many people every day: people who work with or for us, people who shop at our online stores or people with whom we have some other relationship. Our social and environmental responsibility in the places where we are based and interact with people is another thing that we see as a means of adding value, as it goes towards tackling social challenges.
SHOP APOTHEKE EUROPE actively promotes an intact and attractive social environment by means of donations and sponsorship. In 2016, it started sponsoring Herzenswünsche, a charity that grants wishes to children and youth affected by severe health issues. By the end of 2016, the company had donated more than EUR 80k to help bring happiness to the lives of severely ill young people. To ensure an optimum and long-lasting positive effect for the young patients, all wishes are fulfilled in consultation with the treating physician, with the children's' families also involved in planning.

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

RISKS AND OPPORTUNITIES REPORT

Risk Management and Control

Risk Management System

SHOP APOTHEKE EUROPE is regularly exposed to various risks and opportunities. These can have either positive or negative effects on the Group's assets, financial and earnings situation. The risk management system applies to all areas of the Group. Strategic and operational events and actions that have a significant impact on the existence and the economic situation of the Company 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. We actively monitor and mitigate with our internal control system risks that

- we may not be able to maintain or grow our revenues or our business; if we were unable to manage our growth effectively, this could have a material adverse effect on our business, financial condition and results of operations;

- our future success depends on the continued growth of e-commerce for non-prescription over-the-counter medications and pharmacy-related beauty and personal care products;

- we highly depend on third-party logistics providers for the distribution of our products to our customers and for delivery to us of certain products from our suppliers and manufacturers; our distribution costs may be affected by changes in the price for fuel, as well as other factors beyond our control, and we may not be able to pass on price increases to our customers;

- we are subject to payment-related risks;

- we are subject to a variety of regulations in the jurisdictions in which we operate, including but not limited to consumer protection laws, regulations governing e-commerce, online pharmacies and competition laws, and future regulations might impose additional requirements and other obligations on our business;

- adverse judgments or settlements resulting from legal proceedings could expose us to monetary damages and limit our ability to operate our business;

- our control and prevention mechanisms to ensure group-wide compliance with certain legislative requirements might not be sufficient to adequately protect us from all legal or financial risks;

- changes in tax treaties, laws, rules or interpretations or an adverse outcome of tax audits could have a material adverse effect on us;

The main relevant business risks and rewards are listed below. The aim is Group-wide standardisation of the risk and opportunity assessment. Opportunities should be used to increase earnings and to improve the financial situation. Risks are taken only to the extent that these have no foreseen particularly negative impact on the Company's development. All employees should review their actions in terms of preventing risks that endanger the Company's existence.

The company will invest in building a standardized risk and control framework in the upcoming years.

Internal control system
The internal control and risk management system has an appropriate structure and processes that are defined accordingly. It is set up so that timely, uniform and accurate accounting for all business processes and transactions is guaranteed. For consolidation of the companies included in the consolidated financial statements, the internal control system ensures that legal standards, accounting regulations and internal instructions for accounting are followed. Changes therein are continuously analysed for their relevance and impact on the consolidated financial statements and considered accordingly.

In addition to the defined controls, automated and manual coordination processes, separation between executive and controlling functions and compliance with directives and operating instructions are an integral part of the internal control system. The Group companies are responsible for compliance with the applicable guidelines and accounting processes as well as the proper and timely execution of preparation. In the accounting process, the subsidiary companies are supported by headquarters' personnel. To ensure compliant consolidated financial statements, all necessary measures are implemented in finance and accounting. In particular, these measures are aimed at identifying and assessing risks, preventing fraud and limiting and controlling identified risks.

External control
Beside the internal control system also external bodies like AFM, BAFIN and IGZ provide assurance on the structure 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 audit internally and externally, and a continuous improvement installed for ongoing optimization of all pharmacy and administrative processes.

Basic methodology
Risks are assessed according to their probability of occurrence and the potential financial loss risk. The arithmetic mean of the sum of the probability of occurrence and loss potential is then given a relevance of the overall risk between very low and high.

Risks

1. Economic and strategic risks

1.1. Macroeconomic risks
Based on overall positive economic perspectives, SHOP APOTHEKE EUROPE focuses on further strong growth in all relevant European markets. This is also backed by the ongoing trend of increasing OTC online market penetration, leading to first-mover advantages for the company. Therefore, no immediate macroeconomic risks are seen that would have a negative impact on the company's OTC online growth.

1.2. Competitive risks
As a market leader, SHOP APOTHEKE EUROPE is driving the market, making important contributions to increased OTC online penetration in relevant European markets. Despite strong competition in its German core market, SHOP APOTHEKE EUROPE has increase brand recognition and shifted to profitable growth in Germany in 2016. In relevant international markets, SHOP APOTHEKE EUROPE is a first mover and market leader. Therefore, overall competitive risks are estimated to be low.

1.3. Risks in connection with strong growth
Due to its well-established operations and IT processes along with a powerful IT environment and highly committed staff, the risk coming along with strong sales growth is estimated to be minimal.

2. Operational risks

2.1. Reputational risks
One of the key assumptions of Shop Apotheke's business forecast is that it can retain its high growth profile in the long term. Given the possibility that large e-commerce players will aggressively enter the market, its long-term prospects could be called into question. The risk of losing market share for this reason is rated low and the short term impact of revenue is considered zero since entering this market (with its barriers such as complicated regulations and offering a valuable product portfolio) takes time. The EBITDA, however, might be affected by EUR 1m due to lower margins. This risk has been mitigated by Shop Apotheke putting much effort in brand strategy and customer retention.

2.2. IT risks
As SHOP APOTHEKE EUROPE successfully migrated to its current ERP system Microsoft AXAPTA already in 2013, constantly developing and upgrading it further in the meantime to handle much higher order volumes in future, the risk of a system failure due to capacity problems is low.

As website development and operations are run by the subsidiary RedTecLab, which has a special IT security system, related IT problems are also considered to be low.

2.3. Logistics risks
One of the consequences of mail-order sales is the dependency on logistic service providers. In 2015, Deutsche Post DHL carried out a week-long strike and shut down almost all deliveries. As France and Italy have strong trade unions, especially in the public sector, we see the same risk there as well. For Shop Apotheke, this would either mean that orders cannot be delivered to customers, which would cause inconvenience to consumers and affect sales, or Shop Apotheke would have to organize alternative delivery channels at very high costs, affecting margins. Additionally, it has little scope to claim damages from the responsible parties. This risk is rated medium considering international logistic developments. The impact of this risk on revenue is considered to be EUR 2.0m due to lower customer satisfaction, and the impact on EBITDA is considered EUR 0.4m based on the 2016 gross profit level. This risk has been mitigated by avoiding a single source strategy for logistic services: Shop Apotheke has already signed contracts with two logistic service providers for its largest market: Germany.

2.4. Procurement risks
Shop Apotheke works with a broad product portfolio. Some of the products from this portfolio is available from a single supplier or a limited number of suppliers only. Should the relationship with such a supplier suffer, there is a risk that revenue is negatively affected by either non-availability of products or higher purchase

prices. This risk is rated low, considering the current relationships of Shop Apotheke with its suppliers. The impact of this risk on revenue is considered to be EUR 1m and the impact on EBITDA EUR 0.2m. The risk has been mitigated by Shop Apotheke's strong efforts to maintain a positive relationship with its suppliers. The success of these efforts has shown by Shop Apotheke winning the Inspirato Industry Award.

3. Financial and Liquidity Risks

3.1. Liquidity risks

With the proceeds from its initial public offering SHOP APOTHEKE EUROPE is fully financed to carry out its future growth plans to become the leading European OTC online pharmacy brand. At the same time, tight cost and working capital monitoring assures cash control, also minimizing liquidity risk, which is estimated to be very low.

3.2. Payment default risks

SHOP APOTHEKE EUROPE accepts payments using a variety of methods, including credit card, PayPal, invoice and electronic cash. All customers are screened and the amount per customer is low. As new payment options are offered to customers, the Group may be subject to additional regulations, compliance requirements and various types of fraud or cyber-attacks. During the decision-making process for each order, external scoring information as well as proprietary risk management system are used to detect fraud. The company uses an external real-time solvency check, based on the data available to service providers; it classifies customers during the check-out using different scoring levels. As the company takes on credit risk associated with certain payment methods (especially invoices), it has developed proprietary risk management systems that enable the group to reduce exposure to fraud by way of analysing the customer's internal identification number as well as the zip code. Both the innovative data-based fraud prevention system and the external check run parallel to the check-out process and determine in real time what payment methods should be offered for a specific order also taking into account the content of the shopping cart. On the basis of our analysis there are in general four potential results: no restrictions in relation to the order, imposing restrictions regarding payment methods, conducting a manual anti-fraud check after the order is placed or rejecting the placement of the order. A dedicated fraud prevention team seeks to continuously improve our anti-fraud detection system. As a result, the current fraud rate is negligible.

4. Regulatory and legal risks

The mail-order OTC sector is characterized by a high degree of regulation at the national and EU levels, which currently plays in Shop Apotheke's favour. However, the lobbying of various stakeholders is commonplace and interventions on OTC pricing or the liberalization of pharmacy-ownership regulations could erode a competitive advantage and barrier to entry. Liberalization of regulations that would allow third parties to own pharmacies could quickly lead to new parties entering the pharmacy mail order market, negatively affecting Shop Apotheke's market share. This risk is rated low since short-term changes in legislation are not pending. The impact of this risk on revenue is considered zero, since even if regulations would change, third party initiatives (e.g. Amazon) to enter this market would not materialize within the following year. Therefore specific risk mitigating measures have not been defined.

In Germany an investigation on whether it should be allowed to sell prescription medications by mail order is currently ongoing. Should a decision be made that this sales channel is to be prohibited for these products, Shop Apotheke would lose this part of its revenue. This risk is rated as medium (30%), since these regulatory changes are already in consideration. The impact of this risk on revenue is considered to be EUR 5.0m. The EBITDA impact of this risk is EUR 0.75m (gross margin for Rx turnover is lower than for OTC sales).

Opportunities

1. Market Growth

According to the 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 the general growth opportunities.

2. Development of the e-commerce market

OTC online market penetration is constantly on the rise. In line with the Sempora market study the group believes that the e-commerce market will continue to grow by a double-digit percentage annually, and that the group in the long term should continue to benefit extraordinarily from this trend due to its leading European market position and first-mover advantage. Due to increased mobile traffic customers have convenient access to OTC online products anywhere and anytime. In 2015, retail e-commerce sales worldwide amounted to USD 1.55 trillion and e-retail revenues are projected to grow to USD 4.1 trillion in 2020, according to Statista, one of the leading statistics companies on the internet.

3. Entrepreneur Culture

The group assumes that the company's key employees are entrepreneurial, highly motivated and loyal to the company, but has organized the business that even in case of loss of certain persons e.g. due to accidents operations continue running seamlessly, and that they can be adequately replaced in the medium term. By creating a positive work environment and a culture that fosters responsibility and entrepreneurial action, SHOP APOTHEKE EUROPE has managed high sales growth along with the successful and fast integration of the FARMALINE business and parallel start of measures to increase warehouse capacity and automation. The management also has extensive, long-standing and detailed market and industry know-how and is highly committed to the company and shareholder value.

SUBSEQUENT EVENTS

After the end of financial 2016, there were no events of particular importance that impact the net assets, financial position, and results of operations.

OUTLOOK

GDP growth should continue at moderate pace

In its "Annual Report 2016/17" the German Council of Economic Experts assumes that in light of macro-economic developments in global trade the GDP growth will continue at a moderate pace. For 2017 the expert forecast 2.8 % GDP growth globally. As regards the Eurozone, the Council says that the economy will continue but the pace of expansion might slow down a bit to 1.4 % GDP growth in 2017. Main reasons are the decrease of the positive effects of the expansive monetary policy and the leaking positive real income effects of the fall in oil prices. The experts suggest that the structural problems of the Euro zone will emerge again and the level of GDP growth rates may recede. Nevertheless, the Council expects the remaining growth to be primarily triggered by consumer demand. For Germany the Council of Economic Experts believes that the GDP will increase nearly at the same pace like in 2016. Only the fewer number of working days will squeeze the growth potential to a mere 1.3 %. The continued upswing will be fueled, they explain, by clearly higher private spending and housing construction.

