SHOP APOTHEKE
EUROPE

ANNUAL AND ESG REPORT 2022.

EUROPE'S
ONE-STOP PHARMACY
OF THE FUTURE.

ENABLING
EVERYONE TO
LIVE THE HEALTHIEST
LIFE POSSIBLE.

MSCI
ESG RATINGS
AA

CCC | B | BB | BBB | A | AA | AAA

BECAUSE WE CARE.

EUROPE'S FASTEST-GROWING E-PHARMACY
AT A GLANCE.

- Early mover, pioneering the online pharmacy market since 2001.
- Headquartered in the Netherlands with offices in Germany, Belgium, France, Italy and Poland.
- Operating in seven European countries.
- OTC, beauty and personal care products, prescription drugs, natural food and health products, sports nutrition.
- More than 9 million active customers.
- Market leader in Germany, Austria and Belgium.
- Largest and most visited pharmacy webshop in Germany.
- Highest pharmaceutical safety standards.
- Outstanding customer counselling.
- Sustainable growth in line with 1.5 degrees net zero.

KEY FIGURES 2022.

CONTINUOUSLY INCREASING OUR STRONG GROWTH ACROSS EUROPE.

SALES FY 2022:
€ 1,204.4 MILLION (+ 13.6 %).

PARCELS SENT IN 2022:
MORE THAN
65,000 PARCELS A DAY.

GROSS MARGIN:
INCREASED TO 27.5 %.

REPEAT ORDERS:
83 %.

ACTIVE CUSTOMERS:
9.3 MILLION.
1.4 MILLION NEW CUSTOMERS GAINED IN 2022 (+ 15 %).

AVERAGE SHOPPING BASKET SIZE:
€ 58.28.

SITE VISITS GREW BY:
67.8 MILLION TO 347.8 MILLION.

CUSTOMER SATISFACTION:
NET PROMOTER SCORE (NPS) OF 72.

SERVING MORE THAN 9 MILLION ACTIVE CUSTOMERS ACROSS EUROPE.

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

MORE THAN JUST AN ONLINE PHARMACY.

Over the last couple of years, we have laid the foundation to transform SHOP APOTHEKE EUROPE from a pure online retailer into a **customer-centric e-pharmacy platform**. In 2022, we made significant progress again: The expansion of our digital health services, the acquisition of a pioneering quick-commerce player, GoPuls, that delivers pharmacy products within 30 minutes, the launch of our second own marketplace in Austria as well as the opening of our first distribution centre outside the Netherlands in Italy.

It is our mission **to enable everyone to live the healthiest life possible**. The fact that Europe's population is steadily getting older and consequently has a greater need for pharmaceutical products as well as for continuous care shows the importance of online pharmacy offerings. During the Covid-19 pandemic, we demonstrated the important and complementary role e-pharmacies play in safeguarding the country-wide supply of medications.

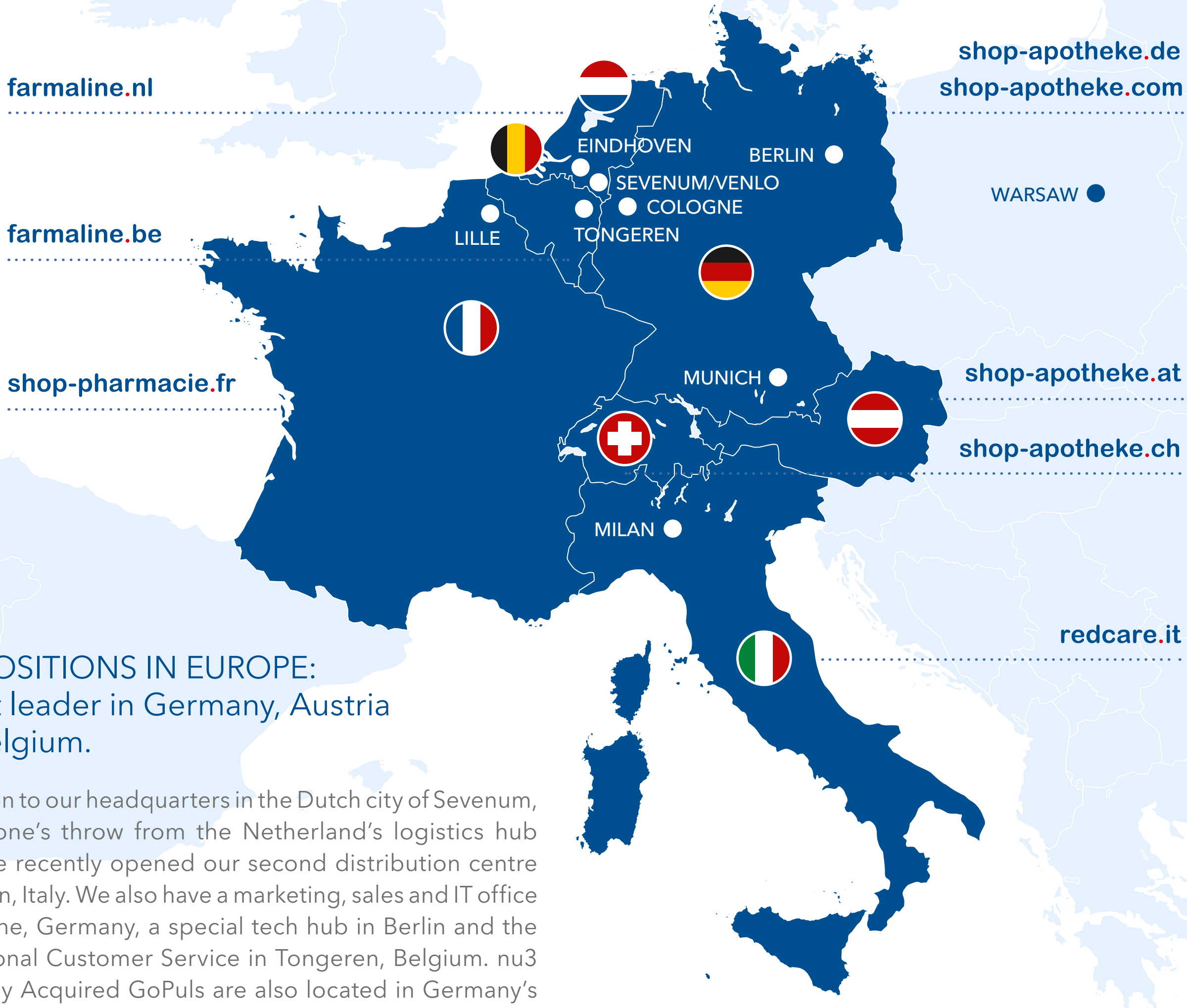
In addition to OTC medications, functional foods and pharmacy-related beauty and personal care products, we are already offering prescription drugs in Germany and in the Netherlands – and are prepared to expand this service to other continental European markets once the legal framework for this is enacted. Actually, we have been **ready for e-Rx** since the summer of 2021 processing the first electronic prescriptions in October of the same year. By the end of January 2023, more than one million e-scripts had been issued in Germany.

ACHIEVING GROWTH WHILE BEST ADDRESSING CUSTOMERS' NEEDS.

Our customers are the focus of everything we do every day. To be able to serve our customers as a leading online pharmacy in Europe, it takes more than just being a good online pharmacy. We want to offer our customers the best customer journey. That is why the foundation of our business strategy is a platform-based business model, which offers the best prospects for more growth on the one hand and supports the digitalisation of health-care on the other. We offer solutions to our customers in seven European markets that are tailored to local needs. Our experience and knowledge of local charac-teristics, combined with the scale we bring to bear, play a decisive role in setting us apart from our competitors.

STEADY ORGANIC GROWTH IN ALL OUR MARKETS.

LEADING THE WAY IN EUROPE.



TOP POSITIONS IN EUROPE:
Market leader in Germany, Austria and Belgium.

In addition to our headquarters in the Dutch city of Sevenum, just a stone's throw from the Netherland's logistics hub Venlo, we recently opened our second distribution centre near Milan, Italy. We also have a marketing, sales and IT office in Cologne, Germany, a special tech hub in Berlin and the International Customer Service in Tongeren, Belgium. nu3 and newly Acquired GoPuls are also located in Germany's capital, while smartpatient is headquartered in Munich with an additional office in Warsaw, Poland.

The specialist for digital medication management with 1.4 million patients actively using the MyTherapy app to better manage medications and improve adherence.
www.smartpatient.eu

smart patient

Acquired in 2021, MedApp is a unique combination of a tech company and an online pharmacy that has developed an app to help patients take their medicines regularly and also have these delivered to their homes for free.
www.medapp.nl

medapp

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

nu3 Intelligent Nutrition.

Strategic acquisition of one of Germany's pioneers in quick-commerce that delivers pharmacy products door-to-door within 30 minutes.
www.gopuls.de

Go Puls

CONTINUOUSLY GROWING CUSTOMER BASE.

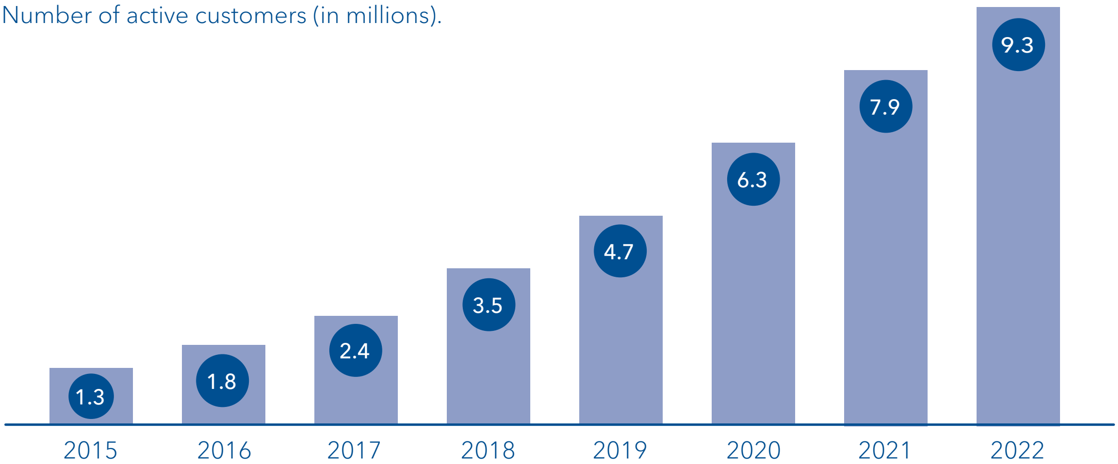
GROWTH DRIVEN BY CUSTOMER SATISFACTION.

NET PROMOTER SCORE (NPS) 72

REPEATEDLY STRONG NET PROMOTER SCORE.

ACTIVE CUSTOMER BASE SEVEN TIMES HIGHER THAN 2015.

Number of active customers (in millions).



UNIQUE DELIVERY OPTIONS.

SHOP APOTHEKE

SHOP APOTHEKE NOW!

Go Puls

ZERO EMISSION BIKE DELIVERY.

DELIVERY IN 1-2 DAYS.

SAME-DAY DELIVERY.

DELIVERY IN LESS THAN 1 HOUR.

DECOUPLING EMISSIONS FROM OUR BUSINESS GROWTH.

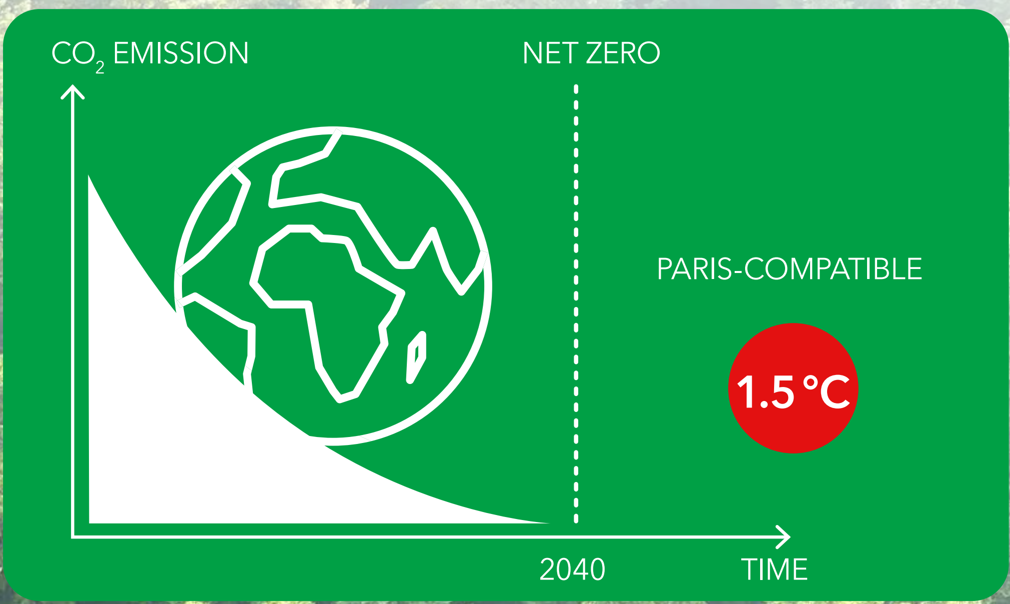
INTRODUCING OUR NET ZERO 2040 STRATEGY.

FIRMLY COMMITTED TO 1.5 DEGREES.

The company has been climate neutral since autumn 2020 by offsetting carbon emissions in Scope 1 and 2, including emissions in logistics, packaging, employee travel, marketing and IT. Now, SHOP APOTHEKE EUROPE is taking the next step and publicly committing to bring emissions along the entire value chain – including product emissions – to NET ZERO by 2040. The company is setting a minimum target for CO_2 reduction within a certain timeframe.

OUR SCIENCE-BASED APPROACH.

NET ZERO means that emissions are reduced to a minimum at a certain point in time. We as SHOP APOTHEKE EUROPE are firmly committed to meeting the 1.5 °C target as we move toward NET ZERO 2040. In doing so, we are helped by right's XDC methodology, which we use to manage our science-based target and ensure that our emissions budget is not exceeded. In this way, we ensure we act in accordance with the Paris Climate Agreement.



BECAUSE WE CARE.

SUSTAINABILITY IS VITAL FOR OUR LIVES AND FOR OUR PLANET.

"As one of the leading e-pharmacies in Europe, we care deeply about the health of our customers. Our mission is to help everyone to live the healthiest life possible. Of course, this is only possible on an equally healthy planet. That's why we take responsibility – for a healthy world, for the health of our customers and, of course, for the wellbeing of our employees."

Anna Toennessen
Associate Director, Sustainable Development,
SHOP APOTHEKE EUROPE.

To achieve this, we need transparent data on our ecological footprint so that we can steer and manage it. Over the past years, we have integrated a management system that enables us to track and steer our ecological impact in an integrated way to our financial controlling and business processes. In 2022, we achieved considerable results.

SUSTAINABLE DEVELOPMENT. OUR ACHIEVEMENTS.

