



**SHOP APOTHEKE**

E U R O P E

# INTERIM STATEMENT

31 MARCH 2017

## LETTER TO SHAREHOLDERS.

Venlo, the Netherlands, May 15, 2017

Dear shareholders, ladies and gentlemen,

Thanks to the rapid integration of the online pharmacy FARMALINE acquired in September 2016, SHOP APOTHEKE EUROPE was again able to further strengthen its market position in the relevant European markets: With revenues increasing by 56 % during the first quarter 2017, we were able to further accelerate our already strong rate of growth. Internationally, we have more than tripled our first quarter revenues compared to the same timeframe a year ago. At the same time we were able to further improve our gross margin. Compared to Q1 2016, it rose by 0.3 percentage points to 20.7 % for the core segment Germany and by even better 2.9 percentage points to 20.7 % for the International segment.

We currently have 2.1 million customers – a new record! On average, 71 % are repeat customers.

Our excellent market position and rapid growth are based on our attractive pricing and our best-in-class pharmaceutical consultation services. Recent tests conducted by ZDF-TV's consumer magazine show WISO and ARD-TV's Marktcheck have confirmed SHOP APOTHEKE EUROPE's position as Germany's best online pharmacy. The Handelsblatt newspaper and market research institute YouGov awarded us the "excellent brand" label for the second time in a row.

To continue building on this growing foundation, we want to consistently pursue our successful strategy – dynamic growth along with a sustainable improvement of our profitability – in order to further extend our market leadership in Europe.

The Management Board of SHOP APOTHEKE EUROPE thanks you, our shareholders, for your trust on this road of success.

### KEY FIGURES.

Performance indicators Group	2015				2016				2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Page visits (millions)	6,3	6,0	6,1	7,1	8,4	9,1	10,3	14,0	18,6
Mobile page visits (millions)	2,2	2,0	2,0	2,7	3,3	3,9	4,6	6,3	9,1
Ratio mobile (in %)	35	33	33	39	39	43	44	45	49
Orders (millions)	0,7	0,7	0,7	0,8	0,9	0,9	1,0	1,1	1,4
Orders by existing clients (in %)	71	71	74	74	75	73	73	71	71
Return rate (in %)	0,7	0,7	0,7	0,7	0,7	0,7	0,8	0,8	0,8
Active customers (millions)	1,0	1,1	1,2	1,3	1,4	1,5	1,6	1,8	2,1
Average shopping cart (in €)	52,1	51,8	52,2	53,1	52,2	51,3	51,6	53,5	52,0

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**SHOP APOTHEKE**

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01

HIGHLIGHTS.

## SHOP APOTHEKE EUROPE: Acceleration of international expansion speeds up growth rate and increases gross margin.

- First quarter 2017 company revenues increased by 56 % to 63.8 million Euros compared to 41.0 million Euros a year earlier.
- Continuous growth rate further accelerated: plus 56 % percent in Q1 2017, following a plus of 52 % in the previous quarter (Q4 2016) and 41% for the 2016 fiscal year.
- The continuing profitable growth in the company's core segment Germany boosts the gross margin and segment EBITDA.
- International revenues more than tripled while the segment's gross margin significantly increased.
- Number of active customers increased to more than 2.1 million as of the closing date (+51 % compared to a year earlier).
- Guidance for the 2017 fiscal year confirmed.