OTC online pharmacy market in € m

[13,14] SEMPORA Study June 2016)
[15] SEMPORA Study „Development of the European online pharmacy market until 2020"

Outlook for the overall pharmacy market in Continental Europe
The overall Continental European pharmacy market, which includes the categories prescription medications, non-prescription medications and pharmacy-related beauty and personal care products, is expected to grow along with Continental European GDP over the upcoming four years.[13] The OTC medications and pharmacy-related BPC market is expected to grow at a CAGR of 3.6 % in the period 2016 to 2020 and will reach EUR 39.4 billion by the end of 2020.[14]

Development of the online pharmacy market looks promising
Although, the average share of pharmaceuticals purchased online in the overall pharmacy turnover in Continental Europe, excluding Germany, amounted only to around 2 % in 2015, the most recent Sempora study predicts a substantial surge in growth. Turnover is predicted rise with a compound annual growth rate (CAGR) of 17 % in the European market. This will push the share of online pharmacy turnover in the overall market to 10.8 % (2015: 5.9 %).[15]

SHOP APOTHEKE EUROPE's current markets prosper
Following the acquisition of Farmaline, our active markets in Austria, Belgium, France, Germany, Italy, the Netherlands and Spain represent 76 % of the total Continental European market for OTC medications and pharmacy-related BPC Products. We intend to further develop our market share in the respective countries and by expanding our business into new European markets. As we believe that all of these markets exhibit similar demand characteristics compared to the German market and the online penetration in these markets is limited we see significant opportunities for us.

Corporate developments are focused on growth
Taking the current market position of Shop Apotheke and Farmaline in the different Continental European markets as a starting point, we intend to use the combined experience and resources to enhance the penetration of these markets as well as our market position. We deem this an important step in the fulfillment of our vision to create the leading online pharmacy brand focused on OTC medications and pharmacy-related BPC products in Continental Europe.

Development of the European online pharmacy market until 2020

Operational Outlook for the SHOP APOTHEKE EUROPE Group
The overall development of business 2016 was reflected by a shift toward profitable growth in our core market Germany and the integration of the FARMALINE Business into our Group which inspired the growth in our markets outside Germany.

We expect the above-mentioned positive developments regarding revenue and the key performance indicators to continue throughout the full financial year 2017.

On Group level, we expect continuous revenue growth above the growth rates achieved during the business years 2015 and 2016. We expect an overall growth in revenues on a Group level between 45 % to 55 % compared to the previous year. We expect to grow in our target markets outside Germany substantially faster driven by upside from increased market penetration in Austria, Belgium, France, Italy and Spain in the future. Furthermore, we have taken the strategic decision to focus on profitable growth in our core market Germany along with a reallocation of growth resources to our international business. Given the already high market share and online penetration in Germany, we expect that growth in the medium term in Germany will be primarily driven by further increase of repeat orders followed by continuous acquisition of new customers. We are optimistic of being capable continuously improving the Group's gross margin in the running business year.

Further profitability improvements are planned in the medium term based on a number of measures to raise gross margin.

CORPORATE GOVERNANCE

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

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

In December 2016, a revised version of the Code was published by the Corporate Governance Code Monitoring Committee. The revised Code was implemented with effect from 1 January 2017. It is more thematically oriented, with greater focus on culture and long-term value creation. The company is assessing the proposed changes and will implement revisions to current practices, where needed. The company is confident it is well placed to implement the revised Code on a "comply or explain" basis. The revised Code will be reflected in the board rules of the Management Board and the Supervisory Board (available on the company's website). They will also be reported and explained in the annual report for the relevant year.

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

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

Our corporate governance practices generally derive from the provisions of the Dutch Civil Code and the Dutch Corporate Governance Code.
The Management Board is entrusted with the management of the company and is responsible for achieving the company's aims, the strategy and associated risk profile, the development of results, and corporate social responsibility/sustainability. The members of the Management Board are appointed by the General Meeting of shareholders. The full procedure for appointment and dismissal of members of the Management Board is explained in article 14 of the company's Articles of Association. The Management Board currently consists of Michael Köhler (CEO), Dr. Ulrich Wandel (CFO), Stephan Weber (CMO and deputy CEO), Theresa Holler (COO) and Marc Fischer (CTO).

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 members and their appointment. The full procedure for appointment and dismissal of members of the Supervisory Board is explained in article 20 of the company's Articles of Association.

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

Committees of the Supervisory Board
Since the Supervisory Board of SHOP APOTHEKE EUROPE consists of four members only, it has refrained from setting up committees. The provisions of the Corporate Governance Code concerning the work of committees are applied accordingly by the entire 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 item; therefore, Frank Köhler will not be part of the decision-making for remuneration and evaluation of the management board.

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. Björn Söder and Frank Köhler, hold shares in the company. Furthermore, Stephan Weber (CMO) and Marc Fischer (CTO) are brothers-in-law and Michael Köhler (CEO) and Frank Köhler, a Supervisory Board Member, are brothers. The different shareholder loans provided by certain of our managing directors, Dr. Ulrich Wandel and Theresa Holler, as well as by companies held by the members of the Management Board Michael Köhler, Stephan Weber and Marc Fischer could lead to a conflict of interest, if the Management Board members were to repay the respective loan amounts instead of pursuing business opportunities. This conflict of interest no longer exists as the shareholder loans have been repaid as intended through the proceeds of the initial public offering (IPO).

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.

Independence
During 2016, three of the four Supervisory Board members met the independence requirements of the code's best practice provision III.2.2.

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 done 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. ccording to the register kept by the AFM, the following shareholders have disclosed that they own 3% or more of the company's total share capital as per 31 December 2016.

Company	Total capital interest	Total voting rights
M.S.R. Kohler	16.62%	16.62%
FIL Limited	6.45%	3.81%
H.R. Hess	5.53%	5.53%
UBS Group AG	5.33%	5.33%
T. Rowe Price Associates, Inc.	5.29%	5.29%
C. Laubmann	5.25%	5.25%
Carve Capital AB	3.86%	3.86%
J.C. Pyttel	3.15%	3.15%
BlackRock, Inc.	3.05%	3.09%
Capital Research and Management Company	0.00%	5.10%

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).

In control statement (Dutch corporate governance code)
For the purpose of complying with best practice provision II.1.5 of the code on the risks relating to financial reporting, the Management Board believes that, to the best of its knowledge:

- 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 2016.

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

- Best practice provision II.2.3 (level and structure of remuneration Management Board)

  The company does not comply with this best practice provision, which determines that in determining the level and structure of the remuneration of Management Board members, the Supervisory Board shall take into account, among other things, the results, the share price performance and non-financial indicators relevant to the long-term objectives of the company, with due regard for the risks to which variable remuneration may expose the enterprise.

  The existing contracts with the Management Board members were concluded before the IPO of the company and do therefore not take into account the share price performance, for example. The definition of a new remuneration policy is in process.

- Best practice provision II.2.8 (remuneration Management Board in the event of dismissal):

  The company does not comply with best practice provision II.2.8, 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 law, 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 certainly justified given the tenures of the Management Board members.

- Best practice provision II.2.9 (granting of personal loans):

  The company was not in compliance with best practice provision II.2.9 that requires that personal loans may not be granted to the Management Board members unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the Supervisory Board.
  However, as all personal loans granted to management were repaid in the course of 2016, and therefore

the company complies with this recommendation as at 31 December 2016.

• Best practice provision II.2.12 (remuneration report):

This best practice provisions requires among other things that the remuneration report of the Supervisory Board should contain an account of the manner in which the remuneration policy has been implemented in the past financial year, as well as an overview of the remuneration policy planned by the Supervisory Board for the next financial year and subsequent years. The report should be posted on the company's website. The company does not comply with this recommendation as the existing contracts with the Management Board members were concluded before the IPO of the company and also before the constitution of the Supervisory Board. The definition of a new remuneration policy is in process.

• Principle III.3 and best practice provision III.3.1 (expertise and composition Supervisory Board):

These provisions state among other things that the Supervisory Board should strive for a diverse composition as to gender and age and should formulate concrete targets to achieve this. The Supervisory Board believes that the Supervisory Board is and will be composed in such 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 Supervisory Board allows it to properly and effectively carry out its duties. The Supervisory Board aspires to a diverse composition in terms of, among other things, gender and age in order to achieve the desired balance in its composition but it does not strictly follow the recommendation of best practice provision III.3.1 to formulate an explicit target on diversity in terms of gender, age or other criteria. Although the Supervisory Board pays close consideration to gender diversity in the profiles of new members the company does not yet strictly follow the recommendation for an explicit target on gender diversity.

• Best practice provision III.3.6 (retirement schedule Supervisory Board):

This best practice provisions requires that the Supervisory Board draws up a retirement schedule in order to avoid, as far as possible, a situation in which many Supervisory Board members retire at the same time. The retirement schedule should be made generally available and should be posted on the company's website.
The company does not comply with this recommendation as the Supervisory Board has only recently been set up and a retirement schedule is therefore not immediately needed but is intended to be provided in near future.

• Best practice provision IV.3.1 (meetings and presentations):

This best practice provisions requires 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.

• Best practice provision V.3.3 (internal audit function):

The company does not comply with best practice provision V.3.3, which determines that if there is no internal audit function, the audit committee should review annually the need for an internal auditor. Based on this review, the Supervisory Board should make a recommendation on this to the Management Board in line with the proposal of the audit committee, and should include this recommendation in the report of the Supervisory Board. Given the size of the company and the

Supervisory Board, no internal auditor or Supervisory Board committees have been established. This will be reviewed annually.

ARTICLE 10 TAKEOVER DIRECTIVE DECREE (BESLUIT ARTIKEL 10 OVERNAMERICHTLIJN)

Introduction
In accordance with Article 10 of the 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 in what circumstances it is expected that 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 2016, SHOP APOTHEKE EUROPE had a total of 9,069,878 ordinary bearer shares with voting rights. Each share has a nominal value of EUR 0.02. The total share capital amounts to EUR 181,397.56. The company does not hold treasury shares. Other share types than the ordinary bearer shares do not exist.

Authorization for the Management Board to repurchase shares
Subject to authorization of the General Meeting and approval of the Supervisory Board and due observance of the other relevant legal provisions, the company may acquire fully paid-up shares in its share capital for due consideration. The authorization of the General Meeting shall apply for a maximum of eighteen months.

Authorization of the Management Board to issue shares
The authorized share capital amounts to EUR 500,000. It is divided into 25,000,000 shares of EUR 0.02 each.
Shares with special rights / voting right control in the case of employee participation
There are no shares with special rights conferring powers of control. There is also no employee participation in capital that does not allow employees to directly exercise their controlling rights.

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

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

An overview of the current substantial shareholdings can be found in the Corporate Governance Section of this report.

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 other than the lock-up agreed between existing shareholders before the IPO and the joint global coordinators of the offering.

Members of the Management Board agreed to a 12-month lock-up period. Additionally, each of the other shareholders with a holding of more than 1% of the share capital prior to the IPO as well as Supervisory Board members with a shareholding in SHOP APOTHEKE EUROPE prior to the IPO agreed to a 6-month lock-up period.

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

09

CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended 31 December 2016

	Notes	Consolidated Year ended 31.12.2016 EUR 1,000	Combined & Consolidated Year ended 31.12.2015 EUR 1,000
Revenue	[6]	177,391	125,578
Costs of sales	[7]	-141,109	-99,841
Gross profit		36,282	25,737
Other income	[8]	2,204	1,316
Selling and Distribution	[9]	-41,036	-29,143
Administrative Expense	[10]	-9,089	-6,729
Result from operations		-11,639	-8,819
Finance income		17	593
Finance expense	[11]	-9,338	-2,275
Net finance costs		-9,321	-1,682
Result before tax		-20,960	-10,501
Income tax expenses	[12]	2,515	-47
Loss for the year		-18,445	-10,548
Attributable to:			
Owners of the Company		-18,445	-10,548

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Notes	Consolidated Year ended 31.12.2016 EUR 1,000	Combined & Consolidated Year ended 31.12.2015 EUR 1,000
Loss for the year		-18,445	-10,548
Other comprehensive income/loss		0	0
Total comprehensive loss		-18,445	-10,548
Attributable to:			
Owners of the Company		-18,445	-10,548
Earnings per share	[13]	EUR	EUR
Basic and diluted per share			
As at 31 December 2015			-10.55
Change of nominal share value			-2.11
Basic and diluted per share 31 December 2016		-3.08	-2.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Notes	Consolidated Year ended **31.12.2016** EUR 1,000	Combined & Consolidated Year ended 31.12.2015 EUR 1,000
Assets			
Non-current assets			
Property, plant and equipment	[14]	2,613	2,417
Intangible assets	[15]	22,169	13,616
		24,782	16,033
Current assets			
Inventories	[16]	18,841	10,412
Pre-ordered stock	[16]	6,823	5,653
Trade and other receivables	[17]	8,278	4,100
Other current assets	[18]	3,130	3,046
Other financial assets	[19]	20,012	0
Cash and cash equivalents	[19]	38,485	3,529
		95,569	26,739
Total assets		120,351	42,772
Equity and liabilities			
Shareholders' equity	[20]		
Issued capital and share premium		122,238	13,007
Reserves / accumulated losses		-28,993	-10,548
		93,245	2,459
Provisions	[26]	2,961	0
Non-current liabilities			
Loan from related parties (shareholders)	[24]	0	19,002
Deferred tax liability	[12]	0	2,564
Other liabilities	[22.1]	3,334	3,000
		3,334	24,566
Current liabilities			
Trade and other payables	[21]	12,563	8,638
Amounts due to related parties	[24]	404	3,202
Other liabilities	[22.2]	7,844	3,906
		20,811	15,747
Total equity and liabilities		120,351	42,772