89 % OF OUR PACKAGING IS MADE FROM RECYCLED MATERIAL.

87 % OF OUR ENERGY COMES FROM RENEWABLE SOURCES.

79 % OF OUR WASTE IS RECYCLED.

THE EXECUTIVE MANAGEMENT OF SHOP APOTHEKE EUROPE LOOKS BACK ON 2022.

Once again, 2022 turned out to be completely different from what any of us expected at the beginning of the year. Over the last two years, we – out of necessity – learned to live with Covid-19 dominating and affecting so many different aspects of our lives.

As one of Europe's leading e-pharmacies, we are dedicated to health. It is our mission to enable everyone to live the healthiest life possible.

Since the onset of the pandemic, health has taken on an even greater significance. It has become clear that online pharmacies, as systemically important businesses, are a crucial building block for patient care. But requirements have changed. Fast delivery times are becoming increasingly important and platform solutions dominate e-commerce over pure retail providers. This is an international trend that SHOP APOTHEKE EUROPE anticipated early on.

Stefan Feltens, CEO, Marc Fischer, CIO, Stephan Weber, CCO, Jasper Eenhorst, CFO, Theresa Holler, COO (from left to right)

REVIEW 2022.

“Again, it’s been a very positive year.”

“We continue to welcome thousands of new customers every single day.”

Stefan Feltens:

“After having crossed the one billion Euro threshold in late 2021, we actually succeeded in accelerating our growth pattern in 2022, reaching almost 1.2 billion. It took us exactly five years since the IPO to hit the one billion mark. We are very optimistic that we will reach the second billion much faster. Our business is solid and is performing well, growing by 14 % in 2022 following 9 % growth in 2021. In all of the seven countries in which we operate today, the business grew by double-digits. Our Rx sales stabilised and actually started growing again in the second half of 2022.

Despite difficult economic times, we continue to welcome thousands of new customers every single day. In the not-too-distant future, we are going to pass the 10 million active customer mark. In Germany, the roll-out of e-Rx is progressing at a slower pace than we had anticipated. Nevertheless, we are reassured by the steady increase in e-scripts, which reached the one million mark recently and remain confident in the prospect of a nationwide roll-out later this year.”

Stephan Weber:

“Undoubtedly, 2022 was characterised by a strained macro-economic environment and global supply chain shortages. At SHOP APOTHEKE EUROPE we were able to navigate through these challenges and continued to fulfil customer orders efficiently. We shortened delivery times and further improved our customer proposition, achieving double-digit sales growth. Our business model, as well as our financial stability, definitely enable us to withstand current macro-economic pressures.”

“Our product profitability improved notably compared to 2021.”

Jasper Eenhorst:

“We achieved better contribution margins and reduced costs, while we continued to record very high customer satisfaction. We fully met our financial guidance given at the start of last year despite inflationary pressures and without harming our growth strategy. As planned, our product profitability improved notably compared to 2021, driven by better purchasing conditions and a thorough review of the prices and vouchers we offer to our customers. Our profitability also benefitted from higher growth rates of our non-Rx business, which generates higher gross margins than our Rx business.

Last year, we continued to grow our market share in all of the seven countries where we operate. Our active customer base increased from 7.9 million in 2021 to 9.3 million in 2022. We are especially proud of the undisputed high average customer satisfaction level with the net promoter score – NPS – remaining at a high level of 72. Again, it’s been a very positive year.”

“In December 2022 we received more orders in one week than ever before.”

Theresa Holler:

“Our distribution centre in Sevenum, which we opened in 2021, has paid off. With an operating area of 40,000 square metres, we are best prepared to keep pace with SHOP APOTHEKE EUROPE’s steadily growing order volume. All processes are running efficiently, enabling us to process and ship more than 100,000 parcels a day or more than 35 million parcels per year.

Our orders in early December exceeded all expectations. We are especially proud of the fact that more than half a million orders were successfully processed within just a few days. A tremendous achievement by our logistics staff.”

“Putting our customers’ needs at the centre of everything we do led to even higher customer satisfaction.”

Stephan Weber:
As one of Europe’s leading and fastest growing online pharmacies it is our responsibility to take responsibility – especially for our customers and patients. We are setting high standards for ourselves and our aim is to become the most trusted brand in the industry. We can achieve that by becoming even more relevant for our customers every day. In addition to a large selection of products, fair prices and competent pharmaceutical advice, we focus on fast, problem-free and safe delivery. What’s more, we are driving the digitalisation of healthcare by providing customers tailor-made solutions in all seven countries where we operate, to ultimately offer our customers the best possible customer journey. We are clearly on the right path to becoming a customer-centric e-pharmacy platform.

Stefan Feltens:
Putting our customers’ needs at the centre of everything we do but, especially shortening our delivery times versus last year, undoubtedly led to even higher customer satisfaction than in prior years.

“No competitior currently offers such a variety of delivery options.”

Stephan Weber:
Indeed, our regular delivery options of one to two days are very good. What’s more, through our Now! programme we offer same-day delivery in Germany and Austria thanks to co-operations with local brick and mortar pharmacies. A totally unique selling point in the online pharmacy sector is the fact that we can even deliver within 30 minutes in metropolitan areas since our acquisition of GoPuls – formerly First A – a pioneer in the quick-commerce market. No competitor currently offers such a variety of delivery options. This in itself makes us very relevant and positions us well for the nationwide go-live of electronic prescriptions in Germany.

Marc Fischer:
Following the launch of our first marketplace in Germany in December 2021 with more than 60,000 additional products, we started the European roll-out in Austria in July ahead of plan. Equal to the proposition in Germany, in Austria the marketplace expands the SHOP APOTHEKE assortment into new health- and beauty-related categories, already offering more than 40,000 additional products. The marketplace will further strengthen our market leadership in Austria.

“Meanwhile, we have introduced more than ten open, digital disease management programmes for chronically ill patients.”

Theresa Holler:
Offering top-notch, digital disease-specific medication management solutions will be a real value-add for our customers and will set us apart from our competition. Since the strategic acquisition of smartpatient, the Munich-based specialist for digital medication management, we have introduced more than ten open, digital disease management programmes within the MyTherapy app for patients dealing with multiple sclerosis, psoriasis, rheumatism, HIV and asthma, just to mention a few. Many SHOP APOTHEKE EUROPE customers have discovered MyTherapy to better manage their medications – a notable contribution to our mission to enable everyone to live the healthiest life possible. Surely, the full value of medication management will become even more visible once e-prescriptions are solidly established in Germany.

Jasper Eenhorst:
Actually, MyTherapy not only brings decisive advantages for our customers, it is also an important core element of our platform strategy. Thanks to the MyTherapy app, we are strengthening customer loyalty between individual customer orders. We know by experience how important medication management is in customer retention.

Go Puls

INSTANT DELIVERY WITHIN 30 MINUTES WITH GoPuls.

"Our new distribution centre in Milan is the key to fast delivery in Italy."

Theresa Holler:
Operationally, we again made significant progress. We are very happy about the opening of our new distribution centre in Italy. The first one outside the Netherlands. The Italian market holds a lot of future potential for us, so it was a valuable strategic step to offer our customers an even better and faster service locally.

Marc Fischer:
Actually, the new distribution centre is the key to fast delivery in Italy. From Milan, we can operate even more effectively and will be able to offer same-day deliveries in the future.

"The new distribution centre in Milan is already showing results in reducing CO_2 emissions."

Stephan Weber:
Expanding the logistics capacity in Italy enables us to leverage the potential of Italian customer demand, have faster delivery times and grow our local business. It also means that the inbound and outbound CO_2 emissions will be reduced, since products ordered by Italian customers no longer need to be transported across borders via Sevenum. Our goal is to provide our customers with the best experience and services possible. In this respect, a local site will enable massive improvement. We plan to progressively expand our product portfolio via existing and new suppliers, add new carriers and offer more services to our fast growing base of Italian customers!

Jasper Eenhorst:
The opening of a logistics centre in Italy marks an important step to meet our ambitious growth plans for the coming years. Actually, by 2026, the processing of 7.5 million orders combined with a capacity of 43,000 shipments will be possible.

Stefan Feltens:
Italy is a very interesting market for us. After Germany and France, it is the third largest pharmacy market in the European Union. Compared to other markets, especially Germany, online penetration is still low, which opens up great opportunities for us. The Italian online pharmacy market is characterised by still relatively high fragmentation, even though we see some consolidation. For us, these are good competitive conditions.

"More than 100,000 additional products with the launches of Marketplaces in Germany and Austria."

Marc Fischer:
Last year, our position as a platform became increasingly visible thanks to the steady growth of the same-day service NOW! as well as our marketplaces, where we co-operate with carefully selected and managed partner merchants.

New sellers and healthcare- and beauty-related products are being added on an ongoing basis. Our partners benefit from our vast customer base with high customer loyalty as well as from our easy-to-use and fully scalable technology platform. Our technology platform is also optimally suited for our future e-Rx business.

SHOP APOTHEKE EUROPE'S FIRST DISTRIBUTION CENTRE OUTSIDE THE NETHERLANDS IN SETTALA / MILAN.

“A healthy life is only possible on a healthy planet.”

Stephan Weber:
It is our mission to enable everyone to live the healthiest life possible. Of course, this is only achievable on an equally healthy planet. We want to show holistically and transparently how we approach this critically important topic and what actions must follow this commitment. SHOP APOTHEKE EUROPE is fully committed to doing its part in decarbonising our economy.

Jasper Eenhorst:
We have made significant progress when it comes to sustainability. For instance, we achieved our self-imposed targets for 2025 – such as reducing emissions in Scope 1 and 2 by 80 % and converting our logistics sites to 100 % renewable energy – as early as 2023. We published the company’s first ESG report which provides a comprehensive overview of our goals, actions and successes to date in the area of sustainability. We have also integrated a management system to track what we consume on a quarterly basis. This will help us to adapt our processes to our sustainability goals and contribute to protecting our planet. Of course, the overall guiding light is our NET ZERO 2040 strategy, our commitment to bringing emissions along the entire value chain to NET ZERO by 2040.

Theresa Holler:
Let's look at the goals already achieved for sustainable development under the UN Agenda 2030, such as the conversion of the logistics sites to 100 % renewable energy. We have already met these specific goals which we had initially set for 2025.

Marc Fischer:
Exactly! Actually, 89 % of all our packaging is made from recycled materials. Moreover, thanks to waste separation initiatives in our logistics and cooperation with waste recycling partners, 79 % of our waste was recycled last year.

“Our NET ZERO Strategy 2040, is a clear and strong commitment.”

Stefan Feltens:
So far, we have been able to achieve significant successes in the area of sustainability. We recently presented our NET ZERO 2040 strategy during the Vision 2045 Summit conference which took place in conjunction with the UN Climate Change Conference CoP27 in Egypt.

With this declaration, we firmly commit to meeting the 1.5 °C target on the way to NET ZERO 2040, thereby acting in alignment with the Paris Climate Agreement.

As one of Europe’s leading e-pharmacies, it is important to us that we take responsibility for our planet for the sake of our customers and patients as well as our employees, who are not afraid to communicate their expectations clearly to us. In order to live up to our mission to enable everyone to live the healthiest life possible, we depend on a healthy planet. With our NET ZERO Strategy 2040, we are making a clear and strong statement. But now the real work starts.

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

Stefan Feltens Marc Fischer Theresa Holler Jasper Eenhorst Stephan Weber

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

Stephan Weber is the **Chief Commercial Officer (CCO)**. He is one of the founders of SHOP APOTHEKE EUROPE and has been a member of the leadership team since the company's founding in 2001. He studied Pharmaceutics at Bonn's Rheinische Friedrich-Wilhelm-University.

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

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

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

In accordance with the Dutch Financial Supervision Act, section 5.25c, the Management Board declares that, to the best of its knowledge:
- The financial statements for 2022 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 2022, and of the 2022 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 2022 and the state of affairs during the financial year 2022, together with a description of the principal risks faced by the Group.

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01

THE SHOP APOTHEKE EUROPE SHARE.

THE SHOP APOTHEKE EUROPE SHARE

HIGHLY VOLATILE MARKETS.

The year 2022 was characterised by crises, war and disorder. After good years with low volatility and decent gains in venture investments, 2022 marks a change in trend. The corona pandemic has accelerated existing trends, broken off others and triggered new ones. In addition, inflation is rising strongly and interest rates are rising with it. And since the Russian invasion of Ukraine, there has been war in Europe, which has made a reassessment of political risks necessary – also and especially for investors. Germany's leading index DAX lost more than 12 % of its value this year and ended the year with 13,923 points. The low point was reached in late September when the index stood below 12,000 points.

PERFORMANCE IN 2022.

Shares of SHOP APOTHEKE EUROPE N.V. started into the year at a price of EUR 113.50. In line with many tech and e-commerce companies across the globe, shares of SHOP APOTHEKE EUROPE experienced a sharp decline and ended the year at EUR 44.11. By mid-April, the share price had fallen to a level of just over EUR 65 which marked a two-year low at this time. However, thanks to the progress made with the e-prescription, the share price recovered and reached a temporary high of EUR 105 at the beginning of June. In the second half of the year, the price fell substantially again, especially due to renewed delays in the introduction of the e-prescription.

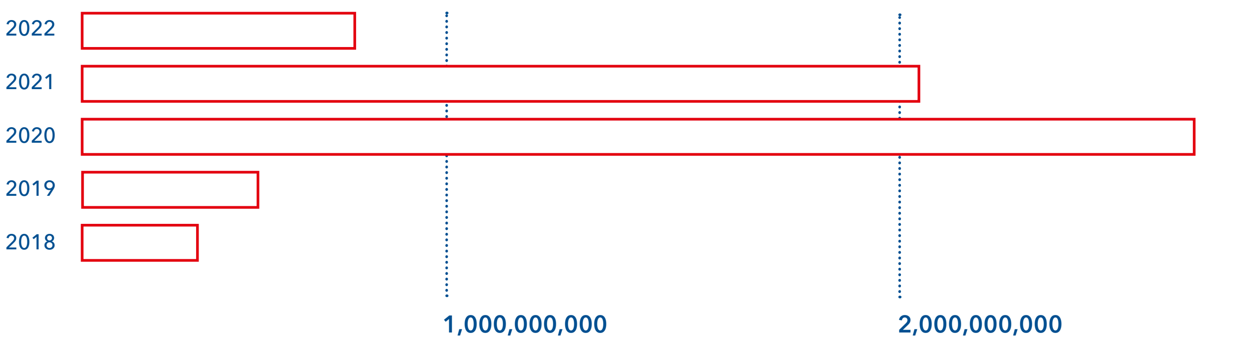
TRANSACTIONS IN 2022.

Due to the issuance of new shares in relation to existing employee stock option plans, the number of shares outstanding increased by 104,160 during 2022 to 18,199,281 at year-end.

In total, SHOP APOTHEKE EUROPE’s market capitalisation decreased by 61 % in the year under review from EUR 2,050 million to EUR 802.8 million.