**€ 64m**  
**(+56 %)**

Revenue  
Q1 2017



**2.1m**  
**(+51 %)**

Active  
customers



**71 %**

Repeat orders



**18.6m**

Page visits



**> 100.000**

Available  
products



**SHOP APOTHEKE**

E U R O P E

02

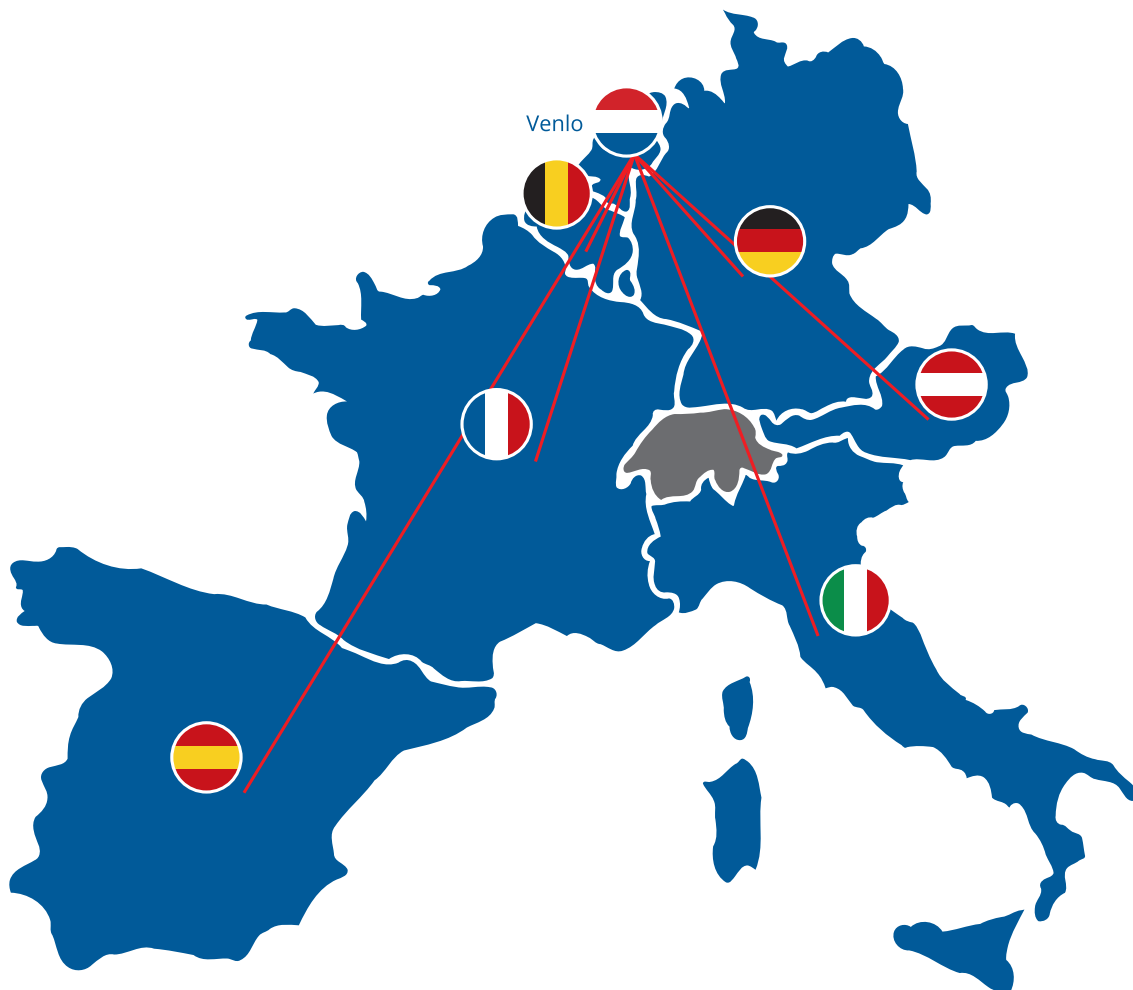
SHOP APOTHEKE EUROPE:  
THE SUCCESSFUL  
EUROPEAN GROWTH STORY.

## Business model.

### Europe's leading online OTC pharmacy.

SHOP APOTHEKE EUROPE is the leading online pharmacy in continental Europe. Its business activities focus on non-prescription over-the-counter (OTC) pharmaceuticals and pharmacy-related beauty and personal care products. In its online stores, the founder-managed company offers an extensive range of around 100,000 original products fast and at attractive prices to more than 2.1 million customers. The portfolio is supplemented by comprehensive pharmaceutical consultation services. A state-of-the-art, centralized logistics infrastructure in Venlo, the Netherlands, guarantees that SHOP APOTHEKE EUROPE can significantly expand its business volume while benefitting from economies of scale. All of the company's technological and logistics processes are already geared towards further growth thanks to investments in capacity expansion and automation.

Growth in the company's established markets and achieving the leading position in all relevant European markets are at the core of our growth strategy. With the acquisition of FARMALINE in September 2016, SHOP APOTHEKE EUROPE has further accelerated its European roll-out in Q4 2016 and Q1 2017.



## Group structure and corporate governance practices.

The business activities of SHOP APOTHEKE are managed by SHOP APOTHEKE EUROPE N.V., Venlo, The Netherlands.

SHOP APOTHEKE EUROPE's internal reporting structure is based on geographic segmentation with the three business segments Germany, International and Germany Services. The core segments Germany and International comprise the sale of non-prescription pharmaceuticals and pharmacy-related beauty and personal care products while the segment Germany Services comprises web-shop services.