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the period ended 31 December 2015

Attributable to owners of the company

	Business equity EUR 1.000	Issued and paid-up share EUR 1.000	Share premium EUR 1.000	Undistributed results EUR 1.000	Equity EUR 1.000
Business equity as of January 1, 2015	20,056				20,056
Result for the period until incorporation				-6,515	-6,515
Incorporation of the entity as of September 30, 2015	-20,056	100	20,887		931
Result for the period after incorporation				-4,033	-4,033
	0	100	20,887	-10,548	10,439
Dividends			-7,980		-7,980
Addition legal reserve					
Balance as of December 31, 2015	**0**	**100**	**12,907**	**-10,548**	**2,459**

for the period ended 31 December 2016

Attributable to owners of the company

	Issued and paid-up share EUR 1,000	Share premium EUR 1,000	Other reserves EUR 1,000	Accumulated losses EUR 1,000	Undistributed results EUR 1,000	Equity EUR 1,000
Equity as of 1 January 2016	100	12,907	0	0	-10,548	2,459
Transfer to accumulated losses				-10,548	10,548	0
Capital increase	10	14,614				14,624
IPO: issue of shares	71	99,929				100,000
IPO: share issue costs		-5,393				-5,393
Comprehensive loss for the period					-18,445	-18,445
Balance as of 31 December 2016	**181**	**122,057**	**0**	**-10,548**	**-18,445**	**93,245**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Cash flow from operating activities		
Operating result	-11.639	-8.819
Adjustments for:		
– Depreciation and amortisation of non-current assets	3.272	2.166
Operating result adjusted for depreciation and amortisation and provisions	-8.367	-6.653
– Movements in working capital:		
- (Increase)/decrease in trade and other receivables and other current assets	-4.260	-2.213
- (Increase)/decrease in inventory	-8.429	-5.820
- (Increase)/decrease in pre-ordered stock	-1.171	-121
- Increase/(decrease) in trade and other payables and other liabilities	7.812	2.921
- Increase/(decrease) in amounts due to related parties	-2.798	3.202
Working capital movement	-8.847	-2.032
Cash generated from operations	**-17.214**	**-8.779**
Interest received	**17**	**0**
Net cash (used in)/generated by operating activities	**-17.197**	**-8.779**
Cash flow from investing activities		
Investment for property, plant and equipment	-953	-1.313
Investment for intangible assets	-2.941	**-2.737**
Investment for Farmaline acquisition	**-550**	**0**
Investment in other financial assets	**-20.012**	**0**
Net cash (used in)/generated by investing activities	**-24.456**	**-4.050**

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Cash flow from financing activities		
Interest paid	-1,266	-950
Shareholder Loan Repayment	-27,074	
Net additional financing from related parties		14,011
Capital increase	10,008	
Share issue from IPO	100,000	
Share issue cost	-5,393	
Deposit from related parties and other non-current liabilities	334	3,000
Net cash (used in)/generated by financing activities	**76,609**	**16,061**
Net increase/(decrease) in cash and cash equivalents	34,956	3,232
Cash and cash equivalents at the beginning of the year	**3,529**	**297**
Cash and cash equivalents at the end of the year	**38,485**	**3,529**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Shop Apotheke Europe N.V. (or the "Company") is a limited liability company incorporated in the Netherlands on 30 September 2015 and is legally domiciled in Venlo, The Netherlands. As at December 31, 2016, the company had the following subsidiaries: SA Europe B.V., Shop-Apotheke B.V., Shop-Apotheke Service B.V., VitaZita B.V., Fastnet BVBA, EuroService Venlo B.V. and RedTecLab GmbH (formerly Xsite GmbH, renamed January 2017). The mail-order pharmacy business activities (and related activities) are presented on a combined basis for the period 1 January 2015 through 29 September 2015 and on a consolidated basis for the period 30 September 2015 through 31 December 2015 and 1 January 2016 through 31 December 2016, and are referred to as "the Group" or "Shop Apotheke Europe N.V.".

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

These financial statements consist of the Consolidated Financial Statements 2016 for Shop Apotheke Europe N.V. Until the date of incorporation the activities of the Group were part of EHS Europe Health Services B.V. (and its subsidiaries EHSC B.V., Europa Apotheek Venlo B.V., Europa Apotheek Service Venlo B.V. and Xsite GmbH) with a subsequent carve-out on the date of the incorporation. During the year 2015 the activities of Shop Apotheke Europe B.V. were part of a carve-out from the EHS Europe Health Services B.V. group. The carve-out took the legal form of a legal split. The transaction was consummated at 30 September 2015.

The Consolidated Financial Statements 2016 are prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with the Dutch Civil Code, Book 2, Title 9.

Besides the financial information of Shop Apotheke Europe N.V. the financial information of the following wholly-owned subsidiaries are also included in these Consolidated Financial Statements:

- SA Europe B.V., Venlo, The Netherlands, with its 100% subsidiaries:
  Shop-Apotheke B.V., Venlo, The Netherlands
  Shop-Apotheke Service B.V., Venlo, The Netherlands
  EuroService Venlo B.V., The Netherlands
  VitaZita B.V., Venlo, The Netherlands
  Fastnet BVBA, Tongeren, Belgium
  RedTecLab GmbH, Düsseldorf, Germany

VitaZita B.V. was founded in July 2016 as a wholly-owned subsidiary of SA Europe B.V. Fastnet BVBA was acquired in September 2016 as part of the acquisition of the Farmaline-business, and became a 100% subsidiary of SA Europe B.V. Goodwill related to the acquisition has been recorded according to IFRS 3.

2. Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The Consolidated Financial Statements have been prepared on a going concern basis based on a true and fair view.

During the period from 1 January 2013 to 30 September 2015, the Group functioned as part of the larger group of companies controlled by EHS Europe Health Services B.V., and accordingly, EHS Europe Health Services B.V. performed certain corporate overhead functions for the Group. These functions include, but are not limited to, executive oversight, legal, finance, human resources, internal audit, financial reporting, tax planning and investor relations. The costs of such services have been allocated to the Group based on the most relevant allocation method for the service provided. Management believes such allocations are reasonable; however, they may not be indicative of the actual expense that would have been incurred had the Group been operating as a separate entity apart from EHS Europe Health Services B.V. The cost allocated for these functions is included in selling, general and administrative expenses in the Combined Income Statements for the historical periods presented.

As the Group did not operate as a stand-alone entity before its incorporation on 30 September 2015, the 2015 Combined Financial Statements may not be indicative of the Group's future performance and do not necessarily reflect what its combined results of operations, financial position and cash flows would have been had the Group operated as a separate entity apart from EHS Europe Health Services B.V. during the periods presented. A number of assumptions have been made for the preparation of the 2015 Combined Financial Statements as explained in the notes below.

As for the 2015 Combined Financial Statements, the following allocations were made related to the assets, liabilities, revenues and expenses of EHS Europe Health Services B.V. specifically to Shop Apotheke Europe B.V. in the course of the carve-out:

Combined Statement of Financial Position as at 31 December 2015

- Property, plant and equipment accounts were specifically allocated by use. Assets related to warehouse operations in The Netherlands were allocated to the Group. Assets related to the prescription ("Rx") business were allocated to Europa Apotheek Venlo B.V. The allocation of the net book value of the assets to the Group were based on specific asset identification. All locations are rented by EHS Europe Health Services B.V. with rental expenses allocated to the Group based on floor area usage (warehouse) or employee expenses (for supporting departments) of the Group as percentage of aggregate employee expenses (office space).

- Goodwill is related to the acquisition of the former Shop Apotheke online pharmacy, Cologne, activities in 2010. As the business activities of the Group were carved-out (as also explained in this note) the related goodwill balance was also allocated to these Combined Financial Statements. Allocation of the goodwill across multiple cash-generating units is not applicable. As a result the goodwill balance was amortized until 1 January 2013 (Transition Date to IFRS from previous Dutch GAAP) and considered deemed cost under IFRS 1.

- All intangible fixed assets related to the ERP system used to run business operations were assigned to the Group. The allocation of the net book value of the assets to the Group was based on specific asset identification.

- Inventory was allocated to the Group.

- In 2015 the Group entered into a wholesale agent agreement with Europa Apotheek Venlo B.V. This agreement arranges that the economic risks of Rx, OTC and BPC products ordered per request of Europa Apotheek Venlo B.V. are guaranteed by Europa Apotheek Venlo B.V. resulting that revenue and cost of sales are presented on a net basis by the Group with legal title remaining at the Group prior to shipment of the products. This agreement was applied retrospectively for the Combined Financial Statements (covering the years 2013 through September 2015). These products are presented as pre-ordered stock in the Statement of Financial Position.

- Accounts receivable were allocated to Shop-Apotheke B.V. on a customer basis, also as the customers are separately tracked for Shop-Apotheke B.V. The customers were assigned to Shop-Apotheke B.V. or Europa Apotheek Venlo B.V. based on requested orders coming from the websites of Shop-Apotheke or Europa Apotheek Venlo. Write-downs on accounts receivable were allocated to the Group based on the relative sales share of the Group as a percentage of EHS Europe Health Services B.V. (including the Group). Since incorporation, all balances of accounts receivable are kept completely separately for the Group.

- Rebate accruals for products were allocated based on relative share of cost of goods sold for the Group as percentage of the Europe Health Services B.V. business (including the Group) and accounted for completely separately since incorporation of the Company.

- The subsidiary EuroService Venlo B.V. was founded in June 2015 and started operations as a wholesale unit for both Shop-Apotheke B.V. and Europa Apotheek Venlo B.V. on 1 October 2015. Services are provided by EuroService Venlo B.V.

- The subsidiary RedTecLab GmbH (formerly XSite GmbH) was completely transferred to the Group on 30 September 2015 with effect as at 1 January 2015.

- Due to business financing by EHS Europe Health Services B.V. until incorporation, cash or bank accounts were transferred to the Group only then, and as a result the Group only had cash accounts related to RedTecLab GmbH subsequent to the acquisition in 2013.

- Trade and other payables related to product purchasing were completely allocated to the Group. Trade and other payables related to shared cost of the organization have joint creditor balances, which were allocated to the Group based on allocation keys (Full Time Equivalent/"FTE") or cost share, reflecting the nature of the related charges.

- Provisions were assigned to the Group depending on their nature or other reasonable methods based on management's business judgement.

- Other liabilities and accrued liabilities, in particular for personnel costs, were allocated based on the cost share of the Group as a percentage of the aggregate costs of Europe Health Services B.V. (including the Group), as deemed relevant by the nature of the accrued costs.

- Liabilities for wages, wage tax and pensions were allocated based on the cost share of the Group as a percentage of the aggregate costs of Europe Health Services B.V. (including the Group).

- VAT was allocated based on end-customer revenues and cost of the Group as a percentage of the aggregate revenues and costs, respectively, of Europe Health Services B.V. (including the Group).

Combined Statement of Profit and Loss for the year ended 31 December 2015

- In the 2015 Combined Income Statements, both revenues and cost of goods were directly allocated to the Group based on ordered products (and related recognized revenue) as received on the Shop Apotheke Europe N.V. websites (due to specific customer tracking). The wholesale agreement (as referred to above) was applied retrospectively for the 2015 Combined Financial Statements (covering the period 1 January thru 30 September 2015).

- Salaries, wages and pensions: part of salaries and wages, including pension costs and social security, was assigned to the Group (mainly direct FTEs in Operations and Sales & Distribution) based on the organizational structure in 2015 and was allocated based on cost centers until 30 September 2015. The organizational structure was retrospectively applied for 1 January through 30 September 2015 as if the Group had already been operating in such a way during these years as the Group's management believes these are the most accurate key drivers of these costs.

- Marketing budgets and transaction-based expenses were allocated to Shop Apotheke Europe N.V. based on cost center accounting.

- Costs that could not be related to Shop Apotheke Europe N.V. directly or by cost center accounting, e.g. cost for central administration, were allocated based on reasonable allocation keys such as personnel costs, number of orders or revenues.