On average the share’s daily trading volume on XETRA amounted to 115,112 units per day in 2022. Compared to 2021, this is an increase of 10.5 % (2021: 104,163 units).

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



SHAREHOLDER STRUCTURE.

SHOP APOTHEKE EUROPE has a global investor base, until 2020 with institutional investors mainly from Europe and the United States of America, but now from other parts of the world too. Together with several individual shareholders Mr. Köhler, one of the founders and the former CEO, entered at 28 January 2021 into a voting pool agreement with a combined stake of a bit over 25 % of the voting rights in SHOP APOTHEKE EUROPE N.V. As per the definition of the German Stock Exchange, where the shares are listed, the remainder of approximately 75 % belongs to the free-float.

ANALYST COVERAGE 2022.

The Company appeals to many financial institutions, investors and analysts and the number of analysts covering SHOP APOTHEKE EUROPE, besides certain other research agencies, is continuously increasing. An overview of the latest analyst recommendations is provided in the table below:

Institution	Latest update until 31 December 2022	Recommendation	Target Price (in EUR)
Baader Bank	31.10.2022	Buy	55
Bank of America (BofA)	12.09.2022	Buy	115
Barclays	10.11.2022	Overweight	90
Berenberg Bank	04.08.2022	Hold	110
Citi	10.11.2022	Buy	90
Credit Suisse	07.11.2022	Outperform	75
Deutsche Bank	15.11.2022	Buy	118
Hauck & Aufhäuser	04.11.2022	Buy	60
HSBC	23.08.2022	Hold	83
Jefferies	31.08.2022	Buy	140
Kepler Cheuvreux	07.11.2022	Reduce	31
Metzler	02.12.2022	Hold	45
Morgan Stanley	02.11.2022	Underweight	32
Oddo	05.10.2022	Neutral	53
Warburg Research	09.12.2022	Buy	99

SHOP APOTHEKE INVESTOR RELATIONS PROVIDES COMPREHENSIVE INFORMATION.

With the continuation of the coronavirus pandemic, investor conferences and roadshows were conducted digitally. In response to the ongoing increasing interest in the SHOP APOTHEKE EUROPE share and the capital market's steadily increasing information need on the business model, the strategy, the regulatory environment and on growth and profitability developments, the Company and accompanying investment banks organised a number of virtual roadshows and investors' conferences across Europe and North America. Furthermore, the Managing Board answered investors' and analysts' questions in numerous individual meetings and phone or video conferences. The quarterly earnings releases were presented in live video conferences by the CEO S. Feltens and CFO J. Eenhorst including Q&As.

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

The Company will continue to provide additional disclosures with transparency of its key business drivers and strategy, while at the same time protecting competitively sensitive information. It is the goal of Investor Relations to provide transparent financial communications to all market participants in order to further build and foster understanding and trust in the quality of the business model and the Company's management. The Managing Board provides comprehensive, timely and objective information about the SHOP APOTHEKE EUROPE Group's strategy as well as about all events relevant to the capital markets.

02

REPORT OF THE SUPERVISORY BOARD.

REPORT OF THE SUPERVISORY BOARD.

Frank Köhler, Jaska de Bakker, Henriette Peucker, Jérôme Cochet, Dr. Björn Söder (from left to right).

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

Dr. Söder started his studies at the Distance Learning University of Hagen while working at merchant bank M. M. Warburg & Co. in Hamburg from 1991 to 1993. He graduated in economics at the University of Würzburg in 1996, where he subsequently received a PhD in economics. He worked for McKinsey & Company with a focus on corporate finance and consumer goods from 1998 to 2000. Prior to becoming a member of our Supervisory Board, he founded several companies in the online field (e.g. getgo.de, a leading ticket portal in Germany sold to CTS Eventim AG), before he founded his own consulting Company, Parklane Capital Beteiligungsberatung GmbH, as well as his own investment Company, Parklane Capital Verwaltungsgesellschaft mbH, in 2004. Dr. Söder serves as Managing Director for both companies. Dr. Söder had been serving as Vice-Chairman of the Supervisory Board since the establishment of SHOP APOTHEKE EUROPE N.V. in 2016 and was elected as Chairman in 2021.

Frank Köhler, Vice-Chairman of our Supervisory Board, was born in Pforzheim, Germany, in 1964.

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

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

Mr. Cochet studied business administration at the University of Bayreuth and at the ESCP-EAP Business School in Paris, Oxford and Berlin and graduated in 2003 with a diploma in business administration (Diplom-Kaufmann), Master of Science and Diplôme de Grande Ecole. In 2007, he also completed his MBA at Institut Européen d'Administration des Affaires (INSEAD). After INSEAD he joined McKinsey & Company, where he served as engagement manager. In 2011, Mr. Cochet joined Zalando SE, where he subsequently held different leadership positions including Senior Vice President for Sales and Marketing as well as founding Managing Director of Zalando Media Solutions. In 2018 Mr. Cochet joined dunnhumby Ltd. the customer data science firm to lead its global media business. In 2021 he founded goodcarbon, a Nature-as-a-Service platform for high quality carbon compensation. Mr. Cochet has been a member of the Supervisory Board since the establishment of SHOP APOTHEKE EUROPE N.V. in 2016.

Henriette Peucker, member of our Supervisory Board, was born in 1969.

Henriette Peucker has many years of experience in the public affairs arena as well as in-depth capital market know-how. She is deputy CEO of the Association of German Banks, responsible for Policy and Innovation. Previously she was a partner at fgs global, a leading global strategic communications and public affairs communications consultancy focussing particularly on situations where complex regulation meets big politics and media attention. From 2002 to 2010, Ms. Peucker was the Head of European Public Affairs at Deutsche Börse Group responsible for a pan-European team working on financial regulation from 2002 and throughout the financial crisis. Previous experiences include six years in investment banking at Schroders and Citigroup in London and three years in a French public affairs consultancy in Paris. She is also a former member of the Supervisory Board of Galeria Kaufhof GmbH, a German department store chain with headquarters in Cologne, Germany. Currently, Ms. Peucker is not a member of a supervisory board of any other Company.

Jaska de Bakker, member of our Supervisory Board.

Jaska de Bakker brings more than 25 years of international experience to her role as a member of SHOP APOTHEKE EUROPE's Supervisory Board. Jaska de Bakker was born in Amsterdam in 1970. She graduated from the University of Amsterdam in 1994 with a Master of Science degree in econometrics. Jaska de Bakker started her career as a strategy consultant at Arthur D. Little in 1995 and then worked as a consultant and project manager for the Boston Consulting Group in Amsterdam and Milan from 1998 to 2003. From 1997 to 1999, she did a full time MBA at the J. L. Kellogg School of Management in Chicago. From 2003 to 2010, her career path continued on to positions as a Commercial Director, Director of Corporate M&A and Finance Director at the LEAF confectionary Company. In 2010, she became CFO at DHV (and after the merger in 2012 later of Royal HaskoningDHV). In 2017, she moved to Singapore for Royal FrieslandCampina as Finance Director Asia and she subsequently became Group CFO in 2018 based out of The Netherlands. Jaska de Bakker has served as Executive Board Director at both companies for a total of ten years and since 2020 she has been a member of the Supervisory Board at the Ocean Cleanup. In 2021, she started a career of Non-Executive directorships adding the Prysmian Group in Italy and Faerch in Denmark to her portfolio. She joined the SHOP APOTHEKE EUROPE Supervisory Board in April 2022.

The Supervisory Board of SHOP APOTHEKE EUROPE was established in September 2016 and was extended to five members in 2022. The Supervisory Board performed its duties pursuant to the law and the Articles of Association and the Supervisory Board rules. The Supervisory Board receives reports from the Managing Board within the scope prescribed by administrative rules, guidelines and law, in particular on all issues of relevance for the Group concerning strategy, planning, business development, risk situation, risk management, staff development, reputation and compliance.

In 2022, 10 regular sessions of the Supervisory Board took place. Against the background of the coronavirus pandemic, most of the meetings took place virtually. All sessions, except for one, were attended in full, so the presence percentage of all, except one, Supervisory Board members was 100 %. The members of the Managing Board took part in the Supervisory Board meetings unless otherwise determined by the Supervisory Board Chairman. Key subjects were the acquisition of the quick-commerce delivery service First A/GoPuls, the planning for the 2022 financial year, the opening of the distribution centre in Italy, the development of the Rx-segment in Germany and the bonus ban, the sustainability agenda/ESG, top management compensation concept, risk management system and the annual operating plan for 2023.

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

COMPOSITION OF THE SUPERVISORY BOARD.

The profile and composition of the Supervisory Board as a whole needs to be aligned with the profile and strategy of the Company. The Supervisory Board strives for a balanced distribution of specific expertise in relation to the business activities, strategy and long-term goals of the Company. Each member of the Supervisory Board should be capable of assessing the broad outline of the Supervisory Board's overall policy objectives. Given the size of the Company, the Supervisory Board increased the number of its members from four to five during the reporting period. Three Supervisory Board members hold long-term share positions; this concerns Björn Söder, Frank Köhler and Jérôme Cochet. The following table shows the actual composition of the Supervisory Board of SHOP APOTHEKE EUROPE:

Name	Last Appointment	Scheduled for Reappointment	Position
Mr. Björn Söder	2019	general meeting 2023	Chairperson
Mr. Frank Köhler	2019	general meeting 2023	Vice Chairperson
Mr. Jérôme Cochet	2019	general meeting 2023	Member
Mrs. Henriette Peucker	2021	general meeting 2025	Member
Mrs. Jaska de Bakker	2022	general meeting 2026	Member

ESTABLISHMENT OF A REMUNERATION COMMITTEE AND A NOMINATION COMMITTEE.

In 2022, we established a Remuneration Committee and a Nomination Committee. Members of the Remuneration Committee are Jérôme Cochet (Chairperson), Björn Söder and Frank Köhler. Members of the Nomination Committee are Henriette Peucker (Chairperson) and Björn Söder.

AUDIT COMMITTEE HELD FOUR MEETINGS IN 2022.

The Audit Committee of SHOP APOTHEKE EUROPE N.V., established in December 2018, currently consists of three members, Jaska de Bakker, Frank Köhler and Henriette Peucker, who report their findings to the Supervisory Board. Jaska de Bakker joined and took over the role as a chair of the Audit Committee. The Audit Committee is charged with overseeing financial reporting and disclosure, the selection of the independent auditor and the receipt of audit results. The Committee held four meetings during financial year 2022. All meetings, except for one were attended in full, so the presence percentage of all, except one, of each committee member was 100 %. Main issues were discussion of the audit findings with the external auditor and management, discussion of the initial audit plan of the external auditor, obtaining an understanding of latest financial figures and budget, selection of external auditor for 2022 and discussing risks and controls.

INDIVIDUALISED DISCLOSURE OF MEETING ATTENDANCE.

Board attandance	Supervisory Board		Audit Committee		Nomination Committee		Remuneration Committee	
Nr of meetings	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Björn Söder	10	10			5	5	3	3
Frank Köhler	10	10	4	3			3	3
Jérôme Cochet	10	9					3	3
Henriette Peucker	10	10	4	4	5	5		
Jaska de Bakker	8	8	3	3				

CONFLICTS OF INTEREST.

The Company is not aware of any circumstances that may have led to a potential conflict of interest between the personal interests or other duties of members of the Managing Board or personal interests or other duties of the Supervisory Board members, vis-à-vis the Company. For the sake of completeness, it might be noted that a member of the Supervisory Board (Frank Köhler) joined a voting pool agreement with other shareholders in 2021, representing a total of a bit over 25 % of the outstanding voting rights of SHOP APOTHEKE EUROPE.

ACTIVITIES DURING FINANCIAL YEAR 2022.

Agenda items of the meetings held in 2022 were the overall strategy of the Group, performance against the financial and business targets for 2022, the general and the financial risk assessment, including the new convertible bond, the sustainability agenda/ESG, the new distribution concept for Italy, the development of the Rx-segment in Germany including eRX and the bonus ban, the acquisition of First A/GoPuls, the financial planning, the development and integration status of past acquisitions, the corporate calendar, the annual audit 2022, enterprise risk management and corporate governance, the annual operating plan for 2023, future evolution of management structures and positions, the introduction of a diversity policy, the self-evaluation of the Supervisory Board and evaluation of the Managing Board. The Supervisory Board also met and engaged Mazars Accountants N.V., elected as auditors for the financial year 2022 by the Annual General Meeting held on 14 April 2022 and discussed the outcome of the audit procedures, including the findings regarding the company's risk management and control systems of SHOP APOTHEKE EUROPE N.V.

Both, the Supervisory and the Managing Board consulted with and received the advice of financial, legal and tax advisors as well as auditors and remuneration experts, and considered a variety of factors, taking into account the interests of the Company's stakeholders.

REMUNERATION OF THE SUPERVISORY BOARD.

The Chairperson of the Supervisory Board receives annual remuneration of EUR 80,000, the Vice-Chairperson receives EUR 60,000 and all other members each receive EUR 40,000 annually for their services as of the date of their appointment. In addition, the Company funds the insurance premium for the directors and officers ("D&O") insurance for the members of our Supervisory Board.

The 2022 Annual General Meeting voted to establish Supervisory Board committee fees. The Chair of the Audit Committee receives an annual fee of EUR 12,000; members receive EUR 8,000. The Chairs of the Remuneration and Nomination Committees each receive an annual fee of EUR 9,000. The members of these two committees are entitled to EUR 6,000. The Chair and Vice-Chair of the Supervisory Board are not eligible for any committee fees. Each Supervisory Board member is limited to receiving only one committee fee.

As of the date of this report, there are no amounts reserved or accrued by the Company or its subsidiaries to provide pension, benefit, retirement or similar benefits for members of the Supervisory Board. The remuneration of the members of the Supervisory Board is determined by the Annual General Meeting. The Supervisory Board will submit a proposal to the Annual General Meeting from time to time.

CORPORATE GOVERNANCE AND COMPLIANCE.

The Supervisory Board and Managing Board act in the awareness that good corporate governance is in the interest of shareholders and the capital markets and is an important basis for the success of the Company. All business activities are performed in accordance with Dutch law and German capital market law, as shares of SHOP APOTHEKE EUROPE are admitted to trading in the Prime Standard Segment of Frankfurt Stock Exchange. The Company complies with the regulations and requirements of the Dutch Corporate Governance Code. Nevertheless, some deviations are emerging due to legal and business requirements. A detailed report on compliance with the Dutch Corporate Governance Code is provided in the respective section of this annual report.

DIVERSITY.

We aim for diversity across all management levels. Last year, several key management positions were filled with female candidates in order to enhance the management's gender diversity. We do not see diversity merely as a matter of gender or ethnicity, but also of personality, skills and knowledge. We need men and women, people from different backgrounds and cultures. SHOP APOTHEKE EUROPE will focus on further enhancing diversity across all management levels, including future appointments to its Supervisory Board and Managing Board, without compromising our commitment to hiring the best individuals for positions. The more we make use of the differences between us and the more we can cooperate and learn from each other, the stronger we will be as a Company in serving a highly diverse society and our diverse stakeholders.