The business success of SHOP APOTHEKE EUROPE depends to a large extent on the company's international revenue growth and European market leadership. Results-based key financial performance indicators (KPIs) used in managing the group include gross margin and segment EBITDA.

The management of SHOP APOTHEKE EUROPE also uses the following key performance indicators in managing the Group:

### **Number of website visits/number of mobile website 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 key tool for company management. Since a growing number of people are using 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 of apps that SHOP APOTHEKE EUROPE is continuously 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 twelve 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 shopping cart size.**

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

### **Repeat orders (orders by active customers).**

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 a direct positive impact on segment EBITDA.

### **Return rate.**

One key advantage of trading in OTC and BPC products 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.





**SHOP APOTHEKE**

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**BUSINESS DEVELOPMENT.**

## Consolidated revenues and results of operations.

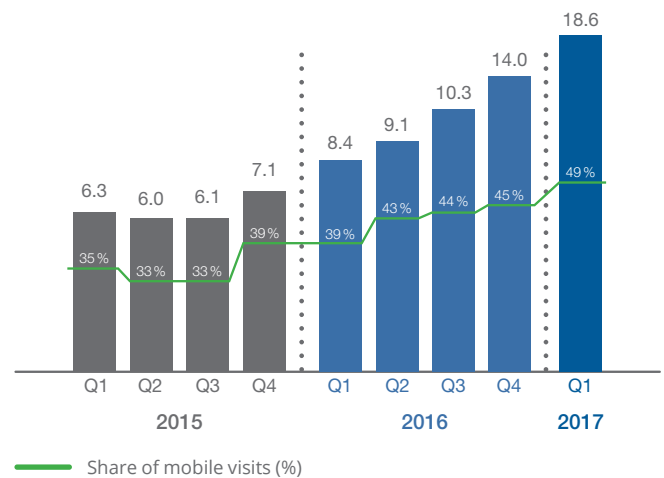
Sales of OTC and BPC products depending to some degree on seasonal fluctuations as demand rises in the first and last quarters of the calendar year.

SHOP APOTHEKE EUROPE has further accelerated its strong growth. During the first three months of the current fiscal year, consolidated revenues rose to 63.8 million Euros compared to 41.0 million Euros during the same period in the previous year. This increase of approximately 56 percent represents a further acceleration of our growth rate compared to the already dynamic developments of the preceding quarter (Q4 2016) when SHOP APOTHEKE EUROPE grew by 52 %. The overall growth rate for the 2016 fiscal year was 41 %.

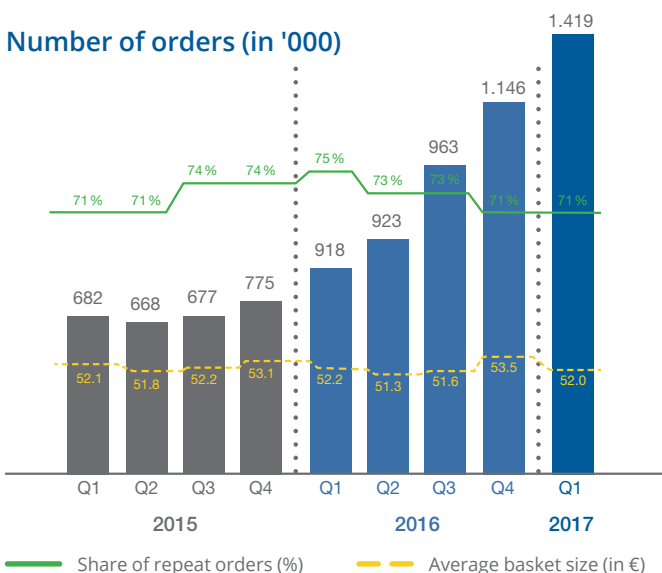
While first quarter revenues in our core segment Germany rose by 33 % year-to-year, revenues outside of Germany – consolidated in the segment International – more than tripled during the reporting period. We were able to further boost the company's strong growth rate due to the acceleration of our international expansion, particularly through the successful integration of the online pharmacy FARMALINE which was acquired in September 2016.

As a result of the company's successful growth initiatives, the number of active customers rose substantially, from 1.4 million at the end of Q1 2016 to 2.1 million at the end of Q1 2017. In line with this increase, the number of orders grew by 55 % to 1.4 million compared to 0.9 million orders over the comparable time period last year (Q1 2016). The rate of repeat orders remained at a consistently high level with 71 % with a continuing low return rate of just 0.8 % while the number of site visits rose significantly, confirming Shop-Apotheke online pharmacy leadership. Furthermore, the ratio of mobile site visits climbed by 49 % in Q1 2017.