- Inbound logistics and fulfilment costs were allocated on a cost-per-order basis multiplied by the number of orders for the Group.

- Depreciation was calculated according to the assets that were transferred to the Group in the carve-out.

Consolidated Statement of Profit and Loss after separation

After the legal split as of 30 September 2015, the profit and loss statement is presented on a consolidated basis.

Business Equity 1 January – 30 September 2015

As indicated, the EHS Europe Health Services B.V. (including the Group) utilized a central approach to cash management and the funding of its operations. In the absence of a contractual obligation to deliver cash or other financial assets in relation to the funding from other businesses and the fact that the balances were not settled with the Group's own equity instruments, all balances with other businesses are presented as business equity in the carve out financial statements 2013 and 2014.

Equity from 1 October 2015

Since incorporation, equity is presented separately while prior to this date business equity (as explained previously) was shown in the Statement of Changes in Equity.

2015 Combined Statements of Cash Flows

As indicated, the EHS Europe Health Services B.V. (including the Group) utilized a central approach to cash management and funding of its operations until 30 September 2015. The bank accounts were legally attached to the EHS Europe Health Services B.V. group and consequently all cash transactions were received on the EHS Europe Health Services B.V. group's bank accounts resulting in that the Group did not have its own bank accounts prior to incorporation. The share premium repayment and the dividend declared, as included in the 2015 equity movement, were part of the afore-mentioned central approach to cash management and were non-cash items. As a result the share premium repayment and the dividend declared were not presented separately in the cash flow statement. Due to the central approach to cash management no cash or cash equivalent was assigned to the Group, except for RedTecLab GmbH's cash subsequent to the acquisition in 2013. In September 2015, the subsidiary EuroService Venlo B.V. obtained EUR 7.1m cash to start operations on 1 October 2015 (which is included in the additional financing from related parties in the statement of cash flow).

Based on the above the cash flow statement presents the cash flows from the operating, investing and other financing activities, whereby financing takes place by the owner's gross funding presented as additional funding from related parties until 30 September 2015.

Corporate income tax

Since before the IPO on 13 October 2016, there was uncertainty that operating losses (so excluding XSite GmbH) may not be realized in the near future, no deferred tax assets were recognized in 2015.
Despite gross proceeds of EUR 100m from the successful IPO on 13 October 2016, Shop Apotheke Europe has recognized deferred tax assets only to the extent that they balance the existing deferred tax liability to EUR 0.

Segment reporting

A business segment in the sense of IFRS 8 is a unit of a business which conducts business activities and produces financial income and expenses, the operating results of which are regularly reviewed by the Company's chief operating decision-makers with regards to decisions on allocating resources to this sector and the assessment of profitability, and for which there exists corresponding financial information.
Our operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as statutory members of the Management Board of the Group.
The Group's assets and liabilities are not disclosed by segment as they are not included in the segment information used by the chief operating decision-makers.

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

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

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 2016.

Amendments to:

- IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

- IAS 1: Disclosure Initiative

- IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses

- IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

- IAS 16 and IAS 41: Agriculture: Bearer Plants

- Annual Improvements to IFRSs 2012-2014 Cycle

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The application of these amendments has had no impact on the Group's consolidated financial statements

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as the Group did not have any such transactions in the current year.

Amendments to IAS 1: Disclosure Initiative
The application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses
IAS 12 states, that "deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized".

IAS 12.34: "A deferred tax asset shall be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised."

IAS 12.35: "when an entity has a history of recent losses, the entity recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity. In such circumstances, paragraph 82 requires disclosure of the amount of the deferred tax asset and the nature of the evidence supporting its recognition."

IAS 12.36. "An entity considers the following criteria in assessing the probability that taxable profit will be available against which the unused tax losses or unused tax credits can be utilized:

- whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilized before they expire
- whether it is probable that the entity will have taxable profits before the unused tax losses or unused tax credits expire
- whether the unused tax losses result from identifiable causes which are unlikely to recur; and
- whether tax planning opportunities (see paragraph 30) are available to the entity that will create taxable profit in the period in which the unused tax losses or unused tax credits can be utilized"

IAS 12.37. "At the end of each reporting period, an entity reassesses unrecognised deferred tax assets. The entity recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. For example, an improvement in trading conditions may make it more probable that the entity will be able to generate sufficient taxable profit in the future for the deferred tax asset to meet the recognition criteria set out in paragraph 24 or 34. "

IAS 12.82. "An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when the utilization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates".

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
As the Group already uses the straight-line method for depreciation and amortization for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants
The application of these amendments has had no impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to Annual Improvements to IFRSs 2012-2014 Cycle
The Company applied these amendments for the first time in the current year. The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa).

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The application of these amendments has had no effect on the Group's consolidated financial statements.

3.2. New and revised IFRSs in issue but not yet effective:
The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 Financial Instruments[16]
- IFRS 15 Revenue from Contracts with Customers (and the related Clarifications)[16]
- IFRS 16 Leases[17]
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions[16]
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[18]
- Amendments to IAS 7: Disclosure Initiative[19]

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

The Group anticipates that the application of IFRS 9 in the future is not expected to have a material impact on amounts reported in respect of the financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers (and the related Clarifications)
In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

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

The Group recognizes revenue from the following major sources:

- sale of non-prescription, over-the-counter medications ("OTC Medications")

[16,17]Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
[18]Effective for annual periods beginning on or after a date to be determined
[19]Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

- sale of beauty and personal care products that are otherwise almost exclusively distributed through pharmacies ("Pharmacy-Related BPC Products")

The Management Board members are still in the process of assessing the full impact of the application of IFRS 15 on the Group's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the directors complete the detailed review. The directors do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

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

As at 31 December 2016, the Group has non-cancellable operating lease commitments of EUR 3.8m.
IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 25.

A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognize a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognized in the Group's consolidated financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Management Board members complete the review.

Amendments to IFRS 2: Classification and Measurement of Share-Based Payment Transactions
The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
    a. the original liability is derecognized
    b. the equity-settled share-based payment is recognized as the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
    c. any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The members of the Management do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investor's interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Management Board's members anticipate that the application of these amendments will not have a significant impact on the Group's consolidated financial statements since such transactions will most likely not occur.

Amendments to IAS 7: Disclosure Initiative
The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The Management Board's members do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

4. Significant accounting policies

1. Statement of Compliance
These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adapted by the European Union.

Going concern
From 1 January through 30 September 2015, the Group's business was funded by EHS Europe Health Services B.V. As of the carve-out date, the Company obtained a new financing and capitalization balance, followed by a shareholder capital increase in June 2016 and the proceeds from the Initial Public Offering on 13 October 2016 in the Prime Segment of the Frankfurt Stock Exchange.

In 2015 through 2016 the Company incurred losses before tax of EUR 31.5m and used cash in operating activities for EUR 23.0m. The working capital position at the end of 2016 is positive at EUR 16.3m.

	31.12.2016	31.12.2015
	EUR 1.000	EUR 1.000
Trade and other receivables	8,278	4,100
Other current assets	3,130	3,046
Inventory	18,841	10,412
Pre-ordered stock	6,823	5,653
Trade and other payables	-12,563	-8,638
Amounts due to related parties	-404	-3,202
Other liabilities	-7,844	-3,906
Working capital	16,261	7,464
% Revenue	9.17%	5.94%

Furthermore noncurrent liabilities are past due subsequent to 2019. After the successful Initial Public Offering on 13 October 2016, the Group increased its shareholder's equity to EUR 93.2m as at 31 December 2016. The Company also closely assesses future investing activities with a planned investment in capacity expansion and automation of EUR 30.0m in the period 2017 to 2019.

As part of the acquisition of Farmaline the Company paid EUR 2.15m in cash and entered into an earn-out agreement for the period 2016 through 2018 for a maximum amount of EUR 3.3m if all of the targets agreed upon are met. Based on the expected results and cashflows in conjunction with the net proceeds from the Initial Public Offering and the acquisition of Farmaline management concluded that going concern is appropriate for preparation of these Consolidated Financial Statements.

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

2. Basis of preparation
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or

estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Consolidated Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, 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. Basis of consolidation
The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

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

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the company, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The principal accounting policies are set out below.

4. Revenue recognition
Revenue and other operating income are recognized in accordance with the provisions of IAS 18 when the goods or services are delivered provided that it is likely that economic benefits will flow to the Group and the amount can be reliably measured. 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.

Under the wholesale agreement with Europa Apotheek Venlo B.V., revenue and cost of sales are presented on a net basis by the Group with legal title remaining at the Group prior to shipment of the products.

Revenue from other services
Other services are typically recognized based on the services performed.

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

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

7. Leasing
All leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

9. Retirement benefit costs
The Group maintains two pension plans covering pharmacy personnel.

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

Eligible employees of the Group participate in the multi-employer pension plan (PMA) determined in accordance with the collective bargaining agreements effective for the industry in which the Group operates. The participation of employees is mandatory. The employees (in service before 2013) participate voluntarily in the PMA pension plan. This multi-employer pension plan covers approximately 2,000 companies and approximately 25,000 contributing members. The PMA pension plan is an average pay pension plan and the employer contribution amounts to 17.6% (2015: 17.6%) of the pensionable base.

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

The coverage ratio of the SPOA pension fund as per 31 December 2016 amounts to 93.8% (31 December 2015: 100.4%).

The coverage ratio of the PMA pension fund as per 31 December 2016 amounts to 91.4% (31 December 2015: 102.0%).

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.

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

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

11. Property, plant and equipment
Fixtures 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, with the effect of any changes in estimate accounted for on a prospective basis.

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.

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see note 3.16.2); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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

Internally-generated intangible assets
An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized 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: goodwill
Goodwill is carried at cost less accumulated impairment losses. Amortisation is not recognized.

Intangible assets: Fastnet
Intangible assets Fastnet (software) 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: FL domain
Intangible assets Farmaline domains and trademarks 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.

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.

14. Impairment of tangible and intangible assets
At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Growth rates used for impairment analysis 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.

Non-current assets include other intangible assets and property, plant and equipment.

In 2016, impairment reviews were prepared by comparing the carrying value of the cash-generating unit concerned to that cash generating unit's recoverable amount, being the higher of the value in use and fair value less costs to sell. Value in use is a valuation derived from the discounted future cash flows of the cash-generating units. The most important estimates in determining the present value of cash flows are growth rates used to calculate revenue growth and the discount rate in order to determine present value. The Weighted Average Cost of Capital used e.g. for goodwill impairment calculations has been determined based on published peer benchmarking.

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. A benchmarked discount rate for respective analyses of recoverability was used (WACC of 10,0% after tax for the Shop-Apotheke goodwill in segment "Germany" and 7% after tax for Farmaline goodwill in segment "International"). 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 recognized in the combined income statement through operating profit.

Based on sensitivity analysis during 2016, the Group did not identify any impairment indicators nor record any impairment charges in other intangible assets or property, plant and equipment.

15. Inventory
Inventory only contains finished goods and is stated at cost. Costs are determined by the average purchase price method and include direct product purchasing rebates. 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.

16. Pre-ordered stock
Pre-ordered stock is the stock ordered on behalf of Europa Apotheek Venlo B.V. and stored in the Group´s warehouse until transferred to Europa Apotheek Venlo B.V. according to their customer orders.

In 2015 the Group entered into a wholesale agent agreement with Europa Apotheek Venlo B.V. This agreement arranges that the economic risks of ordered Rx, OTC and BPC products per request of Europa Apotheek Venlo B.V. are covered by Europa Apotheek Venlo B.V. resulting that revenue and cost of sales are presented on a net basis by the Group with legal title remaining at the Group prior to shipment of the products. Legal title transfers to Europa Apotheek Venlo B.V. upon shipment of the goods to the end-customer. This agreement was applied retrospectively for the Combined Financial Statements (covering 1 January through 30 September 2015) resulting that this is separately presented as "Pre-ordered stock", i.e. stock held for Europa Apotheek Venlo B.V.

17. Cash and cash equivalents
EHS Europe Health Services B.V. has funded the Group during the period 1 January 2013 through 30 September 2015 including investment and operating loss as well as working capital. This is referred to as "financing from related parties". Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and on hand and time-deposits for a period of up to 12 months.

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

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

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

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.

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

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

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

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

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

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

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

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

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

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

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

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

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

Derecognition of financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.
On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and

the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

23. Financial liabilities

Financial liabilities and equity instruments

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.

Financial liabilities

Financial liabilities are classified as „Other financial liabilities".