SUPERVISORY BOARD EFFECTIVENESS REVIEW.[1]

In 2022, the Supervisory Board assessed its performance and composition and that of its Audit Committee, Nomination Committee and Remuneration Committee. The aim of the continuous effectiveness review is to determine what measures could further improve the effectiveness of Supervisory Board work. During 2022 the Supervisory Board benefited from the additional committees and its increase to five members, which allowed for a more efficient distribution of tasks. The Supervisory Board also worked on improving the effectiveness review of both the Supervisory Board and the Managing Board and their members. The Supervisory Board used a questionnaire for its assessment, which all members answered in preparation. The results were discussed in detail among the Supervisory Board and the implications were later shared with the Managing Board. The Supervisory Board did not use an external facilitator for its assessment in 2022 but may choose to involve an external advisor in the future.

The evaluation concludes, among others, that the relationship between the Supervisory Board and the Managing Board can be described as cooperative and transparent and the number of meetings and informal interactions is balanced and, as such, have proven to ensure an effective functioning of the Supervisory Board. After the continuous restrictions caused by the pandemic, the Supervisory Board and its committees were able to hold more physical meetings than in the previous year. We expect to have a mix of virtual and physical meetings in future years. The functioning of the Supervisory Board fully complies with the relevant principles and best practices as set out in the Dutch Corporate Governance Code.

AUDIT OF THE FINANCIAL STATEMENTS, AUDIT COMMITTEE.

Appointed by the Annual General Meeting on 14 April 2022 to audit the financial statements for the 2022 financial year, Mazars Accountants N.V. audited the Company and the Group's consolidated financial statements for the financial year 2022 prepared by the Managing Board in accordance with IFRS-EU, and the Managing Board report and other information. The auditors issued an unqualified audit opinion. The financial statements, the combined management report as well as the auditor's report were available to the Audit Committee and to the Supervisory Board for its own review.

In its meeting on 22 February 2023, the Audit Committee had a separate meeting to independently discuss the findings with the auditors and provided a report to the Supervisory Board which approved the financial statements and the combined management report prepared by the Managing Board. Following completion of our examination, we came to the conclusion that no objections were to be raised and we approved the Company financial statements and the consolidated financial statements.

The Supervisory Board would like to extend its appreciation to the members of the Managing Board and all the employees in the Group. Over the course of 2022, SHOP APOTHEKE EUROPE successfully dealt with growing the Group strongly in a challenging environment with respect to the geopolitical environment, the continuous coronavirus pandemic and the delays surrounding the introduction of eRx. At the same time, the Company had consistently progressed on its strategy of evolving the business to a customer-centric e-pharmacy platform and finalised the move to the new logistics centre.

Sevenum, 6 March 2023
On behalf of the Supervisory Board

Björn Söder
Chairman of the Supervisory Board

[1] GRI 2-18

03

REMUNERATION REPORT.

REMUNERATION REPORT.

2022 REMUNERATION REPORT.[2]

Dear Shareholders,

As Chairperson of SHOP APOTHEKE EUROPE's Remuneration Committee, I am pleased to present the 2022 Remuneration Report for the members of the Managing Board and Supervisory Board. The Remuneration Committee was established in 2022 following the last Annual General Meeting.

After a comprehensive revision of the remuneration policies for the Managing Board and Supervisory Board last year, which were approved by the Annual General Meeting on 14 April 2022, we do not see a need for major amendments to these policies this year. Throughout 2023, members of the Supervisory Board and Managing Board will engage with major shareholders and independent compensation advisors to ensure that our remuneration policies continue to meet the needs of SHOP APOTHEKE EUROPE's business, those of our shareholders and of course all applicable legal requirements.[3]

In 2022, SHOP APOTHEKE EUROPE continued to enhance its customer value proposition with the ultimate aim to become Europe's leading customer-centric e-pharmacy platform. The launch of SHOP APOTHEKE EUROPE's marketplace in Germany in late 2021 was followed by the launch in Austria in July last year. In addition, the Company's same-day offering, under the SHOP APOTHEKE NOW! label, was solidified by covering more cities in Germany and Austria. With the acquisition of GoPuls, formerly known as First A last April, SHOP APOTHEKE EUROPE has positioned itself in Germany's metropolitan areas across all delivery options: Via its webshop and app with a very broad product assortment as well as competitive pricing and average delivery times of two days, same-day delivery via its NOW! program and with delivery times of under one hour through the newly acquired pharmacy quick-commerce specialist GoPuls. In August, the Company opened its first distribution facility outside of The Netherlands in Settala, near Milan, to better serve its fast-growing Italian customer base. Customer satisfaction across the year reached a net promoter score of 72, a new all-time high, which is also reflected in the growth of SHOP APOTHEKE EUROPE's active customer base by 1.4 million from 7.9 million at the end of 2022 to 9.3 million as of 31 December 2022. Total sales grew by 13.6% and reached the EUR 1.2 billion mark. Non-Rx sales grew even faster at 17.2% vs. 2021. Rx sales in Germany stabilised at around EUR 30 million per quarter, resulting in full-year sales of EUR 130 million. With an adjusted EBITDA margin for the ongoing business of –0.3%, the Company met the financial guidance it had communicated to the markets in March last year. Even though SHOP APOTHEKE EUROPE was prepared for the nationwide launch of electronic prescriptions as of 1 January 2022, the Company had to witness a sequence of delays and setbacks in the introduction of e-Rx in Germany. Even though the technical backbone for e-scripts is working, various interest groups have continued to raise concerns and oppose the introduction of electronic prescriptions. Throughout 2022, SHOP APOTHEKE EUROPE continued to receive e-scripts but the impact on the Company's total sales was marginal. Management remains confident that electronic prescriptions will move forward in Germany and now assumes a significant increase of e-scripts throughout this year. Throughout 2022, SHOP APOTHEKE EUROPE maintained an AA MSCI ESG rating. One highlight was the achievement of its 2025 goal to reduce Scope 1 and Scope 2 carbon by 80% already by the end of September last year. Going forward, the Company will work closely with its suppliers and service providers to live up to its Net Zero 2040 commitment, which was publicly communicated by the company last year.

In 2022, the composition of the Managing Board remained unchanged. In February, however, Stefan Feltens, CEO, informed the Supervisory Board that for personal reasons he will not be available for another term following the 2023 Annual General Meeting. The Supervisory Board started a search process and is confident that a successor will be presented in the course of 2023. In the meantime, the current Management Board members will take over the responsibilities currently covered by the CEO.

[2] GRI 2-28
[3] GRI 2-20

On the date of the 2022 Annual General Meeting, Jaska de Bakker joined the Supervisory Board. After the 2022 Annual General Meeting, Jaska assumed the Chair of the Audit Committee. Furthermore, a Nomination Committee, chaired by Henriette Peucker, as well as a Remuneration Committee, which is led by me, were established.

Throughout 2022, the annual base compensation of the Managing Board members remained at the same level as in 2021. Compensation agreements have been revised as follows:

(1) The agreements related to the 2020 stock option awards to Managing Board members were amended in accordance to the changes approved by the last Annual General Meeting.

(2) The remuneration policy approved by the 2022 AGM applies to all new Managing Board member contracts signed after 1 January 2022. Nonetheless, the service agreements with all Managing Board members, with the exception of the agreement with the CFO, Jasper Eenhorst, were modified to be fully in line with all stipulations of the current Managing Board remuneration policy. The main changes included: (a) limitation of the sum of severance compensation and compensation for the invocation of a non-competition clause to one annual base salary; (b) harmonization of notice periods to six months; (c) insertion of a bad-leaver provision; (d) pro-rating of variable compensation in a change-of-control situation; (e) inclusion of a share ownership obligation.

(3) Supervisory Board base fees also remained unchanged but committee fees were changed per the current Supervisory Board remuneration policy.

As Chairperson of the Remuneration Committee, I am happy to confirm that there were no deviations from the current remuneration policies for the Managing Board and Supervisory Board throughout 2022.

We would like to thank you for your continued support and feedback. Despite the recent ups and downs of SHOP APOTHEKE EUROPE's share price, we remain fully convinced of SHOP APOTHEKE EUROPE's strategy and the value it will create for all stakeholders.

Your feedback is extremely valuable to us. If you have any further comments or suggestions, please send them to the following e-mail address: investor.relations@shop-apotheke.com.[4]

Respectfully,

Jérôme Cochet
Chair of the Remuneration Committee

[4] GRI 2-3

INTRODUCTION.

This report explains how the remuneration policies of SHOP APOTHEKE EUROPE N.V., as approved by the Annual General Meeting of shareholders on 14 April 2022 was put into practice after the meeting. At the 2022 Annual General Meeting, 83.4 % voted in favour of the revised Managing Board remuneration policy. The favourable vote for the revised Supervisory Board remuneration policy was 99.3 %. The revised remuneration policies apply to all compensation elements awarded to Supervisory Board or Managing Board members awarded on or after 1 January 2022. However, the Supervisory Board strives to ensure that all compensation elements, including those awarded prior to 1 January 2022, are in line with the current remuneration policies. In this Remuneration Report we provide an overview of remuneration awarded or due in the preceding financial year to individual members of the Managing Board and Supervisory Board based on the remuneration policies. It is the responsibility of the Supervisory Board and its Remuneration Committee to ensure full compliance with the remuneration policies of SHOP APOTHEKE EUROPE.

REMUNERATION POLICY OF SHOP APOTHEKE EUROPE.

The Shareholders Rights Directive was translated into Dutch legislation as of 1 December 2019. This report has been prepared in accordance with Article 2:135b of the Dutch Civil Code and the Dutch Corporate Governance Code. It will be subject to an advisory vote at the 2023 Annual General Meeting, which allows the Company's shareholders to express an opinion on the application of the remuneration policies. The 2021 Remuneration Report was approved by the 2022 Annual General Meeting with 80.0 % of votes cast in support.

OBJECTIVE OF THE MANAGING BOARD REMUNERATION POLICY.

The Managing Board remuneration policy of SHOP APOTHEKE EUROPE aims to attract, retain and reward highly qualified executives with the required background, skills, experience in the context of competitive global labour markets for senior executives and drive to develop and implement the strategy and achieve the strategic and operational objectives of the Company. The overarching aim of the Company's remuneration packages is long-term value creation for the Company by incentivising behaviour and rewarding performance generating long-term profitable growth to ensure the sustainability of the Company, as well as aligning the interests of the Managing Board with the interests of the Company's shareholders and other stakeholders.

This policy is designed in the context of international competitive labour market trends, statutory requirements and corporate governance best practices in relation to remuneration and has been prepared considering the public opinion on remuneration at board levels.

The Company's mission and strategy are centred on pursuing growth by enabling people to live their healthiest life possible, strengthening the Company's market position and developing the Company into Europe's leading customer-centric e-pharmacy platform, combined with sustainable development strategies, namely "better planetary care, better patient care and better employee care". This remuneration policy aims at incentivising the Managing Board to realise the Company's ambitions.

The Company strives to make good choices to build an ethical and sustainable business and drive sustainable profitable growth for the Company's shareholders and other stakeholders. The Company's corporate social responsibility approach is based on (i) the Company's commitment to have a positive impact on society with its mission centred on enabling people to live their healthiest life possible, (ii) limiting the Company's impact on the environment, (iii) ensuring sound corporate governance practices and (iv) engaging, empowering, developing and protecting the Company's employees.

The overriding principle of this remuneration policy is to ensure fairness and transparency. This remuneration policy is based on the firm belief that sustainable value creation is essential for the Company's long-term financial success. The link to long-term value creation and sustainability is created not only, but in particular, by allocating a significant portion of the remuneration package to share-based remuneration for the members of the Managing Board, i. e. granting stock options that:

(1) Represents a fitting entrepreneurial risk and return profile,
(2) Fosters and rewards sustainable performance of the Managing Board,
(3) Provides an incentive for long-term commitment and retention of the members of the Managing Board and
(4) Is designed to incentivise and reward sound, long-term decision-making of the Managing Board.

With its focus on sustainable value creation, the Company does not pay any short-term incentives, e. g. bonuses or profit sharing, to the Managing Board members.

The Company aims to have a fair balance between the remuneration of the members of the Managing Board and the remuneration of the employees of the Company and, therefore, the Company strives to use the same benchmarking methods, e. g. grading, market medians, industry sectors, company size, for both groups and takes remuneration ratios of a Managing Board member's remuneration and the average remuneration per employee of the Company into consideration. Additionally, the members of the Managing Board are not entitled to any special or additional benefits or allowances that are not reflected in this remuneration policy or are not standardly applied by the Company to all employees of the Company.

SHOP APOTHEKE EUROPE does not award any variable remuneration to members of the Supervisory Board.

REMUNERATION ELEMENTS.

The amount of an individual's remuneration is based on the Managing Board member's skills, scope of responsibilities, experience, performance, as well as local market circumstances, which may differ across geographies. A remuneration package for a Managing Board member can consist of one or more of the following elements:
(1) Fixed compensation, i.e. an annual base salary,
(2) Long-term incentive plan, i.e. granting of stock options or comparable long-term incentive designs and
(3) Pension allowance and other benefits (to the extent applicable).

Members of the Managing Board cannot exercise options or other share or share-based transactions for their own account during closed periods, which are disclosed on our corporate website, or when they are in possession of insider information as described in the Company's Insider Trading Policy.

In 2022, across the Company, no variable remuneration was adjusted or clawed back.

The Remuneration Committee ran several scenarios and concluded that the current remuneration elements as well as their values are still fully aligned with the objectives of the remuneration policy and are appropriate to attract and retain highly qualified executives for SHOP APOTHEKE EUROPE's Managing Board.

The total variable remuneration at SHOP APOTHEKE EUROPE for 2022 was EUR 296,879 (2021: EUR 329,731) compared to total employee labour costs (excluding the effect of the post-combination benefit as described under Note 8 in the notes to the consolidated financial statements of this annual report) of EUR 85,551,579 (2021: EUR 69,085,957).

REMUNERATION MANAGING BOARD.

In 2022, the total remuneration of the Managing Board amounted to EUR 4,860,939 (2021: EUR 4,940,236).

In the tables below the total remuneration of the Managing Board in 2022 and 2021 as well as the remuneration per individual member of the Managing Board are shown.