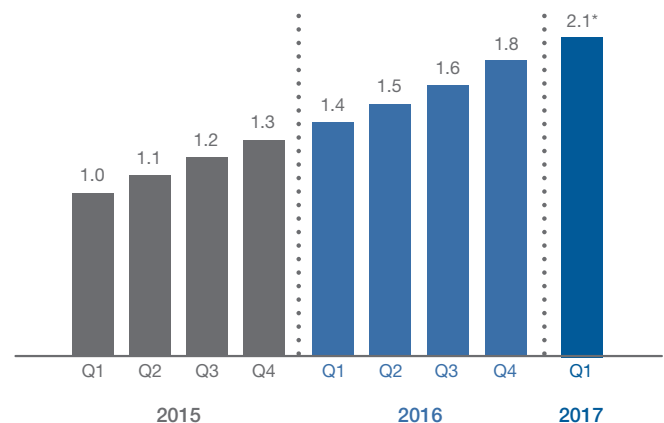
### Web Traffic (in m)



### Number of orders (in '000)



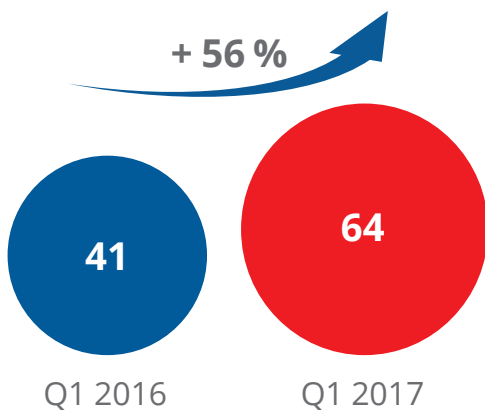
### Number of active customers (in m)



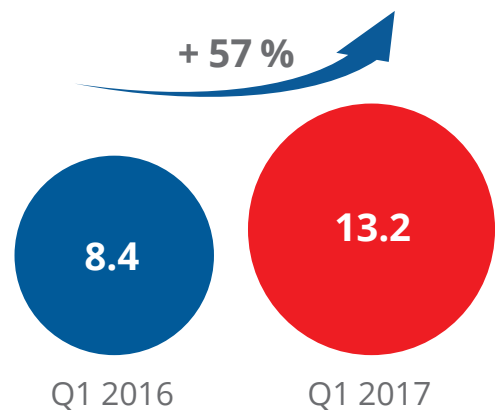
In Q1 2017, SHOP APOTHEKE EUROPE increased its consolidated gross profit by 57 % to 13.2 million Euros compared to 8.4 million Euros in Q1 2016. Considering the company's accelerated growth rate, the gross margin increased especially strongly in the International segment compared to the same reporting period 2016 whereas acquisition costs for new customers had a negative impact on segment profitability. The gross margin grew by 0.3 percentage points to 20.7 % in the segment Germany, and by an even more impressive 2.9 percentage points to 20.1 % in the International Segment.

Economies of scale resulted in a relative decrease of administrative costs from 1.5 million Euros in Q1 2016 to 1.9 million Euros during the same period this year. In line with the expansion strategy plan, marketing expenditures (particularly for TV advertising) and extra costs related to warehouse expansion and automation affected the company's first quarter results with more than 2.0 million Euros. As a result, consolidated EBITDA decreased to -3.6 million Euros compared to -2.3 million Euros the previous year while EBIT amounted to -4.9 million Euros compared to -3.0 million Euros.

**Revenue in €m**



**Gross Profit in €m**



## Segment performance.

The positive development of consolidated revenues and gross profit is attributable in particular to the significant growth in the core segments Germany and International.

### **Segment Germany.**

Germany, SHOP APOTHEKE EUROPE's core segment, posted profitable growth of 33 % during the first three months of 2017 compared to the corresponding time period 2016. First-quarter revenues increased to 47.5 million Euros after 35.6 million Euros the previous year. In the same period, gross profit grew at a 35 % from 7.3 million Euros to 9.8 million Euros. The corresponding gross margin increased by 0.3 percentage points to 20.7 % during the reporting period compared to 20.4 % a year earlier. Segment EBITDA was positive at 441K Euros during the first three months 2017 after standing at -24K Euros a year earlier.