Other financial liabilities

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

Derecognition of financial liabilities

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

5. Critical accounting judgements and key sources of uncertainty

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

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

Corporate allocations

The Consolidated Financial Statements include allocations for certain expenses historically maintained by EHS Europe Health Services B.V. Such items have been allocated to the Group and included in the Consolidated Financial Statements based on the most relevant allocation method, primarily relative percentage of revenue, number of orders or personnel cost. Management believes that this basis for the allocation of expenses is reasonable.

Revenue

In 2015 the Group entered into a wholesale agent agreement with Europa Apotheek Venlo B.V. This agreement arranges that the economic risks of ordered Rx, OTC and BPC products are covered by Europa Apotheek Venlo B.V. resulting that revenue and cost of sales are presented on a net basis by the Group with legal title remaining at the Group prior to shipment of the products. This agreement was applied retrospectively for the Combined Financial Statements (covering 1 January through 30 September 2015).

In the Consolidated Income Statements, both revenues and cost of goods were directly allocated to the Group based on ordered products (and related recognized revenue) as received on the Shop Apotheke Europe B.V. websites (due to specific customer tracking).

Deferred tax asset

As at 31 December 2016, the Group recognized a deferred tax asset based on the Dutch tax losses for the years ending 31 December 2015 and 31 December 2016 only to the extent that it balances the existing deferred tax liability to EUR 0.

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 recognized in the Consolidated Statement of Profit and Loss through operating profit.

Evaluation of non-current assets for impairment

Non-current assets include goodwill, other intangible assets and property, plant and equipment.

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

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. A benchmarked discount rate for respective analyses of recoverability was used (WACC of 12.4%). 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 recognized in the Consolidated Statement of Profit and Loss through operating profit.

During 2016, the Group did not identify any impairment indicators nor record any impairment charges in other intangible assets or property, plant and equipment.

Capitalization of development expenses

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

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

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

[6.] Revenue and segment information

Our operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the statutory directors of the Group and make strategic decisions. For management purposes, our Group is organized into geographic business units:

- Germany: Mostly prescription-free pharmaceuticals (OTC) and beauty and personal care products (BPC) sold to individual customers located in the German market.
- International: Only prescription-free pharmaceuticals (OTC) and beauty and personal care products (BPC) sold to individual customers located in European markets.
- Germany Services: Webshop services of RedTecLab delivered mostly to German customers/companies.

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

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

Segment Information

2016	Germany	International	Germany Services	Eliminations	Consolidated
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	**145,549**	**30,376**	**4,108**	**-2,641**	**177,391**
Cost of sales	-115,910	-24,777	-423	0	-141,119
Gross Profit	**29,640**	**5,599**	**3,685**	**-2,641**	**36,282**
% of revenue	20.4%	18.4%	89.7%		20.5%
Other income	1,810	363	31	0	2,204
Selling & Distribution	-27,458	-10,698	-2,742	2,641	-38,255
Segment EBITDA	**3,992**	**-4,735**	**975**	**0**	**231**
Administrative expense					-8,597
EBITDA					**-8,367**
Depreciation and amortization					-3,273
EBIT					**-11,638**
Net finance cost and income tax					-6,807
Net Loss					**-18,445**

2015	Germany	International	Germany Services	Eliminations	Consolidated
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	**115,660**	**8,425**	**3,398**	**-1,905**	**125,578**
Cost of sales	-92,383	-7,163	-295	0	-99,841
Gross Profit	**23,277**	**1,262**	**3,103**	**-1,905**	**25,737**
% of revenue	20.1%	15.0%	91.3%		20.5%
Other income	1,194	95	27	0	1,316
Selling & Distribution	-23,630	-3,626	-1,936	1,905	-27,287
Segment EBITDA	**841**	**-2,269**	**1,194**	**0**	**-234**
Administrative expense					-6,419
EBITDA					**-6,653**
Depreciation and amortization					-2,166
EBIT					**-8,819**
Net finance cost and income tax					-1,729
Net Loss					**-10,548**

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

The Group does not allocate certain costs to the segments. These unallocated items include primarily corporate overhead costs shown as administrative expense in the tables above. The result by segment is shown in the line segment EBITDA including costs directly related to the revenue of the segments (marketing, operations). Segment EBITDA is adjusted for costs that are directly related to the segment revenue. EBITDA means earnings before tax, interest, depreciation and amortization. All judgements in applying the allocation and aggregation criteria are made by management. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

Revenue from major products and services

The revenue from major products and services is the following:

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Prescription (Rx)	3,024	2,614
Over-the-counter (OTC) & beauty and personal care (BPC)	172,900	121,472
Other services	1,467	1,492
	177,391	125,578

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

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Other geographical information	Additions to non-current assets	
Netherlands	11,935	3,900
Germany	92	150
	12,027	4,050
Other geographical information - location of non-current assets	non-current assets	
Netherlands	23,749	14,878
Germany	1,034	1,155
	24,783	16,033

Revenue in the country of domicile (related to shipments from The Netherlands) amounts to EUR 175.9m in 2016 (2015: EUR 124.1m). No single customer contributed more than 0.1% to the Group's revenue for the years 2015 through 2016.

[7.] Cost of sales

Below, cost of sales are shown per region:

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Germany	115,910	92,383
International	24,777	7,163
Germany Services	423	295
	141,110	99,841

Cost of Sales

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Cost of goods sold	139,902	99,164
Employee benefit expenses	1,207	677
	141,109	99,841

The Group operates in two principal geographical areas: Germany and International (other European markets).

[8.] Other income

The other income relates to income from service transactions provided to Europa Apotheek Venlo B.V. (2016: EUR 2.2m; 2015: EUR 1.3m).

Our core business is to advertise, sell and deliver OTC medications and pharmacy-related BPC products to online customers. We acquire customers once, and then drive engagement and repeat purchases from those customers over a long period of time by leveraging the acquired customer base.

In addition, we provide purchasing, warehousing and picking services to our related party Europa Apotheek Venlo B.V. at defined rates per parcel. They are not related to the Group's core activities, also as the Group is required to perform these services considering the necessary economies of scale for both companies. Accordingly these revenues from other services are presented separately from the revenues from core activities and shown as Other Income.

[9.] Selling & Distribution

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Selling & distribution without personnel and depreciation	28,692	20,887
Employee benefit expenses	9,563	6,399
Depreciation and amortization expenses	2,782	1,856
Total selling & distribution*	41,036	29,143

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

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

[10.] Administrative Expense

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Administrative expenses without personnel and depreciation	4,607	4,144
Employee benefit expenses	3,990	2,275
Depreciation and amortization expenses	491	310
Total administrative expenses*	9,089	6,729

* Administrative expense shown in segment reporting excludes depreciation.

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.

Employee benefit expenses

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Wages and salaries	10,532	7,218
Social security charges	1,877	1,355
Pension and retirement expenses	282	220
Other expenses employees	2,069	558
	14,760	9,351

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

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Selling & distribution	9,563	6,399
Administrative expenses	3.990	2,275
Cost of sales	1,207	677
	14,760	9,351

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

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
Average FTE´s (Full Time Equivalents)	349	251

All employees are involved in providing the Group's services relating to its online pharmacy and e-commerce activities. As at 31 December 2016, 99 out of the 349 FTE's were working outside the Netherlands.

Retirement benefit plan – defined contribution plan:

The total expense recognised in profit or loss represents contributions payable to the plan by the Group. As at 31 December 2016, contributions of EUR 0 (2015: EUR 2k) due in respect of the reporting period had not been paid over to the plan. These amounts were paid subsequent to the end of the reporting period.

Depreciation and amortization expenses

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Depreciation of property, plant and equipment	757	659
Amortisation of intangible assets	2,515	1,506
	3,272	2,165

[11.] Finance expenses

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Other finance expense	9,338	2,275
	9,338	2,275

Finance expense relates to shareholder loan financing (until 31 October 2016), thereof EUR 6.9m related to IFRS accounting for early repayment, as well as expenses incurred in relation to the accounts receivable financing by online payment methods such as credit card companies and Paypal. Part of the fees paid to these companies that relate to the financing (prepayment) element has been reported as other finance expense, the remainder as selling and distribution cost.

[12.] Income tax expenses

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

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Result before tax	-20,960	-10,501
Non-deductible costs		
Temporary difference fiscal amortization goodwill and website	-336	-212
Temporary difference shareholder loan	7,519	679
Use of tax loss carry forward Germany	-191	-335
Taxable result before tax	-13,968	-10,369
Income tax expense:		
Effect of tax during the year Netherlands	3,492	2,592
No deferred tax due to uncertainty	-3,492	-2,560
Effect of tax loss carry forward Netherlands	0	32
Effect of tax loss carry forward Germany	-17	-101
Effect from movement deferred taxes	2,532	22
Current tax expense in profit and loss	2,515	-47

The Company has carry-forward losses in The Netherlands for an amount of EUR 9,741k at the end of 2015 and EUR 23,643k at the end of 2016. These can be used for the period up to and including 2024 and 2025 respectively. The applicable tax rate for 2015, 2014 and 2013 is the corporate tax rate of 25% payable by corporate entities in The Netherlands on taxable profits and the corporate tax rate of 30% payable by corporate entities in Germany on taxable profits.

Deferred tax balances

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Deferred tax asset in relation to:		
Loss carry-forward minus difference valuation intangible asset	833	32
Deferred tax liability in relation to:		
Loss carry-forward minus difference valuation intangible asset	0	68
Deferred tax liability in relation to:		
Goodwill	833	649
Deferred tax liability in relation to:		
Shareholder loan	0	1,848
Total deferred taxes	0	-2,564

The deferred tax liability for goodwill relates to the acquisition of the Shop Group in 2010 which was an asset deal under Dutch jurisdiction with an initial (at acquisition) duration of 10 years.

A summary of the movements is given below.

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Deferred tax asset in relation to:		
Balance 1 January 2015	7	563
Recognized in profit and loss		72
Recognized in shareholder's equity	-25	1,929
Balance 31 December 2015	32	2,564
Balance 1 January 2016	32	2,564
Recognized in profit and loss	-32	-2,564
Recognized in shareholder's equity	0	0
Balance 31 December 2016	0	0

[13.] Earnings per share

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Basic and diluted earnings		
From continuing operations	-3.08	-2.11
From discontinued operations	0.00	0.00
Total basic and diluted earnings	-3.08	-2.11

Basic and deluted earnings per share

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Result for the year attributable to owners of the Company	-18,445	-10,548
Earnings used in the calculation of basic and diluted earnings per share	-18,445	-10,548
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	-18,445	-10,548
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	5,993,861	5,000,000
Basic and diluted earnings per share		
From continuing operations	-3.08	-2.11
From discontinued operations	0.00	0.00
Total basic and diluted earnings per share	-3.08	-2.11

[14.] Property, plant and equipment

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

	Machinery	Other	Total
	EUR 1,000	EUR 1,000	EUR 1,000
Cost			
Balance1 January 2015	0	5,155	5,155
Additions	577	736	1.313
Disposals	0	-296	-296
Balance 31 December 2015	577	5,595	6,172
Additions	12	947	959
Disposals	0	-31	-31
Balance December 31, 2016	589	6,511	7,100

	Machinery	Other	Total
	EUR 1,000	EUR 1,000	EUR 1,000
Accumulated amortisation and impairment			
Balance 1 January 2015	0	3,382	3,382
Depreciation	32	626	658
Disposals	0	-285	-285
Balance 31 December 2015	32	3,723	3,755
Depreciation	127	630	757
Disposals	0	-25	-25
Balance December 31, 2016	159	4,328	4,487
Carry value			
Balance 31 December 2015	545	1,872	2,417
Balance December 31, 2016	430	2,183	2,613

In the calculation of depreciation useful lives of 3 - 10 years are used for operating assets. The operating assets mainly consist of hardware and leasehold improvements.