Remuneration Managing Board 2022 (in EUR)

	Direct remuneration			Deferred remuneration			
Name of Director, Position[1]	Base salary[2]	Fringe benefits	One-year variable bonus	Long-term share-based incentive[3]	Pension	Total remuneration	Fixed vs. variable remuneration
S. Feltens, CEO	250,000	4,935	–	656,910	–	911,845	28 % / 72 %
J. Eenhorst, CFO	420,000	–	–	772,447	25,000	1,217,447	37 % / 63 %
T. Holler, COO	250,000	4,647	–	656,910	2,280	913,837	28 % / 72 %
S. Weber, CCO	250,000	2,272	–	656,910	–	909,182	28 % / 72 %
M. Fischer, CTO	250,000	1,718	–	656,910	–	908,628	28 % / 72 %
Total compensation	1,420,000	13,572	–	3,400,087	27,280	4,860,939	

Remuneration Managing Board 2021 (in EUR)

	Direct remuneration			Deferred remuneration			
Name of Director, Position[1]	Base salary[2]	Fringe benefits	One-year variable bonus	Long-term share-based incentive[3]	Pension	Total remuneration	Fixed vs. variable remuneration
S. Feltens, CEO	250,000	4,687	–	656,910	–	911,597	28 % / 72 %
J. Eenhorst, CFO	420,000	–	1,701	850,618	25,000	1,297,319	34 % / 66 %
T. Holler, COO	250,000	4,182	–	656,910	2,280	913,372	28 % / 72 %
S. Weber, CCO	250,000	2,410	–	656,910	–	909,320	28 % / 72 %
M. Fischer, CTO	250,000	1,718	–	656,910	–	908,628	28 % / 72 %
Total compensation	1,420,000	12,997	1,701	3,478,258	27,280	4,940,236	

[1] Each of the board members have been in function for the full year 2022 and full year 2021.
[2] Annual base salary during 2022 and 2021.
[3] The fair value according to IFRS of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The fair value is determined by an external agency. The expense for 2022 reflects this year's portion of share option grants which are not yet vested or which vested during 2022.

The October 2020 stock option grant was based on the understanding between Supervisory Board and Managing Board that no further stock options will be awarded to the current Managing Board members before 2024. It should be noted that in light of last year's share price development, the share price as of 31 December 2022, was significantly below the exercise price of the 2020 grant of EUR 149.40.

Members of the Managing Board did not receive any additional compensation from companies of the SHOP APOTHEKE EUROPE Group. Moreover, no compensation for Managing Board members was charged to any Group company. Managing Board members did not receive any compensation from Supervisory Board memberships at other companies.

In 2022, former members of the Managing Board did not receive any compensation from the Company.

FIXED COMPENSATION – ANNUAL BASE SALARY.

Effective 1 January 2021, the annual base salaries for the CEO, CCO, COO and CIO were uniformly increased by the Supervisory Board to EUR 250,000, which remained unchanged throughout 2022. The base salary of the CFO also remained unchanged at EUR 420,000. Based on an assessment by an external compensation consultancy, these annual base salaries of EUR 250,000 remain in the lowest quartile of SHOP APOTHEKE EUROPE's executive pay benchmarking group.

LONG-TERM INCENTIVE – STOCK OPTION GRANTS.

In February 2020, share options were granted to J. Eenhorst, CFO (Plans 7a, 7b and 7c in the table next page). This grant is governed by the 2019 Stock Option Plan, adopted by the Annual General Meeting on 30 April 2019. Each option entitles J. Eenhorst to acquire one share of SHOP APOTHEKE EUROPE. The exercise price was the closing market share price on the effective date of the award agreement. The agreement did not contain any performance criteria or caps. On 1 October 2020, share options were granted to all current members of the Managing Board (Plans 9a and 9b in the table below). The 1 October 2020 grants are governed by the 2020 Stock Option Plan, adopted by the 30 April 2020 Annual General Meeting. The Supervisory Board and the Managing Board members agreed at the time of the award not to grant any additional long-term variable compensation to current Managing Board members for the following four years, i.e. not before 2024. Subsequently on 6 June 2021, the Supervisory Board passed a resolution that no further share options will be granted to members of the Managing Board under the 2020 Stock Option Plan. Each option of the 2020 Stock Option Plan entitles the recipient to acquire one share of SHOP APOTHEKE EUROPE. The exercise price was the closing market share price on the effective date of the award agreements. The agreements did not contain any performance criteria or caps. According the current Managing Board remuneration policy, any future stock option grant will include such performance criteria and caps. The 2020 Employee Stock Option Plan for Managing Board members initially included an additional holding period of two years after exercise. However, the Supervisory Board did submit a proposal to the 2022 Annual General Meeting to replace the two-year holding period after exercise with a one-year holding period after vesting. Furthermore, the 2020 Stock Option Plan will expire after the lapse of six years starting on the day after the Stock Option Plan was approved by the 2020 Annual General Meeting, i. e. on 1 May 2026, instead of seven years after the grant date as stated in the initial stock option plan agreements. These amendments, which were approved by the 2022 Annual General Meeting were made especially in light of the agreement with the Managing Board members not to issue any additional long-term variable compensation to current Managing Board members before 2024. For more details and parameters of the employee stock option plans, see the explanatory notes under Note 27 in the notes to the consolidated financial statements of this annual report. The table below provides an overview of the SHOP APOTHEKE EUROPE share options of the Managing Board members including the 2022 opening balance, changes during 2022 and the 2022 ending balance.

	The main conditions of the share option plans				Infomation regarding the reported financial year				
	Grant date	Vesting date	Expiry date	Strike price of the share	Outstanding at 1.1.2022	Awarded	Exercised	Outstanding at 31.12.2022	Costs (IFRS) during the year)
S. Feltens, CEO									
9a	01.10.2020	01.10.2023	01.10.2027	149.40 €	20,000	–	–	20,000	366,840 €
9b	01.10.2020	01.10.2024	01.10.2027	149.40 €	20,000	–	–	20,000	290,070 €
J. Eenhorst, CFO						–	–		
7a	01.02.2020	01.02.2022	11.06.2027	46.40 €	10,000	–	–	10,000	7,106 €
7b	01.02.2020	01.02.2023	11.06.2027	46.40 €	10,000	–	–	10,000	60,600 €
7c	01.02.2020	01.02.2024	11.06.2027	46.40 €	10,000	–	–	10,000	47,832 €
9a	01.10.2020	01.10.2023	01.10.2027	149.40 €	20,000	–	–	20,000	366,840 €
9b	01.10.2020	01.10.2024	01.10.2027	149.40 €	20,000			20,000	290,070 €
T. Holler, COO									
9a	01.10.2020	01.10.2023	01.10.2027	149.40 €	20,000	–	–	20,000	366,840 €
9b	01.10.2020	01.10.2024	01.10.2027	149.40 €	20,000	–	–	20,000	290,070 €
S. Weber, CCO									
9a	01.10.2020	01.10.2023	01.10.2027	149.40 €	20,000	–	–	20,000	366,840 €
9b	01.10.2020	01.10.2024	01.10.2027	149.40 €	20,000	–	–	20,000	290,070 €
M. Fischer, CTO						–			
9a	01.10.2020	01.10.2023	01.10.2027	149.40 €	20,000	–	–	20,000	366,840 €
9b	01.10.2020	01.10.2024	01.10.2027	149.40 €	20,000	–	–	20,000	290,070 €

As of 31 December 2021, former Managing Board members did not have any unvested or vested but not yet exercised stock options. Hence, in 2022, former Managing Board members did not exercise any stock options.

On 31 December 2022, the total number of share options issued to members of the Managing Board or other Company employees that had been awarded but not yet exercised amounted to 664,514 options, of which 230,000 had been awarded to members of the Managing Board. Each one of these 664,514 share options entitles the recipient to acquire one share of SHOP APOTHEKE EUROPE. As a proportion of the total number of shares of SHOP APOTHEKE EUROPE issued by 31 December 2022, the awarded but not yet exercised or forfeited share options represent 3.5 %.

Throughout 2022 and since 31 December 2022, no shares in the Company's capital have been repurchased or issued for the exercise of stock options by Managing Board members.

EXTRAORDINARY ITEMS.

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

PENSION.

T. Holler, COO, received pension benefits via payment of the employer's contribution to the statutory Dutch Pensioenfonds Medewerkers Apotheken (SPOA). J. Eenhorst, CFO, received pension benefits and related insurance via payment of the employer's contribution to a private pension fund capped at EUR 25,000 in 2022. The CFO's pension benefits are below the level he had received from his previous employer. The other members of the Managing Board did not receive any contributions towards pension plans or similar retirement benefits, whereas the Company introduced pension benefits for all employees with a Dutch employment agreement as of 1 January 2021.

INSURANCE.

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

ADJUSTMENTS TO VARIABLE REMUNERATION – INCLUDING CLAWBACK.

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

ARRANGEMENTS FOR GOOD AND BAD LEAVERS AND FOR CHANGE OF CONTROL.

As no departures from the Managing Board occurred in 2022, the Supervisory did not have to determine whether such a departure constituted a good or a bad leaver. In preparation for this year's AGM, the Supervisory Board will determine whether the departure of the company's current CEO, Stefan Feltens, qualifies as a good leaver.

TRANSACTIONS IN SHOP APOTHEKE EUROPE SECURITIES.

All 2022 transactions in SHOP APOTHEKE EUROPE securities by Managing Board members occurred in full compliance with all legal requirements, including the timely reporting of such transactions to the AFM.

SHARE OWNERSHIP REQUIREMENT.

New members of the Managing Board have five years from the date they joined the Managing Board to reach the required share ownership stake of 125 % of their respective base salary. Nonetheless, by the end of last year, the CEO, CCO, COO and CIO continued to exceed the share ownership requirement of 125 % of their respective individual annual base salary, as stipulated in the current remuneration policy, by a wide margin. The CFO, who joined the Company in February 2020, has started to build up his stake in SHOP APOTHEKE EUROPE but had not yet reached the required level by the end of last year.

SHOP APOTHEKE EUROPE PAY RATIO.

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

Total remuneration of the Managing Board as published in the Remuneration Report.

The average employee compensation based on salaries, share option expenses and pension costs divided by the average number of FTEs of the year, as published in Note 8 of the consolidated financial statements. For the calculation of total salaries we have excluded the effect of the contingent consideration of the payments related to the acquisitions of smartpatient, MedApp and First A, which have to be accounted for as cost of labour per IFRS but do represent typical ongoing compensation expenses.

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

Managing Board remuneration and pay ratio

	FY 2022		FY 2021		FY 2020		FY 2019		FY 2018	
	Remuneration (in EUR)	PR[1]	Remuneration (in EUR)	PR[1]	Remuneration (in EUR)	PR[1]	Remuneration (in EUR)	PR[1]	Remuneration (in EUR)	PR[1]
Chief Executive Officer	911,845	19.7 5.9	911,597	20.7 6.4	375,530	9.1 4.2	298,235	7.8 4.4	60,000	1.7 1.8
Chief Financial Officer	1,217,447	26.3 10.3	1,297,319	29.5 11.3	767,376	18.6 11.3	373,415	9.8 7.7	213,215	6.1 4.4
Chief Operating Officer	913,837	19.7 5.9	913,372	20.7 6.5	382,795	9.3 4.8	280,662	7.3 5.1	248,227	7.1 5.4
Chief Commercial Officer	909,182	19.6 5.8	909,320	20.7 6.4	378,521	9.2 4.7	276,393	7.2 5.0	243,518	7.0 5.3
Chief Information Officer	908,628	19.6 5.8	908,628	20.6 6.3	376,975	9.2 4.6	275,223	7.2 5.0	243,062	7.0 5.3

[1] Pay ratio is presented including and excluding share based payments costs.

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

Annual change	2022 vs 2021	2021 vs 2020
Directors' remuneration (in EUR)		
CEO	248	536,068
CFO	-79,872	529,942
COO	465	530,577
CCO	-138	530,799
CTO	–	531,653
Company performance (in EUR 1,000)		
Net revenue	+144,031	+92,259
EBITDA	+9,072	-53,931
Market capitalisation	-61 %	-23 %
Average remuneration on FTE basis		
Wages and salaries / FTE (in EUR)	+2,288	+2,884
Wages and salaries / FTE (in %)	+5.2 %	+7.0 %

REMUNERATION OF THE SUPERVISORY BOARD.

The 2021 Annual General Meeting voted to increase the fixed annual base fees for Supervisory Board members to EUR 80,000 for the Supervisory Board Chairperson, EUR 60,000 for the Supervisory Board Vice-Chairperson and EUR 40,000 for the other Supervisory Board members. The increase was effective as of 21 April 2021, the date of the 2021 Annual General Meeting. The 2022 Annual General Meeting voted to establish Supervisory Board committee fees. The Chair of the Audit Committee receives an annual fee of EUR 12,000; members receive EUR 8,000. The Chairs of the Remuneration and Nomination Committees each receive an annual fee of EUR 9,000. The members of these two committees are entitled to EUR 6,000. The Chair and Vice-Chair of the Supervisory Board are not eligible for any committee fees. Each Supervisory Board member is limited to receiving only one committee fee. If a Supervisory Board member participates in more than one committee, the highest committee fee applies. Furthermore, committee fees are paid only if the committee has met at least once during the year.

The following changes to the Supervisory Board remuneration policy will be proposed to the 2023 AGM: (1) elimination of the limitation to receive only one committee fee, i. e., Supervisory Board members can receive more than one committee fee if they are members of multiple committees; (2) eligibility of the chair and vice-chair of the Supervisory Board for committee fees; (3) reimbursement of reasonable travel expenses of Supervisory Board members in accordance to the Company's travel policy.

To ensure that the Supervisory Board members act independently in overseeing the Managing Board as a whole and each member individually, SHOP APOTHEKE EUROPE does not award any variable remuneration, shares or share-based options to members of the Supervisory Board. In 2022, the members of the Supervisory Board received base fees totalling EUR 248,712 and EUR 23,074 in committee fees. Total Supervisory Board compensation amounted to EUR 271,786.

In 2022, former members of the Supervisory Board did not receive any compensation from the Company.

Current Supervisory Board	Supervisory Board position	Year ended 31.12.2022 EUR	Year ended 31.12.2021 EUR	Year ended 31.12.2020 EUR	Year ended 31.12.2019 EUR	Year ended 31.12.2018 EUR
Björn Söder	Chairperson	80,000	61,918	20,000	20,000	20,000
Frank Köhler	Vice-chairperson	60,000	47,945	20,000	20,000	20,000
Jérôme Cochet	Member	46,460	33,973	20,000	20,000	20,000
Henriette Peucker	Member	48,000	27,945	-	-	-
Jaska de Bakker	Member	37,326	-	-	-	-
Total current Supervisory Board Remuneration		271,786	171,781	60,000	60,000	60,000
Former supervisory Board member						
Jan Pyttel	former chairperson	-	9,041	30,000	30,000	30,000
Total former Supervisory Board Remuneration		-	9,041	30,000	30,000	30,000
Total Supervisory Board Remuneration		271,786	180,822	90,000	90,000	90,000

Committee Membership	Audit Committee	Nomination Committee	Remuneration Committee
Björn Söder		Member	Member
Frank Köhler	Member		Member
Jérôme Cochet			Chair
Henriette Peucker	Member	Chair	
Jaska de Bakker	Chair		

OUTLOOK 2023.