### **Segment International.**

Thanks to the significantly higher number of orders, the International segment contributed strongly to the increase revenues. 2017 first quarter International segment revenues more than tripled year over year to 16.0 million Euros compared to 5.0 million Euros in Q1 2016 (+221 %). The significantly increase in gross profit from 0.9 million Euros in Q1 2016 to 3.2 million Euros in Q1 2017 is the result of a gross margin increase by 2.9 percentage points, from 17.2 % last year to 20.1 % in Q1 2017.

As part of the international expansion strategy, the International segment had a substantial increase in customer numbers. The significantly higher proportion of orders placed by new customers – and corresponding higher acquisition costs – contributed to a decline in segment EBITDA to -2.3 million Euros during the first three months of 2017 compared to -0.9 million Euros a year earlier.

### **Segment Germany Services.**

During the first three months of 2017, the segment Germany Services had gross revenues of 1.7 million Euros compared to 1.0 million Euros in the same period last year. The figure for the period under review includes revenues from intracompany services of 1.4 million Euros, which are eliminated in consolidation.

Gross profit for the period under review was 1.6 million Euros compared to 0.9 million Euros the previous year. Adjusted for intracompany services, the gross profit for the reporting period was at a similar level to the past year at 0.2 million Euros.

## Financial position.

### Liquidity situation.

Cash and cash equivalents – including short-term investments in securities – declined by 3.6 million Euros during the reporting period, from 58.5 million Euros as of December 31, 2016 to 54.9 million Euros as of the reporting date. Operational cash flow was -0.7 million Euros.

Cash outflow of 2.3 million Euros is due to investments in capacity expansion in Q1 2017.

Expenditures to cover the cost of interest resulted in a cash outflow of 0.6 million Euros during the reporting period, compared to an outflow of 0.3 million Euros in Q1 2016.

As of the reporting date, SHOP APOTHEKE EUROPE is debt-free.

## Guidance update and report on post-balance sheet events.

In consideration of the company's dynamic first quarter growth, the Board of Management has confirmed its forecast for the 2017 fiscal year, i.e. a 45-55 % increase in consolidated revenues, driven primarily by the strong growth in international business. Management also expects a positive impact from the overall positive market environment. A recent market research study by SEMPORA revised the expected 2016-2020 annual growth rate of the online pharmacy market upwards, from 23.7 % to 24.7 %. While SHOP APOTHEKE EUROPE'S growth strategy is focused on further extending its market leadership in the relevant European markets, the Board also expects a significant increase in profitability for the 2017 fiscal year due to economies of scale, improvements in efficiency and further automation. The consolidated gross margin is expected to increase in line with the projected growth. Furthermore, management expects an improvement of the company-level EBITDA margin to around -2 % to -3 %.

### Report on post-balance sheet events.

No significant events.



**SHOP APOTHEKE**

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APPENDIX.

Group segment reporting.

Q1 2017	GERMANY	INTERNATIONAL	GERMANY SERVICES	ELIMINATIONS	CONSOLIDATED
	€ '000	€ '000	€ '000	€ '000	€ '000
<b>Revenue</b>	<b>47,493</b>	<b>16,034</b>	<b>1,678</b>	<b>-1,427</b>	<b>63,778</b>
Cost of sales	-37,662	-12,812	-73	0	-50,547
<b>Gross Profit</b>	<b>9,831</b>	<b>3,222</b>	<b>1,605</b>	<b>-1,427</b>	<b>13,231</b>
% of revenue	20.7 %	20.1 %	95.6 %		20,7 %
Other income	590	188	6	0	784
Selling & Distribution	-9,979	-5,753	-1,372	1,427	-15,676
<b>Segment EBITDA</b>	<b>442</b>	<b>-2.343</b>	<b>240</b>	<b>0</b>	<b>-1,661</b>
Administrative expense					-1,900
<b>EBITDA</b>					<b>-3,561</b>
Depreciation and amortisation					-1,295
<b>EBIT</b>					<b>-4,856</b>
Finance income					22
Finance expense					-553
Net finance cost					-531
<b>Result before tax</b>					<b>-5,387</b>
<b>Net Loss</b>					<b>-5,439</b>



Consolidated income statement.