[15.] Intangible assets

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

	Intangible assets ERP EUR 1,000	Intangible assets website EUR 1,000	Intangible assets goodwill EUR 1,000	Intangible assets Fastnet EUR 1,000	Intangible assets FL domain EUR 1,000	Intangible assets FL Goodwill EUR 1,000	Total EUR 1,000
Cost							
Balance1 January 2015	9,700	1,272	6,777	0	0	0	17,749
Additions	2,670	67	0	0	0	0	2,737
Disposals	0	0	0	0	0	0	0
Balance 31 December 2015	12,370	1,340	6,777	0	0	0	20,487
Additions	2,890	50	0	344	3,604	4,179	11,067
Disposals	0	0	0	0	0	0	0
Balance 31 December 2016	15,260	1,390	6,777	344	3,604	4,179	31,554

	Intangible assets ERP EUR 1,000	Intangible assets website EUR 1,000	Intangible assets goodwill EUR 1,000	Intangible assets Fastnet EUR 1,000	Intangible assets FL domain EUR 1,000	Intangible assets FL Goodwill EUR 1,000	Total EUR 1,000
Accumulated amortisation and impairment							
Balance 1 January 2015	3,345	141	1,879	0	0	0	5,365
Amortisation	1,371	134	0	0	0	0	1,505
Disposals	0	0	0	0	0	0	0
Balance 31 December 2015	4,716	275	1,879	0	0	0	6,870
Amortisation	2,215	167	0	26	107	0	2,515
Disposals	0	0	0	0	0	0	0
Balance 31 December 2016	6,931	442	1,879	26	107	0	9,385
Carry value							
Balance 31 December 2015	7,654	1,065	4,897	0	0	0	13,616
Balance 31 December 2016	8,330	948	4,897	318	3,497	4,179	22,169

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

- Acquired websites: 10 years
- Internal website development (programming): 3 years
- ERP-software: 7 years
- Goodwill: infinite life subject to impairment

Impairment Tests for Goodwill
Goodwill is related to

1. the German OTC and BPC business as the most relevant Shop Apotheke Europe B.V. market.
2. the Farmaline business. As of 14 September 2016, Shop Apotheke Europe BV and certain other companies of the Shop Apotheke Group completed the Farmaline Acquisition by which we aim to improve our competitive position in Continental Europe significantly.With the integration of the Farmaline Business into our Group, we have expanded our business in one step to a number of European markets previously targeted by us, including the Netherlands, Italy and Spain, and have further enhanced our competitive position in Belgium, Austria and France.

Applying the discounted cash flow approach, growth rates and discount rates are the major assumptions to determine the value in use.

Impairment losses or reversals on impairment losses are not applicable in 2016.

Estimates used to measure recoverable amounts
Revenue growth over the course of the business plan was estimated considering experience from previous years. Basis for the growth rates is the anticipated development of business with existing and new customers. The applied discount rate reflects the market risk of the CGU Germany. The calculation of the appropriate discount rate accounts for factors specific to the Company and its business units. It is based on industry specific Weighted Average Costs of Capital.
Sensitivity analysis of applied estimates
Management growth expectations, as applied in the business plan for the next five years, assume annual reasonable revenue growth rates, gross margin percentages and marketing expenses until 2020 based on past experiences in conjunction with market studies; beyond that a long term fixed growth rate of 1% (subsequent to 2020) is assumed in the business plan. A scenario analysis was performed, with minimum annual revenue growth rates of 14% (until 2020), stable gross margins, a consistent WACC and relatively decreasing marketing expenses, which would not result in an impairment. Management also performed sensitivity analysis (this analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period while holding all other assumptions constant) on the individual estimates and assumptions resulting in no impairment charge.

[16.] Inventory and pre-ordered stock

The cost of inventories recognized as an expense during the year in respect of continuing operations was EUR 141.1k (2015: EUR 99.2k).

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

[17.] Trade and other receivables

	Consolidated Year ended 31.12.2016 EUR 1,000	Combined & Consolidated Year ended 31.12.2015 EUR 1,000
Trade receivables	8,520	4,258
Allowance for doubtful debts	-242	-158
	8,278	4,100

The average credit period on sales of goods and services is 16 days in 2016 (2015: 10 days).
Since all receivables relate to German customers that by law are only obliged to pay after 30 days, no impairment is made for receivables between 11 and 29 days.
No interest is charged on trade receivables. The Group

has recognised an allowance for doubtful debt as stated above.

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

Of the trade receivables balance at the end of the year 2016, EUR 200k (2015: EUR 57k) was due from the Group's largest customer. No other customers individually represent more than 2 % of the total balance of trade receivables.

There are no trade receivables disclosed above that include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts.

Age of receivables that are past due but not impaired:

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
30 – 60 days	483	245
61 – 90 days	0	0
91 – 120 days	0	0
121 days and older	0	0
	483	245
Average age (in days)	45	45

Movement in the allowance for doubtful debts:

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Balance beginning of the year	158	538
Charge/release to income statement	419	-128
Amounts written off as uncollectible	-336	-253
Balance end of the year	242	158

Age of impaired receivables:

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
30 – 60 days	0	0
61 – 90 days	83	46
91 – 120 days	41	27
121 days and older	118	85
	242	158
Average age (in days)	131	137

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.

[18.] Other current assets

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Prepayments	1,218	992
Other current assets and accrued income	1,911	2,054
	3,130	3,046

[19.] Other financial assets and Cash and cash equivalents

Other financial assets
EUR 20m short-term securities are shown in other financial assets according to IAS 7.

Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and on hand.
All cash balances are at free disposal of the Group, except for a rent guarantee of EUR 33.6k at RedTecLab GmbH and a EUR 500k rent guarantee at Fastnet BVBA.

[20.] Shareholder's equity

Share capital
The share capital of the Group as at 31 December 2016 amounts to EUR 181.4k divided into 9,069,878 shares each with a nominal value of EUR 0.02 all of which have been issued and fully paid.

Shareholders's equity and business equity
Prior to the contribution of the mailorder pharmacy business activities of EHS Europe Health Services group into the Company, the Group's equity represented EHS Europe Health Services B.V.'s investment in the combined entities of the Group, or business equity. Following the Separation, the Group's equity represents the Company's issued and outstanding share capital, additional paid in capital and reserves.

Prior to Separation—Business Equity
As indicated, the EHS Europe Health Services B.V. (including the Group) utilized a central approach to cash management and the funding of its operations.

In the absence of a contractual obligation to deliver cash or other financial assets in relation to the funding from other businesses and the fact that the balances were not settled with the Group's own equity instruments, all balances with other businesses were presented as business equity in lieu of shareholders' equity for the period 1 January to 30 September 2015. Business equity represents the cumulative net investment by EHS Europe Health Services B.V. in the Group through that date.

Impact of Separation from EHS Europe Health Services B.V. on Equity and amounts due to related parties
There were a number of transactions entered into to consummate the Separation. These resulted in an increase in the equity of EUR 931k and a reduction in amounts due from related parties.

Post Separation—Shareholders' Equity
As described above 1,000,000 shares of the Company were issued to EHS Europe Health Services B.V.'s shareholders in connection with the Separation. Upon the completion of the Separation, the Company has been refinanced as follows:

- Share capital: share capital was issued based on the par value of EUR 0.10 per share for the shares issued in connection with the Separation;
- Additional paid in capital: the net asset value of the contribution, is reported as share premium.

The total authorized number of ordinary shares is 9.069.878 as at 31 December 2016 with a par value of EUR 0.02 per ordinary share. As at 1 January 2016, the issued and paid-up share capital of the Company amounted to EUR 100k, divided into 1,000,000 ordinary shares of EUR 0.10 each.

It has been increased to 1,066,700 ordinary shares of EUR 0.10 each in September 2016 by the issuance of

66,700 new shares and 32,990 ordinary shares that were issued as part of the acquisition of the Farmaline business on 14 September 2016, leading to a total capital increase of EUR 14,624k. After a subsequent 1:5 share split the number of shares increased to 5.498.450 ordinary shares, and the earnings per share accordingly changed from EUR -10.55 to EUR -2.11.

The Company obtained long term loans from shareholders due to the legal split in 2015 of
EUR 26.5m nominal value, which were paid back at their nominal value of EUR 27.1m on
31 October 2016. For reference see the related party disclosures.

[21.] Trade and other payables

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Trade payables	12,563	8,638

The average credit period on purchases is 20 days in 2016 (2015: 14 days). No interest is charged on the trade payables, calculated from Group trade payables and purchases for both the Group and Europa Apotheek Venlo B.V., which is served by a common purchasing service contract. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

[22.] Other liabilities

Other liabilities (non-current)

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Amounts due to related parties	3,000	3,000
Other	334	0
	3,334	3,000

Other liabilities (current)

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Employee benefit liabilities	932	673
Other accruals and deferred income	6,912	3,233
	7,844	3,906
Employee benefit liabilities		
Pension liabilities	11	2
Other employee benefit liabilities	921	671
	932	673
Other accruals and deferred income split		
Other tax liabilities	5,808	2,850
Other accruals and deferred income excluding tax	1,105	383
	6,913	3,233
Other tax liabilities		
Value Added Tax	5,487	2,505
Wage tax and social security liabilities	322	345
	5,808	2,850

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

Financial instruments

1. 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 2016 on the Group profit or equity, since the shareholder loan was repaid on 31 October 2016.

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 is the risk of non-payment by customers for services provided.

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 [17] 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, 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 2017 capital expenditures. In June 2016 the Group increased its shareholder's equity by EUR 10.0m by the issuance of new shares to existing shareholders to further support its sales growth and internationalization strategy. Subsequently it increased its shareholder's equity by EUR 4.6m as part of the acquisition of the Farmaline business with no related cash inflows. On 13 October 2016 the Group issued 3,571,428 new ordinary shares with a nominal value of EUR 0.02 each at an offering price of EUR 28.00. As a result the Group obtained gross proceeds of EUR 100m.

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

Liquidity and interest risk tables:
The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted average effective interest rate	1-5 years	5+ years	Total	Carrying amount
	%	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
31.12.2015					
Non-interest bearing	0	3,000	0	3,000	3,000
Fixed interest rate instruments	7.5	0	31,526	31,526	19,002
		3,000	31,526	34,526	22,002
31.12.2016					
Non-interest bearing	0	3000	0	0	3000
		3,000	0	0	3,000

2. Capital management
The Group manages its equity to ensure it will be able to continue as going concern while maximising the return to it. After the acquisition of the Farmaline business and the successful listing in the Prime Standard market segment of the Frankfurt Stock Exchange on 13 October 2016, 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.

3. Categories of financial instruments

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Financial liabilities:		
Shareholder loan	0	19,002
Deposit	3,000	3,000
	3,000	22,002

4. Fair value of financial assets and financial liabilities
Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Except as detailed in the following table, 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.

	Consolidated		Combined & Consolidated	
	Year ended 31.12.2016		Year ended 31.12.2015	
	EUR 1,000		EUR 1,000	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities:	3,000	5,451	22,002	21,492

5. Fair value hierarchy

As at 31.12.2015	Level 1	Level 2	Level 3	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Financial liabilities:				
Shareholder loan			19,002	19,002
Deposit			2,490	2,490
	0	0	21,492	21,492

As at **31.12.2016**	Level 1	Level 2	Level 3	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Financial liabilities:				
Shareholder loan			0	0
Deposit			2,490	2,490
	0	0	2,490	2,490

The fair values of the financial assets and financial liabilities included in the level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties (the latter only applicable for financial assets).

23. Related party transactions

Details of transactions between the Group and other related parties are disclosed below.

1. Transactions with the EHS Europe Health Services group
As of 30 September 2015, the Group was carved out from the EHS Europe Health Services group. As a result of the carve-out the Group entered into service agreements with the EHS Europe Health Services group, which will provide for the provision of services such as purchasing, warehouse operations, IT and administration performed by the Group for EHS Europe Health Services group. As of 1 October 2015 a EUR 3.0m non-current deposit (five years term at 0% interest) was provided from EHS Europe Health Services group to the Group to facilitate agent product purchases on behalf of EHS Europe Health Services group. The services also included the provision of certain application maintenance, application development and infrastructure maintenance services. The service agreements will provide for a term of up to five years.

Revenue from other services relates to income from service transactions provided to Europa Apotheek Venlo B.V. is allocated to the segments based on revenue until 30 September 2015 and thereafter based on service agreements (2016: EUR 2.2m; 2015: EUR 1.3m).
As at 31 December 2016, a remaining balance of EUR 404k is presented under "Amounts due to related parties".

MK Beleggingsmaatschappij B.V. is a related party without transactions in 2016.

Shop Apotheke Group entered into a supply agreement with a company ultimately owned by Dr. Robert Hess, who is at the same time our indirect shareholder by owning 100% of the shares in Dr. Hess Verwaltungsgeschellschaft mbH which indirectly holds 6% of the shares in Shop Apotheke Europe N.V..

Financing of the Group took place by capital increase as described.

2. Compensation of key management personnel
The remuneration of management board and supervisory board members was as follows:

Management Board Member	Periodically paid remuneration
Marc Fischer	171,724 €
Theresa Holler	178,893 €
Michael Köhler	30,000 €
Ulrich Wandel	161,237 €
Stephan Weber	171,504 €
Total	**713,358 €**

Supervisory Board Member	Periodically paid remuneration
Jan Pyttel, Chairman	7,500 €
Björn Söder	5,000 €
Frank Köhler	5,000 €
Jérôme Cochet	5,000 €
Total	**22,500 €**

There was no remuneration for other long-term benefits, termination benefits and share-based payments. The remuneration of directors was determined by the shareholders of EHS Europe Health Services B.V. from 1 January to 30 September 2015 and by the shareholders of Shop Apotheke Europe N.V. since incorporation. A supervisory board determining future remuneration schemes was installed in September 2016.