The current remuneration policies for Supervisory Board and Managing Board, approved by the 2022 Annual General Meeting, have been reviewed. The Remuneration Committee concluded that the Managing Board policy still fully meets the objectives outlined for this policy. Hence, no changes will be recommended to the 2023 Annual General Meeting. For the Supervisory Board policy, a proposal with a few minor amendments will be subject approval by the 2023 Annual General Meeting.

For personal reasons, Stefan Feltens, the company's current CEO, has decided not to seek re-appointment to another term as a Managing Board member. His term as CEO of SHOP APOTHEKE EUROPE will end on the date of the 2023 AGM. The Supervisory Board has started a search process and is confident that a successor will be presented during 2023. In the meantime, the current Management Board members will take over the responsibilities currently covered by the CEO.

Besides the CEO change, no further Supervisory Board or Managing Board changes are anticipated for this year.

OTHER COMPENSATION INCLUDING LOANS.

Neither the Company nor any of its subsidiaries have granted loans, made advance payments or granted guarantees of any nature to members of the Managing Board, members of the Supervisory Board or any of its statutory auditors. No compensation was paid to parties closely associated with members, i.e. related parties, of the Managing Board or Supervisory Board. Furthermore, the Company did not provide company cars to any of its Managing Board or Supervisory Board members.

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COMBINED MANAGEMENT REPORT.

BECOMING EUROPE'S LEADING CUSTOMER-CENTRIC E-PHARMACY.

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

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

Over the year we increased our base of active customers to 9.3 million and achieved 13.6 % overall sales growth after 9.5 % in the year before. During last year, we rolled out our same-day delivery option under the brand SHOP APOTHEKE NOW! to the main metropolitan areas in Germany and with the acquisition of GoPuls (formerly First A), we added a new instant delivery option for acute needs. We expanded our own brand RedCare and Skintist product portfolio consisting of OTC, beauty and personal care as well as nutritional and healthy food products to what is now more than 120 products and we launched another marketplace for healthcare related assortment of third-party expert partners in Austria. In the fast-growing Italian market, we successfully opened a new distribution centre. The Milan-based site supports SHOP APOTHEKE EUROPE's fast-growing Italian operations and by reducing CO_2 emissions it is an important step on our way to our NET ZERO 2040 target. Last but not least, we completed our preparations for the start of electronic prescriptions (e-Rx) in Germany and processed the first e-scripts every day now.

ABOUT THIS REPORT.[5]

This annual report was written up by order of the Managing Board of SHOP APOTHEKE EUROPE N.V. The Board reviewed and released the content of this report.[6] The Company has reported in accordance with the GRI 2021 standards for the period 1 January 2022 to 31 December 2022 and it includes a description of the economic, ecological and social aspects of its activities.

In general, this report provides non-financial indicators that represent the entire Group, including the acquired companies, smartpatient and MedApp in 2021, as well as GoPuls in 2022 (formerly First A). Acquired companies are included from the date of acquisition onwards. Only in terms of emission reporting, emissions have been counted back until the base year 2020 according to the Greenhouse Gas Protocol.[7] Most of the figures we publish reflect the status as of 31 December 2022. We explicitly state when the information provided deviates from these parameters. Compared to previous year, no restatements have been made in the reporting period.[8]

The document contains forward-looking statements that are based on management estimations, which are valid as of the time when this management report was prepared. Such statements relate to future periods or are characterised by terms such as “expect”, “forecast”, “predict”, “intend”, “plan”, “estimate”, “assume” or “anticipate”. Forward-looking statements can entail risks and uncertainties. Many such risks and uncertainties are determined by factors that cannot be influenced by the SHOP APOTHEKE EUROPE. As a consequence, actual results may differ significantly from those in the future as mentioned in this report.

In addition to “SHOP APOTHEKE EUROPE Group” or “SHOP APOTHEKE EUROPE N.V.”, the terms “the Company”, “the Group” or the short form “SHOP APOTHEKE” or “SHOP APOTHEKE EUROPE” are also used.

Market data used in this report is based on studies from Statista, ResearchAndMarkets, Grand View Research and Bank of America, if not mentioned otherwise.

COMPANY PROFILE.

CORPORATE STRUCTURE.[9]

SHOP APOTHEKE EUROPE N.V., the parent Company of the SHOP APOTHEKE EUROPE Group, is one of the leading European online pharmacies, acting in a sector where few other established pan-European offline or online pharmacy brands currently exist. To remain competitive and ensure sustainable success, we consciously take risks and continuously explore and develop opportunities. Our risk and opportunity management principles and system provide the framework for our Company to conduct business in a well-controlled environment and are described in the Risk and opportunities chapter of this report.

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

[5] GRI 2-3
[6] GRI 2-14
[7] GRI 2-2
[8] GRI 2-4
[9] GRI 2-1

Our business is almost exclusively focused on end customers, thus B2C. Within the context of IFRS 8, we consider two business segments for external reporting purposes: Our DACH segment, (Germany, Austria and Switzerland) and our International segment (Belgium, The Netherlands, France, Italy). Until 2020, we sold prescription medications (Rx) only in Germany. Since the acquisition of MedApp in 2021 prescription medications have also been sold in The Netherlands. The DACH segment continued to be the Group's biggest market with approximately 78% of total sales in 2022 (2021: 80%).

SHOP APOTHEKE EUROPE N.V. is listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard). The market capitalisation as per 31 December 2022 was more than EUR 800 million.

GOVERNANCE STRUCTURE.[10]

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

Both, the Supervisory Board and the Managing Board should be composed in such a way that these bodies/their members as a group have the knowledge, ability and specialist experience required to properly complete their tasks. For details regarding the composition of the Supervisory Board, see the Report of the Supervisory Board which is included in this annual report as well. A detailed profile and the Articles of Association, including information about the appointment of Board members, can be found in the Investor Relations section of the Company's website under the sub-item Corporate Governance. Information on the terms of office of the Supervisory Board members can also be found in the Supervisory Board report (Chapter 4).[11]

All business activities are performed in accordance with Dutch law and German capital market law, as shares of SHOP APOTHEKE EUROPE N.V. are admitted to trading in the Prime Standard segment of the Frankfurt Stock Exchange. The Company complies with the regulations and requirements of both the Dutch and the German Corporate Governance Codes. Nevertheless, some deviations are emerging due to legal and business requirements. A detailed report on compliance with the Dutch Corporate Governance Code is provided in the respective section of this annual report.

The Managing Board consists of five members who are jointly accountable for independently managing the Company in the Company's best interests while complying with the applicable laws and regulations, the Articles of Association and the rules of procedure. In doing so, they must take the interests of the shareholders, the employees and other stakeholders into account.

The Managing Board is monitored and advised by the Supervisory Board. It has adopted the rules of procedure in consultation with the Supervisory Board. The Managing Board has a Chairman who coordinates the work of the Managing Board and represents it in dealings with the Supervisory Board.

The Managing Board informs the Supervisory Board regularly, in due time and comprehensively in accordance with the law and the reporting duties specified by the Supervisory Board. It develops the Company's strategy, coordinates it with the Supervisory Board and implements it. The Managing Board ensures that all statutory provisions and the Company's internal policies are complied with. The Managing Board also ensures appropriate risk management and risk controlling in the Company.

[10] GRI 2-9
[11] GRI 2-10, GRI 2-11

The Chairman of the Managing Board informs the Supervisory Board Chairman without delay of important events that are essential for the assessment of the situation and the development of the Company or for the management of the Company as well as of any shortcomings that occur in the monitoring systems.

The Managing Board requires the approval of the Supervisory Board for certain important transactions. Transactions and measures that require Supervisory Board approval are submitted in good time to the Supervisory Board, or to one of its committees to which particular powers are delegated.

The Managing Board members are obliged to disclose any conflicts of interest to the Supervisory Board without delay and to inform the other Managing Board members accordingly. Possible conflicts of interest would be published in the Corporate Governance section of this report.[12]

COMPLIANCE.[13]

We want to contribute to the comprehensive implementation of ethical behaviour in business life including our interactions with suppliers, political parties and non-governmental organisations. With the Code of Conduct, the Group has committed itself to acting with integrity and sustainability. Compliance with relevant laws is a matter of course for us. This includes the protection of workers' and human rights, the avoidance of cartel violations, corruption or the acceptance of advantages and other illegal business practices, as well as compliance with all pharmaceutical requirements.

We represent our political interests in line with the positions we express publicly. In doing so, we are open to dialog with democratic parties.

To support our principles and targets, we joined the following associations and interest groups:[14]
- European Association of E-Pharmacies (EAEP)
- UN Global Compact
- Leaders for Climate Action
- Allianz für Cyber Sicherheit des Bundesamtes für Informationstechnik
- Bitkom – Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V.
- Wirtschaftsrat der CDU e. V.
- BVDVA – Bundesverband Deutscher Versandapotheken (only Europa Apotheke)
- The Dutch Employers' Federation VNO-NCW
- DHNK – Deutsch-Niederländische Handelskammer
- Bundesverband Managed Care e. V.
- Bundesverband Gesundheits-IT – bvitg e. V.
- Qualitätsring Medizinische Software e. V.

The process of determining SHOP APOTHEKE EUROPE's material topics is in line with the four steps outlined by the GRI standards: In 2020, the Company worked intensively on identifying the actual and potential negative and positive impacts on the economy, environment and people, including impact on their human rights, across its activities and business relationships including internal and external stakeholders.

[12] GRI 2-15
[13] GRI 2-24, GRI 2-25
[14] GRI 2-28

Part of the principle of compliance is that breaches of rules and unlawful conduct are uncovered as quickly as possible, investigated and actual misconduct is stopped. To meet this requirement, we have introduced a compliance management system (CMS). Part of the process was the introduction of a whistleblower system during the year 2021.

For reports on irregularities and suspected cases of misconduct by employees of the Group, we have appointed an internal compliance officer whom both employees and business partners can contact. Information is treated confidentially upon request.

There were no significant instances of non-compliance with laws and regulations and no significant fines were paid or non-monetary sanctions incurred during the reporting period [15]. No critical concerns were reported to the highest governance body.[16]

BUSINESS ACTIVITY. [17]

SHOP APOTHEKE EUROPE is a leading online pharmacy in continental Europe with total Group sales of EUR 1,204 million in 2022 and an active customer base of 9.3 million at 31 December 2022. In 2022, SHOP APOTHEKE EUROPE was active in Germany, Austria, Switzerland, Italy, France, Belgium and The Netherlands.

Our overriding business objectives are continuous and dynamic growth in our existing markets, assessing, and if warranted, moving into additional markets, continuing on our path toward overall sustainable profitability, while doing good according to ESG standards.

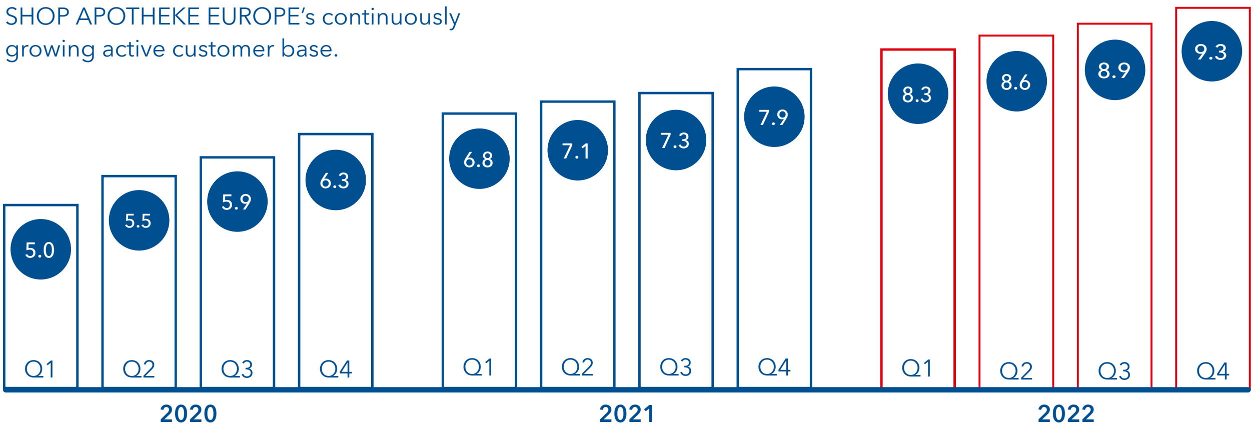
Since our foundation in 2001 we have continually expanded our business and geographical reach across Europe. In June 2010 a warehouse was opened in Venlo, The Netherlands, for logistics and distribution operations. Through the successful acquisition of the Europa Apotheek Group on 8 November 2017 we significantly expanded our offering, which until then had been focused on OTC and BPC, to also include prescription medications. At the time of the acquisition, Europa Apotheek was one of the largest online mail order pharmacies in Germany with a customer profile focusing on chronically ill patients with low churn rates. In 2018, our offering expanded with the acquisition of Berlin based nu3 GmbH, a specialist for functional nutrition products. The high-quality product range of nu3, which comprises natural food and health products, low carb products and sports nutrition provides us with a USP in a growth market with good margins.

Over the past years, we have been constantly evolving our business by developing SHOP APOTHEKE from an online retailer to a customer-centric e-pharmacy, which will open new revenue and margin streams for the Company. With the acquisitions of the digital medication management experts smartpatient and MedApp and the quick-commerce company GoPuls (formerly First A) we have reached further important milestones of our strategy – also in preparation for the anticipated upcoming large e-Rx business. In 2021, we successfully launched our first own marketplace in our biggest market Germany, followed by the launch of a second marketplace in Austria during 2022. With selected third-party sellers, we want to significantly increase the number of products in our portfolio by an additional healthcare-related assortment to attract new customers.

Since 2020, our headquarters have been located in Sevenum, a village close to Venlo and to the Dutch-German border. Shipping orders to Germany is efficient, but the facility also acts as a central processing and distribution hub from which we ship to our customers in our different continental European markets. We operate further offices in Cologne, Berlin, Munich (Germany), Eindhoven (The Netherlands), Tongeren (Belgium), Pont-A-Marcq (France), Milan (Italy) and Warsaw (Poland).

[15] GRI 2-27
[16] GRI 2-16
[17] GRI 2-6

Number of active customers (in millions)



With more than 1,800 employees, SHOP APOTHEKE EUROPE delivers a broad range of more than 100,000 original products to over 9.3 million active customers as per 31 December 2022 quickly, securely and at attractive prices. In addition, SHOP APOTHEKE provides comprehensive pharmaceutical consulting services and last mile delivery options in certain of its geographies in cooperation with local third-party pharmacy partners.

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

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

STRONG GROWTH DRIVERS SUPPORT OUR BUSINESS.