	Q1 2017	Q1 2016
	€ '000	€ '000
Revenue	<b>63,778</b>	<b>41,010</b>
Costs of sales	<b>-50,547</b>	<b>-32,619</b>
<b>Gross profit</b>	<b>13,231</b>	<b>8,391</b>
Other income	784	558
Selling and Distribution	-16,776	-10,305
Administrative Expense	-2,095	-1,624
<b>Result from operations</b>	<b>-4,856</b>	<b>-2,980</b>
Finance income	22	0
Finance expense	-553	-650
Net finance cost	-531	-650
<b>Result before tax</b>	<b>-5,387</b>	<b>-3,630</b>
<b>Income tax expenses</b>	<b>-52</b>	<b>2</b>
<b>Net Loss</b>	<b>-5,439</b>	<b>-3,628</b>

## Consolidated balance sheet.

ASSETS	31 MAR 17	31 DEC 16	EQUITY AND LIABILITIES	31 MAR 17	31 DEC 16
	€ '000	€ '000		€ '000	€ '000
<b>Non-current assets</b>			<b>Shareholders' equity</b>		
Property, plant and equipment	6,536	2,613	Issued capital and share premium	122,238	122,238
Intangible assets	22,844	22,169	Reserves/accumulated loss	-34,432	-28,993
	<b>29,380</b>	<b>24,782</b>		<b>87,806</b>	<b>93,245</b>
<b>Current assets</b>			Provisions	3,027	2,961
Inventories	17,244	18,841	<b>Non-current liabilities</b>		
Pre-ordered stock	5,458	6,823	Shareholder loan	0	0
Trade and other receivables	9,449	8,278	Other liabilities	3,321	3,334
Amounts due related parties	4,169	0		<b>3,321</b>	<b>3,334</b>
Other current assets	1,471	3,130	<b>Current liabilities</b>		
Other financial assets	20,012	20,012	Trade and other payables	17,942	12,563
Cash and cash equivalents	34,912	38,485	Amounts due to related parties	0	404
	<b>92,715</b>	<b>95,569</b>	Other liabilities	9,999	7,844
<b>Total Assets</b>	<b>122,095</b>	<b>120,351</b>		<b>27,941</b>	<b>20,811</b>
			<b>Total Equity and Liabilities</b>	<b>122,095</b>	<b>120,351</b>

## Consolidated cash flow statement.

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>31 MAR 17</b>	<b>31 DEC 16</b>
	€ '000	€ '000
<b>Operating result</b>	<b>-4,856</b>	<b>-2,980</b>
<b>Adjustments for:</b>		
- Depreciation and amortisation of non-current assets	1,295	722
- Corporate Income Tax	-52	3
- Deferred Tax Liability	0	-2,564
- Increase/(decrease) in provisions	66	0
<b>Operating result adjusted for depreciation and amortisation, taxes and provisions</b>	<b>-3,547</b>	<b>-4,819</b>
<b>Movements in working capitals:</b>		
- (Increase)/decrease in trade and other receivables and other current assets	486	-1,012
- (Increase)/decrease in inventory	1,597	792
- (Increase)/decrease in pre-ordered stock	1,366	462
- Increase/(decrease) in trade and other payables and other liabilities	3,912	4,981
- Increase/(decrease) in amounts due to related parties	-4,573	-462
<b>Working capital movement</b>	<b>2,788</b>	<b>-4,761</b>
Cash generated from operations	-759	-58
Interest received	22	0
<b>Net cash (used in)/generated by operating activities</b>	<b>-737</b>	<b>-58</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investment for property, plant and equipment	-738	-210
Investment for intangible assets	-1,545	-831
Investment for Farmaline acquisition	0	0
Investment for other financial assets	0	0
<b>Net cash (used in)/generated by investing activities</b>	<b>-2.283</b>	<b>-1.041</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	-553	-294
Deposit from related parties and other non-current liabilities	0	0
<b>Net cash (used in)/generated by financing activities</b>	<b>-553</b>	<b>-294</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-3,573</b>	<b>-1,393</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>38,485</b>	<b>3,529</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>34,912</b>	<b>2,136</b>

## CONTACT/FINANCIAL CALENDAR.

### Investor Relations.

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### Financial Calendar 2017.

May 16, 2017	Annual General Meeting
July 26, 2017	Publication of the Half-Year Report 2017
November 13, 2017	Publication of the Third Quarter Results 2017

### Conferences 2017.

May 17-18, 2017	Citi's European Internet and Digital Conference, London
May 22-24, 2017	Berenberg European Conference USA 2017, Tarrytown, NY
August 29-31, 2017	Commerzbank Sector Conference, Frankfurt
September 6-8, 2017	Citi Global Technology Conference 2017, New York
September 18-20, 2017	Berenberg & Goldman Sachs German Corporate Conference, München
December 4-7, 2017	Berenberg European Conference, London