3. Loans to key management personnel
The Group has provided several of its key management personnel with short-term loans at rates comparable to the average commercial rate of interest, which were completely paid back as of
31 December 2016.

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Loans to key management personnel	0	70

4. Loans from related parties

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Loan	0	19,002
Promissory note	0	0
	0	19,002

The loan obtained from related parties was completely paid back on 31 October 2016.
It had the following conditions and parameters:

Annual actual interest: 2.5% (7.5% effective rate)

No redemption scheme prior to the redemption date of the loan in 2022. Interest is accumulated and paid at the time of redemption, which may take place prior to 2022.

The loan is subordinated in nature. Lenders may ask for redemption in case of majority change of control.

In accordance with IFRS, the loan was reported based on fair value at inception (with amortised cost subsequently), discounting the loan at 7.5% to value the loan at EUR 19.0m as at 31 December 2015 (nominal value of EUR 26.5m). A deferred tax liability was recorded for the difference between fair value and nominal value. Due to repayment, both values are zero as at 31 December 2016.

The loans held by members of the management board and of the supervisory board were as follows:

Shareholder Loan nominal value

	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Management Board Member		
Marc Fischer	0	100,000
Theresa Holler	0	100,000
Michael Köhler (MK Beleggingsmaatschappi)	0	9,750,000
Ulrich Wandel	0	150,000
Stephan Weber	0	100,000
Total	0	10,170,000

Shareholder Loan nominal value

	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Supervisory Board Member		
Jan Pyttel, Chairmen	0	2,000,000
Björn Söder	0	170,000
Frank Köhler	0	1,000,000
Jerome Crocher	0	0
Total	0	3,170,000

[24.] Business combinations

a Subisidaries aqcuired
As of 14 September 2016, Shop Apotheke Europe BV and certain other companies of the Shop Apotheke Group completed the Farmaline Acquisition by which we aim to improve our competitive position in Continental Europe significantly. With the integration of the Farmaline Business into our Group, we have expanded our business in one step to a number of European markets previously targeted by us, including the Netherlands, Italy and Spain, and have further enhanced our competitive position in Belgium, Austria and France.
The Farmaline acquisition consists of the acquisition of the Farmaline brand (including domains and tradenames) and the acquisition of Fastnet BVBA.

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
2016				EUR 1,000
Fastnet BVBA, Tongeren, Belgium	Marketing, customer support, finance, purchasing	14. Sep 16	100%	8,132

b Consideration transferred

	Fastnet BVBA
	EUR 1,000
Cash	85
Shop Apotheke shares to Farmaline owners	4,612
Contingent consideration arrangement	3,435
	8,132

Under the contingent consideration arrangement, the Group is required to pay the vendors additional amounts of EUR 550k after the logistic transfer (realized in 2016) and three times EUR 1.1m as per 1 April 2017, 2018 and 2019 respectively, if the results from the Farmaline business exceed the agreed sales targets.

Based on the expectation that these targets will be exceeded, the contingent consideration arrangement has been recognized completely.

c Assets acquired and liabilities recognized at the date of the acquisition

	Fastnet BVBA
	EUR 1,000
Current assets	
Cash and cash equivalents	136
Trade and other receivables	1,168
Non-current assets	
Plant and equipment	57
Intangible assets	3,874
Current liabilities	
Trade and other payables	-948
Non-current liabilities	
Loans	-334
	3,953

d Goodwill arising on acquisition

	Fastnet BVBA
	EUR 1,000
Consideration transferred	8,132
Less: fair value of identifiable net assets acquired	3,953
Goodwill arising on acquisition	4,179

e Net cash outflow on acquisition of subsidiaries

	Fastnet BVBA
	EUR 1,000
Consideration paid in cash	85
Less: cash and cash equivalent balances acquired	136
	-51

f Impact of acquisition on the results of the Group

Included in the Gross Profit for the year is EUR 1.3m attributable to the additional business generated by the Farmaline acquisition . Revenue for the year includes EUR 4.6m in respect of the Farmaline business.

25. Operating lease arrangements

Payments recognized as an expense

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Lease payments	25	23
Rental payments	1,039	705
	1,064	728

Applicable time periods for these payments has been described under contingent liabilities.

[26.] Provisons

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Due within 1 year	1,076	0
Due between 1 and 5 years	1,885	0
	2,961	0

Provisions are based on maximum expected earn-out payments to the previous owners of Farmaline.
In the unlikely case that earn-out criteria are not met in the years 2017 and 2018, the earn-out payments could be up to EUR 1,9m lower.

27. Contingent liabilities

Guarantees
Guarantee obligations have been provided by the Group for EUR 34k (RedTecLab GmbH).

Fiscal unity
For the purpose of value added tax, Shop Apotheke Europe N.V., SA Europe B.V., Shop-Apotheke B.V., Shop-Apotheke Service B.V., VitaZita B.V. and EuroService Venlo B.V. are associated in a fiscal unity and are therefore severally liable for the value added tax owed of the entire fiscal unity as of October 2015 (subsequent to this date and not for the prior period). 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).
Article 403 of the Dutch Civil Code
As of its incorporation on 30 September 2015, Shop Apotheke Europe N.V. is liable for all Dutch group companies (subsequent to this date and not for the prior period), i.e. SA Europe B.V., Shop-Apotheke B.V., Shop-Apotheke Service B.V., VitaZita B.V. and EuroService Venlo B.V. according to Article 403 of the Dutch Civil Code. The according declaration 2016 has been filed with the trade register.

Rental commitments buildings and other (lease) agreements
The obligations for lease of property as at 31 December 2016 entered into with third parties are
EUR 3.8m. Of this amount EUR 1.0m is due within one year, EUR 2.8m is due within one through five years on 30 September 2020, and EUR 0 is due after more than five years.

These contracts relate to:

- Rental contract for offices and warehouse EuroService Venlo BV (due within one year: EUR 489.6k, due within one through five years: EUR 1.4m)

- Rental contract for offices and warehouse Shop Apotheke BV (due within one year: EUR 307.2k, due within one through five years: EUR 0.8m)

- Rental contract for offices Shop Apotheke Service BV in Cologne (due within one year: EUR 109.2k, due within one through five years: EUR 300.3k)

- Rental contract for offices RedTecLab GmbH, Düsseldorf (due within one year: EUR 116.2k, due within one through five years: EUR 296.9k)

Obligations for other lease agreements amount to EUR 30k. Of this amount EUR 19k is due within one year, EUR 11k is due within one through five years on 31 August 2018, and EUR 0 is due after more than five years.
Legal cases
As at the date of these financial statements the company is currently subject to a first instance civil law proceeding in France with several accusations obtained. If the plaintiffs were to be successful, the company could be restricted in pursuing certain advertisement and sales measures but the company could also be obliged to take into consideration some or all of the French law requirements regarding the online activity of pharmacists and could as a result be restricted in doing business in France. The potential violation of the respective French laws would be published. Additionally, the company would be required to pay EUR 30k to the plaintiffs for the alleged unfair competition, plus the legal costs. The company could face additional penalties if the company were not complying to such court decision. The company is in appeal of the accusations. Considering the current stage of the legal proceeding (with related uncertainties) no provision is recorded and accordingly is disclosed as a contingent liability.

In Germany, a preliminary ruling obliges Shop Apotheke B.V. to pay a fine of EUR 250k when committing a prohibited advertisement again. No provision is recorded and accordingly is disclosed as a contingent liability.
In addition small legal cases exist that are not material.

28. Events after the reporting date

No subsequent events to report.

29. Other Information

Auditor's fees
The following auditor's fees were expensed in the Statement of Profit and Loss in the reporting period:

	Consolidated	Combined & Consolidated
	Year ended 31.12.2016	Year ended 31.12.2015
	EUR 1,000	EUR 1,000
Audit of the financial statements	160	120
Other audit procedures – IPO	0	631
Total	160	751

Approval and signing of the Consolidated Financial Statements

Venlo, 24 March 2017

Signed
Management Board Members:
Marc Fischer, Theresa Holler, Michael Köhler, Dr. Ulrich Wandel, Stephan Weber

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


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COMPANY FINANCIAL STATEMENTS.

COMPANY BALANCE SHEET

at 31 December 2016

	Notes	12/31/16	12/31/15
		EUR 1,000	EUR 1,000
Assets			
Financial fixed assets			
Subsidiaries	[3]	0	9,290
Deferred tax asset		0	0
		0	9,290
Current assets			
Trade and other receivables		26	0
Receivables from Group Companies	[4]	68,959	13,523
Amounts due from related parties		0	2,685
Other current assets		0	32
Cash and cash equivalents	[5]	34,876	0
		103,861	16,240
Total Assets		103,861	25,530
Equity and Liabilities			
Capital and reserves			
Issued Caiptal		181	100
Share premium		118,921	4.488
Legal reserves		3,136	1.904
Retained earnings		-10,548	0
Net income for the year		-18,445	-4.033
Shareholders' equity	[6]	93,245	2.459
Provisions	[7]	1,239	0
Non-current liabilities			
Loan from related parties (shareholders)	[8]	0	19.002
Deferred tax liability	[9]	0	1.880
		0	20.882
Current liabilities			
Trade and other payables		1,790	0
Payables to Group Companies	[10]	6,530	0
Amounts due to related parties		963	0
Other liabilities		94	2.189
		9,377	2.189
Total Equity and Liabilities		103,861	25.530

COMPANY STATEMENT OF PROFIT AND LOSS

for the year ended 31 December 2016

	Notes	Year ended 12/31/16	9/30/15 through 12/31/15
		EUR 1,000	EUR 1,000
General & Administrative Expenses		-1,619	-65
Total Expenses		**-1,619**	**-65**
Other income		18	0
Financial income		5	0
Finance expense	[11]	-8,135	-344
Result before tax		**-9,731**	**-409**
Income tax expenses		1,815	74
Share of post-tax results of subsidiaries		-10,529	-3,698
Result for the year		**-18,445**	**-4,033**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. General

The Company is registered at the Venlo Chamber of Commerce under Commercial Register Number 63986981.

The description of the Company's activities and the Company structure, as included in the Notes to the Consolidated financial statements, also apply to the Company financial statements.

2. Summary of Significant Accounting Policies

The company financial statements of Shop Apotheke Europe N.V. are prepared in accordance with the legal requirements of Part 9, Book 2 of the Dutch Civil Code. The company has made use of the possibility based on Article 362, paragraph 8, Part 9, Book 2 of the Dutch Civil Code to prepare company financial statements based on the accounting policies used for the Consolidated financial statements, except for the valuation of subsidiaries which is accounted for in accordance with the equity method.

The summaries of applications of new and revised reporting standards, significant accounting policies and critical judgments are given in notes 3, 4 and 5 respectively of the notes to the Consolidated financial statements.

Receivables are mainly receivables on Group companies and related parties. The accounting policy on trade and other receivables is included in note 4.18 of the notes to the Consolidated financial statements.

3. Financial fixed assets

A summary of the movements in the subsidiaries is given below:

	SA Europe B.V.	Total
	EUR 1,000	EUR 1,000
Balance, 30 September 2015	0	0
Carve-out	12,988	12,988
Result SA Europe B.V.	-3,698	-3,698
Balance, 31 December 2015	9,290	9,290
Result SA Europe B.V.	-9,290	-9,290
Balance, 31 December 2016	0	0

See note 1 of the notes to the Consolidated financial statements for an overview of the major subsidiaries and for an explanation of the carve-out of the group's activities subsequent to incorporation.

4. Receivables from Group Companies

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

	Year ended 12/31/16	Year ended 12/31/15
	EUR 1,000	EUR 1,000
SA Europe BV	16,968	12,400
EuroService BV	28,943	2,106
Shop Apotheke BV	0	-958
Shop Apotheke Service BV	23,037	-25
Vita Zita BV	11	0
	68,959	13,523

5. Cash and cash equivalents

From the cash and cash equivalents, an amount of EUR 13.0m relates to deposits (duration up to 1 year) and an amount of EUR 10.0m relates to short term financial securities. The remaining amount is at immediate free disposal of the company.

6. Shareholder's equity

The total authorised number of ordinary shares is 9,069,878 at 31 December 2016 (31 December 2015: 1,000,000) with a par value of EUR 0.02 per ordinary share (31 December 2015 with a par value of EUR 0.10 per ordinary share). The issued and paid-up share capital of the Company amounts to EUR 181,397,56 divided into 9,069,878 ordinary shares of EUR 0.02 each.
Additional information is given in the Consolidated statement of changes in shareholder's equity and in note 20 of the notes 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 2016 relate to the net balance of capitalization and amortization of software developed in-house.