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

The online Rx business in Germany has grown – in addition to demographic changes, the elder generation moving online, and the increased usage and easy of usage of mobile devices – on the basis of the 2016 European Court of Justice's (ECJ) ruling to allow pharmacies based within the European Union (such as SHOP APOTHEKE and Europa

Apotheek) to sell Rx medications to consumers based in Germany with a price incentive. In December 2020, however, the German parliament passed a law to ban bonuses for Rx medications. This is a real disappointment for many of our chronically ill customers because their out-of-pocket expenses increased considerably. The bonus ban had an unfavourable impact on our prescription sales in Germany with Rx-sales declining by 9.4 % in 2022 and 34.6 % last year. We are of the standpoint that the German bonus ban represents a violation of European law and might consider legal actions – not the least in the interest of our customers, predominantly the chronically ill.

Buying Rx online in Germany is currently a cumbersome, old-fashioned process, as the law requires the customer to hand in the physician's original prescription on paper at the pharmacy. When buying Rx online at SHOP APOTHEKE, this currently means that the customer has to send the prescription to us by post. With the introduction of the electronic prescription in Germany, we expect SHOP APOTHEKE EUROPE to become attractive to many more Rx customers, who can then benefit from our expertise, service, quality and wide range of products.

OUR KEY COMPETITIVE STRENGTHS.

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

- We are focused on a large addressable market in Europe that has historically demonstrated stable growth and is now gradually moving online.
- We pioneered the OTC and BPC online pharmaceutical retail markets in Germany and continental Europe and over the years have developed market-leading expertise in online pharmacy B2C retail, which we will leverage for the emerging Rx online retail opportunity.
- We have a strong value proposition for customers that includes attractive prices for a relevant and comprehensive product range while offering a convenient end-to-end customer journey, superior product information, expert consultation services and high pharmaceutical safety standards.
- Our ability to offer attractive prices is enabled by our efficient cost structure as well as economies of scale we achieve across the value chain.
- Our parcels and services include personalisation to the customer that contain relevant product instructions and alert customers to any medication interactions or side-effects detected by our automated checks.
- Our operating platform and corresponding market entry barriers have been developed over time, which give us an advantage now.
- We possess an attractive profile as demonstrated by relevant key performance indicators (KPIs). We strive to further increase the share of repeat customers in the future in order to reduce the blended customer acquisition costs.
- We have a management team with expert know-how in the pharmacy and e-commerce space and a proven track record of successfully growing business through excellence in execution and strategic insights.

Our technology platform, including our webshop and app, reflect an industry-leading customer focus. We will continue to focus on IT and invest where necessary to stay ahead of the competition.

We focus on attracting top talent by offering them opportunities to play an active role in shaping the future of SHOP APOTHEKE EUROPE and our journey toward enabling everyone to live their healthiest life possible.

SHOP APOTHEKE EUROPE'S VALUE-ADDED PROCESS.[18]

The concept of the Company's value-added process is the procurement of medications as well as beauty and personal care and related products, which are then sold via country-specific online shops to consumers. In order to operate in a sustainable manner and to work with the right suppliers, SHOP APOTHEKE EUROPE attaches great importance to sustainable supply chain management. The number of our pharma suppliers is around 1,400. More than 99 % of our suppliers are based in a member state of the Organization for Economic Cooperation and Development (OECD). The OECD brings together 38 countries committed to the economic and social well-being of people worldwide. We divide our suppliers in two main categories: Pharma and Indirect Spend. Pharma is subdivided in the two further categories Wholesale and Direct which both include the procurement of OTC, Rx as well as and beauty and personal care and related products.

The three main pillars of the sales process are SHOP APOTHEKE EUROPE's pharmaceutical and e-commerce know-how, its IT-expertise in designing and running online webshops and its logistics system tailored towards pharmacy.

SHOP APOTHEKE EUROPE's country-specific websites provide access to more than 200,000 products. With the launch of our own marketplaces in Germany and in Austria, we will significantly broaden our product range by adding tens of thousands of healthcare related products from third parties. This is a substantially larger range of products than offered in traditional brick-and-mortar pharmacies.

Our online shops are optimised continuously and provide state-of-the-art user-friendly and convenient shopping experience available 24/7 from any location with online access.

SHOP APOTHEKE EUROPE has received numerous awards for its services, assortment and prices over the past years and in the past year, from well-known institutions like Sempora, Handelsblatt, F.A.Z. Institute, Computer Bild and Statista.

An important part of SHOP APOTHEKE EUROPE's business strategy is the commitment to comprehensive customer support and services. This encompasses a pharmaceutical consulting hotline and pharmaceutical services such as pharmaceutical advice videos, instruction videos and comprehensive medication interaction checks. With the acquisitions of smartpatient and MedApp in the past year, we accelerated our technological and digital health capabilities, all aiming to let our customers live their healthiest (and easiest) life possible.

SUSTAINABILITY IS AN INTEGRATED PART OF OUR STRATEGY.

With our mission to enable everyone to live the healthiest life possible, at its centre our core business has a drive to positively impact people's health (social capital) as well to build easy access to medication infrastructure in European markets (manufacturing capital). With this business model and a promising growth story, we create secure employment opportunities (human capital). However, our materiality analysis has shown that environmental external risks are inherent to our business activities, specifically carbon emissions along our value chain. Therefore, we have an integrated management process to minimise our negative impacts (environmental capital). The Company has been climate neutral since autumn 2020 by offsetting carbon emissions in Scope 1 and 2, including emissions in logistics, packaging, employee travel, marketing and IT. In 2022, we took the next step and publicly committed ourselves to bringing emissions along the entire value chain – including product emissions – to NET ZERO by 2040. Within the scope of SHOP APOTHEKE EUROPE's strategic positioning as a sustainable Company, a direct report function to the Managing Board ensures the comprehensive and holistic integration of sustainability into the overall strategy. The executive oversight of Sustainable Development is held by the CEO and Deputy CEO, while accountability for dedicated material topics is with the respective Board member to whom the implementation of the initiatives is functionally assigned.[19]

[18] GRI 2-6
[19] GRI 2-12, GRI 2-13, GRI 2-14, GRI 2-22, GRI 2-17, GRI 2-25

SHOP APOTHEKE EUROPE TO BECOME EUROPE'S LEADING E-PHARMACY PLATFORM.

Our vision is to be the leading customer-centric e-pharmacy platform in continental Europe. At our core, we are a pharmacy that specialises in selling prescription and over-the-counter medicines, pharmacy-related BPC and other related products, as well as own-brand nutrition, sports nutrition and health products to end customers. We sell our broad range of products directly to customers, but in December 2021 we launched our first own marketplace in Germany with health-related assortments from specialised third-party suppliers to expand the offer for our customers and create additional leverage for our business model. During 2022, we launched another marketplace in Austria. To be the best pharmacy as our ambition is, we continuously invest in our digital medication management with disease-specific programs and other digital tools to help people in a life with medicines. We partner with online doctor services (tele-medicines) and offer same-day delivery services in Germany's main metropolitan areas in cooperation with local physical pharmacies. In the end, we want to enable everybody to live their healthiest life possible.

We aim to achieve this by pursuing the following strategy:
- Continuously keeping or elevating our high customer satisfaction with our products and services.
- Attaining and expanding market leadership in our existing geographies.
- Assessing and, if warranted, entering new geographies.
- Making tech- and digital driven investments throughout our value chain from logistics, fulfilment to last mile, to commercial and marketing as well as in our front-end websites and apps.
- Yielding efficiency and scale gains in procuring products and services.
- Continuously optimising our products- and services portfolio.
- Further developing our own brand portfolio of products.
- Via our platform offering the services of online doctors, the services and assortment of local physical pharmacies and broadening our product range with the products and expertise of third-party merchants in healthcare-related assortment.
- Continuing our dedicated patients' disease programs and investing in the development of state-of-the-art digital medication management services.
- All in all, rigorously focusing on improving our underlying unit economics in all possible areas, and at the same time growing our market-leading positions or towards a market-leading position in our geographies. We invest in our digital and medication management services to become Europe's leading customer-centric e-pharmacy platform with a target of becoming cash flow positive in future years and generating adjusted EBITDA profitability in excess of 8%.

STRATEGIC REVIEW 2022: CONSISTENT EXECUTION OF OUR STRATEGY.

In 2022, we took further important steps in implementing our business strategy:
- In everything-but-Rx, which accounted for close to 90% of our total sales in 2022, we organically grew sales by more than 15% having gained market share in all of our markets.
- Our customer satisfaction expressed in terms of NPS (Net Promotor Score) across the year reached a net promotor score of 72, a new all-time high.
- We increased the number of our active customers by 1.4 million to 9.3 million by the end to the year.
- We had a strong execution and continued productivity gains which supported improved gross margins of 2.3 percentage points.
- We acquired GoPuls (formerly First A) and entered into the promising quick-commerce market.
- We expanded our own brand label RedCare to 120 products, including the launch of Skintist by RedCare with high-quality skincare products.
- The Company opened its first distribution facility outside of The Netherlands in Settala, near Milan, to better serve its fast-growing Italian customer base.

- We launched our second own marketplace in Austria adding thousands of healthcare-related products.
- SHOP APOTHEKE EUROPE maintained an AA MSCI ESG rating and achieved its 2025 goal to reduce Scope 1 and Scope 2 carbon by 80 % already by the end of September 2022.
- We further progressed on our sustainability strategy and committed ourselves to bringing down emissions to NET ZERO in 2040.
- Throughout 2022, SHOP APOTHEKE EUROPE continued to receive e-scripts but the impact on the Company's total sales was marginal. Management remains confident that electronic prescriptions will move forward in Germany and now assumes a significant increase of e-scripts throughout this year.

GENERAL AND INDUSTRY-SPECIFIC ECONOMIC ENVIRONMENT.

INFLATION REACHES RECORD HIGHS IN EUROPE.

In its autumn forecast, based on the momentum from last year and strong growth in the first half of 2022, the EU projected gross domestic product (GDP) growth in 2022 as a whole to increase by 3.3 % in the EU – well above the 2.7 % projection of the summer interim forecast. Inflation also continued to surprise on the upside. Accelerating and broadening price pressures in the first ten months of the year have moved the expected inflation peak to the fourth quarter of this year and lifted the yearly inflation rate projection to 9.3 % in the EU and 8.5 % in the euro area.

Sentiment in the German economy, the biggest single market for SHOP APOTHEKE EUROPE, has improved after hitting new lows in Q3 2022. The ifo Business Climate Index, a well-known leading indicator for developments in the German economy, rose to 86.3 points in November, up from 84.5 points in October. While companies were somewhat less satisfied with their current business, pessimism regarding the coming months declined sharply. The recession could prove less severe than many had expected. Overall, the German economy remains robust. The Federal Statistical Office (Destatis) reported that GDP increased in the first three quarters of 2022, despite difficult general conditions in the global economy such as the continuing Covid-19 pandemic, delivery bottlenecks, continuing price rises and the war in Ukraine.

The annual inflation rate in Germany rose to 10.4 % in October 2022, hitting a notable high, according to Destatis. This was driven primarily by enormous price rises for energy products.

OVERVIEW OF THE OVERALL PHARMACY MARKET IN EUROPE.

The European pharmacy market, which includes the categories prescription medications, non-prescription medications and pharmacy-related beauty and personal care (BPC) products, has been growing steadily over the past years. In a recent analysis, Grand View Research estimated the size of the European pharmaceutical market size at over USD 296 billion in 2021 and it is expected to expand at a compound annual growth rate (CAGR) of 5.4 % from 2021 to 2028. According to the business data platform Statista, Germany was the leading pharmaceutical market in Europe with total revenue of over EUR 49.4 billion in 2021. When the revenue of the German pharmaceutical market is broken down, it is prescription drugs that account for the majority of revenue. Prescription medication accounted for approximately EUR 35 billion of revenue, followed by pharmacy drugs at some EUR 3 billion. France and Italy followed with revenue of EUR 37.1 billion and EUR 32.4billion respectively. The top five were rounded off by Spain (EUR 26.1billion) and Poland (EUR 7.9 billion) We expect that the overall European pharmacy market will grow over the next years and that such growth will be supported by ongoing shift towards e-commerce by consumers.

OVERVIEW OF THE ONLINE PHARMACY MARKET.

The global e-pharmacy market is expected to grow from USD 48.949.4 billion in 2022to USD 107.5 billion by 2027, at a CAGR of 16.8% during the forecast period 2022–20278, according to a study of "Market Data Forecast". During the same period, the experts expect the online pharmacy market in Europe to grow at a CAGR of over 15% (source: ePharmacy Market (Online Pharmacy Market) Research Report, Market Data Forecast).

The e-commerce penetration for Rx medications and OTC and BPC products is still relatively low in the core European markets. According to Bank of America, the total pharmacy market in Western Europe (ex U.K.) was worth EUR 193 billion in 2020 and is growing at a 2.5% CAGR. Online penetration is low, at only 6%, far behind other categories such as apparel, electronics and contact lenses, a recent note said. For online prescriptions in Europe, Bank of America estimates a volume of EUR 47 billion by 2030, from EUR 11 billion in 2020, which is a 10-year annual compound growth rate (CAGR) of 16%.

COMPETITIVE ENVIRONMENT IN THE ONLINE PHARMACY MARKET.

The e-commerce channel allows pharmacies to offer a broader range of products than local pharmacies, not being constrained by the amount of physical shelf storage space. We believe that the following factors are key to operate successfully in the online pharmacy market:
- Offering products at attractive prices to attract and retain customers,
- Brand and domain awareness to attract new customers,
- Strong e-commerce capabilities including a scalable IT platform, an optimised and efficient logistics centre, sustained customer care as well as fulfilment capabilities, and
- A diverse range of product offerings in stock to meet consumer demand in a timely fashion.

Our competitors generally include other online pharmacies focused on the sale of OTC medications and/or online pharmacies focused on the sale of prescription pharmaceuticals, local pharmacies and general e-commerce players including global giants, which offer marketplace functions for local pharmacies. Not all brick-and-mortar pharmacies have great e-commerce capabilities. In addition, the restrictions on outside or corporate ownership of pharmacies in several continental European countries limit the ability of both brick-and-mortar and online pharmacies to access external financing, which limits their potential for expansion. General e-commerce players that offer a limited number of OTC medications currently lack pharmacy licenses and pharmaceutical expertise. In the pharmacy-related BPC market, our competitors generally include drugstores, supermarkets and para-pharmacies.