7. Provisions

Provisions relate to the negative equity value of the fully owned subsidiary SA Europe BV.

	Year ended 12/31/16	Year ended 12/31/15
	EUR 1,000	EUR 1,000
Provisions	1.239	0

8. Loan from related parties (shareholders)

The loan from shareholder was completely repaid on 31 October 2016. Additional information is given in note 24.5 of the notes to the consolidated financial statements.

9. Deferred tax liability

Due to the repayment of the shareholder loan in 2016, the deferred tax liability was released.

10. Payables to Group Companies

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

	Year ended 12/31/16	Year ended 12/31/15
	EUR 1,000	EUR 1,000
SA Europe BV	255	0
Shop Apotheke BV	4.445	0
Shop Apotheke Service BV	1.830	0
	6.530	0

11. Finance expense

Finance expenses mainly relate to shareholder loan financing (until 31 October 2016, EUR 8,072k).

12. Personnel

The number of employees employed by Shop Apotheke Europe N.V. at 31 December 2016 was 0.

13. Commitments and Contingencies

Shop Apotheke Europe N.V. forms a fiscal unity together with its Dutch subsidiaries, for 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 all Dutch group companies (subsequent to this date and not for the prior period), i.e. SA Europe B.V., Shop-Apotheke B.V., Shop-Apotheke Service B.V., EuroService Venlo B.V. and VitaZita B.V. according to Article 403 of the Dutch Civil Code, the according declaration has been filed with the trade register.

No guarantees have been issued on behalf of subsidiaries nor have commitments been made by Shop Apotheke Europe N.V. itself.

14. Remuneration of the Board of directors

See note 23.2 of the notes to the Consolidated financial statements.

15. Related parties

All companies within the Group are considered to be related parties.
See also notes 24 and 25 of the notes to the Consolidated financial statements.

16. Auditors'fees

Auditors' fees for the year ending 31 December 2016 were EUR 160k.

17. Events after the balance sheet date

No subsequent events to report.

18. 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.

19. Appropriation of result for the period 1 January 2016 – 31 December, 2016

The board of directors proposes that the loss for the period 1 January 2016 – 31 December 2016 amounting to EUR 18,445k should be deducted from the other reserves.

Signing of the financial statements

Venlo, 24 March 2017

Signed
Statutory directors:
Marc Fischer, Theresa Holler, Michael Köhler, Dr. Ulrich Wandel, Stephan Weber

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

OTHER INFORMATION

Independent auditor's report

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

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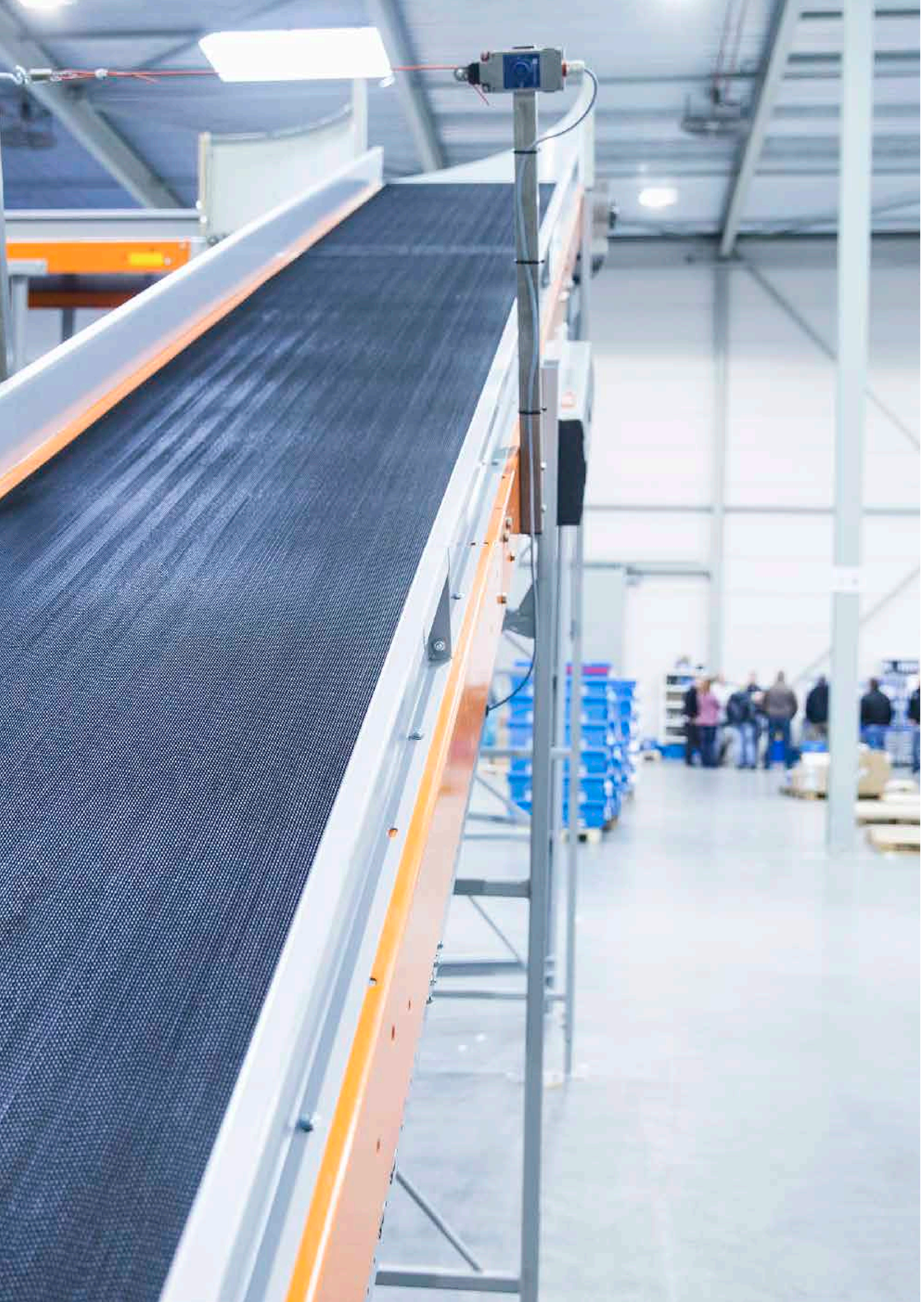
INDEPENDENT AUDITOR'S REPORT.



Independent auditor's report

To the shareholders and the supervisory board of Shop Apotheke Europe N.V.

REPORT ON THE FINANCIAL STATEMENTS 2016 INCLUDED IN THE ANNUAL REPORT

Our Opinion

We have audited the financial statements 2016 of Shop Apotheke Europe N.V., based in Venlo, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements included in this annual report give a true and fair view of the financial position of Shop Apotheke Europe N.V. as at 31 December 2016, and of its result and its cash flows for 2016 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 company financial statements included in this annual report give a true and fair view of the financial position of Shop Apotheke Europe N.V. as at 31 December 2016, and of its result for 2016 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 2016.

2. The following statements for 2016: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.

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 2016.

2. The company profit and loss account for 2016.

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 Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA). We believe 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 € 1 million. The materiality is based on 7.5% of Profit before Tax adjusted for exceptional one time items. 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 € 50 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..

Our group audit focused on all entities included in the consolidated financial statements. We performed audit procedures ourselves at all Dutch group entities of Shop Apotheke Europe N.V. and also performed audit procedures on the German entity of Shop Apotheke Europe N.V.

By performing the procedures mentioned above, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional 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.

Key Audit Matter	How the key audit matter was addressed in the audit
Business combinations In 2016, Shop Apotheke Europe N.V. has acquired the Farmaline business. The company prepared a purchase price allocation for this acquisition, by which the total consideration is allocated to the assets and liabilities of the acquired company. The acquisition and the purchase price allocation are disclosed in note 24 to the financial statements. Given the significance of the purchase consideration and the management estimates that are required to prepare a purchase price allocation, we consider the business combination to be a key audit matter. Furthermore, the financials of the newly acquired company are converted to Shop Apotheke Europe accounting policies and consolidated in the Shop Apotheke Europe financials as of acquisition date.	In our audit of the accounting of the acquisition, we assessed the purchase agreement and verified the payment of the purchase price to the sellers. An important element of our audit relates to the identification of the acquired assets (e.g. valuation of trademarks, technology and website) and liabilities (provisions, other liabilities). We tested this identification based on our understanding of the business of the acquired company and the explanations and plans of the company that supported the acquisition. Subsequently, we tested the fair values of the acquired assets and liabilities based on common valuation models. We involved our valuation specialists in the audit of the fair values. As disclosed in note 24, the purchase price allocation of the company is provisional. As a result, adjustments can be made in 2017 to the purchase price allocations based on new information. Furthermore, we assessed the appropriateness of the disclosuresin the financial statements regarding the acquisitions. The Farmaline business has been integrated in the Shop Apotheke Business model, operating and the financial reporting systems.
Valuation of goodwill At December 31, 2016 the Group's goodwill balance is valued at € 9,076 thousand. Under EU-IFRS, the company is required to annually test for impairment of goodwill. This annual impairment test is significant to our audit because the assessment process is complex and involves significant management judgement. These judgements involve assumptions that are affected by expected future market and developments in economic conditions. Based on the annual goodwill impairment test the Management Board concluded that no goodwill impairment was needed. The key assumptions and sensitivities are disclosed in note 15 to the consolidated financial statements.	Our audit procedures included obtaining an understanding of the management's process for valuation of goodwill and testing relevant controls. Our substantive procedure includes, amongst others an assessment of the mathematical accuracy of the calculations and a reconciliation to the long term forecast as approved by the Management Board. We used our valuation experts to assist us in evaluating the assumptions and methodologies used in the annual impairment test prepared by the company. We have challenged management, primarily on their assumptions applied where upon which the outcome of the impairment test is most sensitive, including, for example, projected revenue growth, EBITDA margin, discount rate, marketing spend, number of sales transactios, the development of basket sizes, margin and terminal growth. Further, we challenged management by comparing the assumptions to historic performance of the company to industry and marketing information and to the Shop Apotheke customer data model that captures historical data on customer behaviour, taking into account the sensitivity of the goodwill balances to changes in the respective asumptions. We also focused on the adequacy of the company's disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The company's disclosures concerning impairment and goodwill are included in note 15 to the consolidated financial statements.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

• Management Board's Report

• Other Information as required by Part 9 of Book 2 of the Dutch Civil Code

• Other information, not belonging to the annual report.

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.

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 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 other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the 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. in 2015, as of the audit for year 2015 and have operated as statutory auditor ever since that date.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management and the supervisory board for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to 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 framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.
The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from 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 judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

• 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 the company to cease to continue as a going concern.

• Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

• Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On

this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the management and the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, March 24, 2017

Signed
Deloitte Accountants B.V.
Jan Hendriks

GLOSSARY.

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

Adjusted EBITDA EBITDA before certain non-recurring items related to the Reorganization and the Offering

Adjusted segment EBITDA Segment EBITDA before certain non-recurring items related to the Reorganization and the Offering

Administrative Expense Corporate overhead costs relating 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, having a local, physical presence

CAGR Compound annual growth rate

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

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. together with its direct and indirect subsidiaries

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

FARMALINE Belgian online pharmacy Farmaline N.V.

GDP Gross domestic product

General Meeting General meeting of shareholders (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 Managing board of the Company

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 TVs5

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 possessing a valid prescription

Personal care Industry which manufactures consumer products used in personal hygiene and for 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.

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

Service Agreements Four service agreements with companies in the Europa Apotheek Group; pursuant to which Shop-Apotheke Service B.V. provides the IT pharmaceutical services, marketing services and finance, accounting and internal control services

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

Supervisory Board supervisory board of the Company

VAT Value-added tax

Wholesale Agent Agreement Agreement which our subsidiary, EuroService Venlo B.V. entered into with Europa Apotheek Venlo B.V. with effect from 1 October 2015

FINANCIAL CALENDAR.
EVENTS.

2017

15 May
Publication of the First Quarter Results 2017

16 May
Annual General Meeting

26 July
Publication of the Half-Year Report 2017

09 November
Publication of the Third Quarter Results 2017

IMPRINT.

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

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

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

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European Online Dispute Resolution Platform (ODR platform):
Based on the EU's Regulation 524/2013, the EU Commission has set up an interactive website through which consumers and traders can resolve disputes online out of court.
You can find the ODR-platform here:
http://ec.europa.eu/consumers/odr/

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