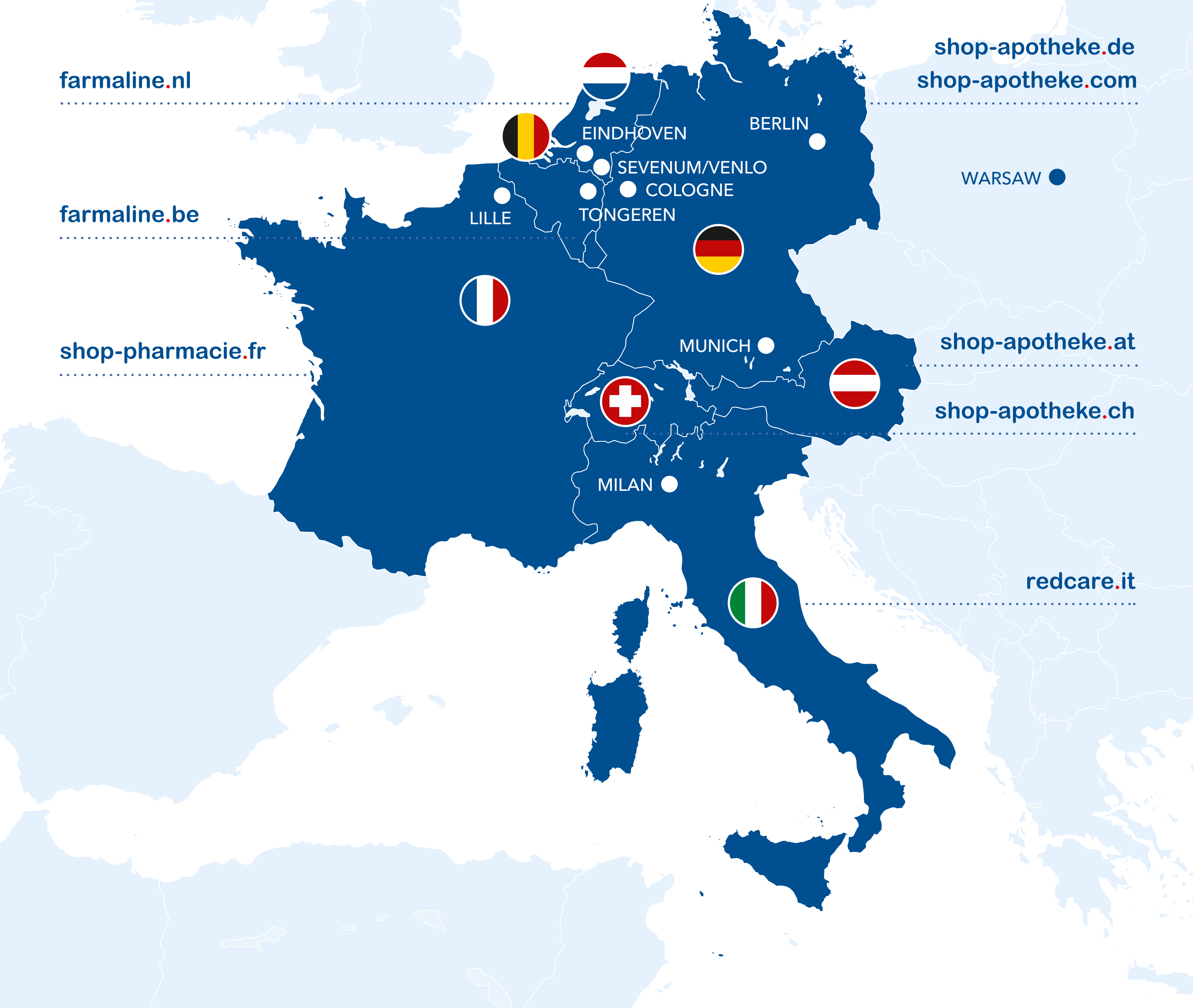
OVERVIEW OF SHOP APOTHEKE EUROPE'S CURRENT MARKETS.

In 2022, SHOP APOTHEKE EUROPE was active in Germany, Austria, Switzerland, Italy, France, Belgium and The Netherlands.

Although the regulatory environment is sometimes different in detail, we believe that limited online penetration in these markets provides significant market opportunities for us.

The continental European market is fragmented, which we believe gives us the opportunity to accelerate penetration by replicating our established business model.

OVERVIEW OF SHOP APOTHEKE EUROPE'S CURRENT MARKETS.



REGULATORY ENVIRONMENT.

CONTINUOUSLY SUBJECT TO REGULATORY CHANGES.

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

A verdict by the European Court of Justice (ECJ) in December 2003 confirmed that the principle of the free movement of goods within the EU also applies to non-prescription medications. National laws prohibiting the mail order sale of such products were found to be incompatible with European (i. e. EU) law. Hence, the cross-border sale of non-prescription medications within the EU is permitted for pharmacies registered in the EU. With this verdict, online suppliers secured access to the over-the-counter market, after which their share of that market went from low levels to 16 % in Germany in a decade and it is believed that the level exceeded 20 % in the past year.

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

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

ECONOMIC REPORT.

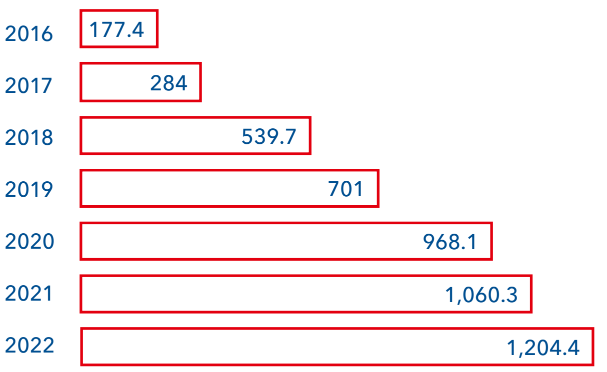
FORECAST VS. ACTUALS.

Business across the Group expanded. For the full-year, we predicted sales growth between 15 % and 25 % for non-Rx and an overall adjusted EBITDA margin in the range of – 1.5 % to + 1.5 % before acquisitions. We ended up with a non-Rx sales growth of 17.2 % and an adjusted EBITDA margin of –0.3 %.

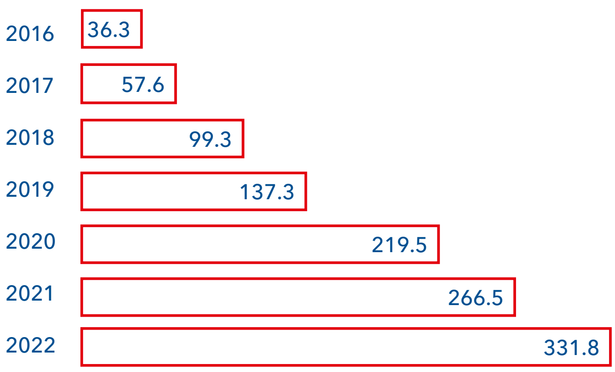
Forecast for our ongoing business[1]	Actual	Guidance reached
Sales growth of 15 to 25 % of non-Rx sales	+ 17.2 % to EUR 1,074.1 million[2]	Yes
Adj. EBITDA margin – 1.5 % to + 1.5 %	– 0.3 %	Yes

REVENUES AND EARNINGS POSITION.

Revenue (in millions of euros) 2016 – 2022



Gross profit margin (in millions of euros) 2016 – 2022



The Company reports the following two business segments:

The DACH segment which includes medications and pharmacy-related BPC and other related products sold to customers in the German, Austrian and Swiss market and the International segment related to customers in the Belgian, Dutch, French and Italian markets.

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

For better orientation, we also provide adjusted figures, which reflect extraordinary items (the non-cash IFRS expenses related to the Employee Stock Ownership Plan, and one-off costs related business projects, such as the new logistics centre).

[1] Ongoing business is defined as the business as at the time of issuing the guidance in March 2022.
[2] Sales of EUR 1,074.1 million is the total OTC and BPC sales minus the sales deriving from the acquisition from GoPuls (former First A).

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

	Adjustments 2022					Adjustments 2021					
	Non-adjusted	1.	2a.	3.	Adjusted	Non-adjusted	1.	2a.	2b.	3.	Adjusted
Revenue	1,204,352	–	–	–	1,204,352	1,060,321	–	–	–	–	1,060,321
Cost of sales	-872,566	–	–	–	-872,566	-793,793	–	–	268	–	-793,525
Gross profit	331,786	–	–	–	331,786	266,528	–	–	268	–	266,796
Other income	148	–	–	–	148	160	–	–	–	–	160
Selling & Distribution	-299,650	–	874	–	-298,776	-241,382	–	892	927	–	-239.563
Segment EBITDA	32,284	–	874	–	33,158	25,306	–	892	1,195	–	27,393
Administrative expenses	-61,946	5,797	814	14,133	-41,202	-64,040	6,819	717	1,375	22,450	-32,679
EBITDA	-29,662	5,797	1,688	14,133	-8,044	-38,734	6,819	1,609	2,570	22,450	-5,286
Depreciation	-39,510	–	–	–	-39,510	-26,964	–	–	–	–	-26,964
EBIT	-69,172	5,797	1,688	14,133	-47,554	-65,698	6,819	1,609	2,570	22,450	-32,250
Net finance cost and income tax	-8,474	–	–	–	-8,474	-8,487	–	–	–	–	-8,487
Net loss	-77,646	5,797	1,688	14,133	-56,028	-74,185	6,819	1,609	2,570	22,450	-40,737

Description of adjustment:
1. IFRS expenses of the Employee Stock Option Plans. Also see Note 27. These expenses are non-cash for SHOP APOTHEKE EUROPE.
2a. One-off external project expenses related to other projects. This mainly concerns external advisory costs.
2b. In 2021, this concerned the one-off external project expenses specifically related to our new logistics centre project Venlo 2020.
3. Other major non-recurring one-offs. In 2021 and 2022, this concerned the impact of contingent considerations to former owners of the acquired companies smartpatient and MedApp. In the light of these acquisitions of 100 % of the shares of smartpatient and MedApp, the total purchase price for the shares which SHOP APOTHEKE EUROPE agreed upon with the selling shareholders amounts EUR 70,545 thousand and EUR 8,004 thousand respectively. Along with the acquisitions contingent considerations are provided to the former owners which contain a service condition. Payments in the form of cash and shares under this contingent consideration are forfeited if employment is terminated. The total contingent consideration amounts to EUR 47,839 thousand. On the basis of an IFRIC decision on IFRS 3.B55 Business Combinations – the contingent part of this purchase price should be accounted for as consideration for post-combination services – employee expenses during the vesting period. The total impact of the recognition of the cash component and share component of the contingent considerations of both business combinations in the result of 2022 amounts to EUR 14.1 million. These costs are included in the employment expenses presented in the profit and loss statement under "administrative expenses". The P&L impact of this accounting method distorts the view on our underlying financial result of our business for management reporting purposes, which is the reason we adjust for it in the presented adjusted EBITDA. Reference is made to note 28 to the consolidated financial statements for detailed explanation.

During the reporting period, sales surged by 13.6 % from EUR 1,060.3 million in 2021 to EUR 1,204.4 million in 2022. The sales increase was almost entirely organic growth and was driven by a higher number of active customers and of orders versus prior year.

Consolidated gross income climbed 24.5 % in the year under review from EUR 266.5 million to EUR 331.8 million. Hence, as a proportion of sales, gross margin improved from 25.1 % in 2021 by 2.4 percentage points (pp) to 27.5 % in 2022. This development was largely driven by improved net pricing, sourcing and product mix.

Selling and distribution (S&D) expenses rose by EUR 68.9 million, from EUR 264.3 million in the financial year 2021 to EUR 333.2 million, an increase of 26.1 %. As percentage of sales, S&D expenses increased by 2.8 pp to 27.7 %. This includes an impact of 0.3 pp resulting from the GoPuls (First A) acquisition. The adjusted consolidated S&D ratio was 24.8 % (24.5 % without GoPuls) compared to last year's 22.6 %. The increase can largely be attributed to higher marketing expenses and partly to the slowdown in consumer spending, which resulted in a lower average basket size. Furthermore, marketing efforts in 2021 – and consequently costs – were lower due to the full lockdown in Germany in the first quarter of 2021. The main categories within S&D are marketing expenses, distribution cost, operations and personnel expenses for marketing. A more detailed split of S&D costs is provided in the consolidated financial statements, Note 7.

Administrative costs including depreciation and amortisation decreased by EUR 0.2 million in absolute terms from EUR 68.1 million to EUR 67.9 million and included extraordinary items and one-off expenses. In 2021 and in 2022, a large part of the one-off costs was related to non-recurring impact of the contingent consideration in respect to the acquired companies smartpatient and MedApp. In total, one-off expenses and employee stock option expenses amounted to EUR 20.7 million (2021: EUR 31.4 million). The adjusted administrative cost ratio was 3.4 %, up 0.3 pp from 3.1 % a year earlier.

Other income decreased slightly by EUR 12 thousand to EUR 148 thousand and was mainly related to result from the disposal of sale of fixed assets.

With depreciation expenses of EUR 39.5 million (2021: EUR 27.0 million), EBIT was EUR – 69.2 million this year (2021: EUR – 65.7 million). The higher depreciation is largely related to investments in the new logistics facility in Sevenum, The Netherlands, the IFRS 16 lease accounting treatment and IT product development. Net finance costs increased by EUR 3.5 million from EUR 11.8 million to EUR 15.3 million.

The net loss amounted to EUR – 77.6 million after EUR – 74.2 million in 2021.

● REVENUES AND EARNINGS BY SEGMENT.

SHOP APOTHEKE EUROPE's business activities are divided into two segments. The DACH core segment posts the highest sales and essentially consists of sales of prescription drugs (in Germany), OTC pharmaceutical products, functional foods and mostly pharmacy-exclusive beauty and healthcare products in Germany, Austria and Switzerland. The second segment, International, is made up of sales of OTC pharmaceutical products, functional foods, beauty and healthcare products in our other European markets: Belgium, France, Italy and The Netherlands. Our entity MedApp pharmacy in The Netherlands also sells prescription drugs.

The statement below of results by segment shows a significant expansion in business volume in both segments. Consolidated adjusted EBITDA amounts to EUR – 8.0 million compared to an adjusted EBITDA of EUR – 5.3 million in 2021. Relative to sales, the adjusted EBITDA margin for the Group decreased from – 0.5 % in 2021 to – 0.7 % in the reporting period.

Segment information – non adjusted and adjusted 2022	DACH	International	Total
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	940,169	264,183	1,204,352
Cost of sales	-678,559	-194,007	-872,566
Adjusted cost of sales	-678,559	-194,007	-872,566
Gross profit	261,610	70,176	331,786
Adjusted gross profit	261,610	70,176	331,786
% of revenue	27.8%	26.6%	27.5%
Other income	116	32	148
Adjusted other income	116	32	148
Selling & Distribution	-219,437	-80,213	-299,650
Adjusted S&D	-218,923	-79,853	-298,776
Segment EBITDA	42,289	-10,005	32,284
Adjusted segment EBITDA	42,803	-9,645	33,158
Administrative expenses	-37,453	-24,493	-61,946
Adjusted AE	-24,997	-16,205	-41,202
EBITDA	4,836	-34,498	-29,662
Adjusted EBITDA	17,806	-25,850	-8,044
Depreciation	-23,888	-15,622	-39,510
Adjusted depreciation	-23,888	-15,622	-39,510
EBIT	-19,052	-50,120	-69,172
Adjusted EBIT	-6,082	-41,472	-47,554
Net finance cost and income tax			-8,474
Net loss			-77,646
Adjusted net loss			-56,028

Segment information – non adjusted and adjusted 2021	DACH	International	Total
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	847,171	213,150	1,060,321
Cost of sales	-638,702	-155,091	-793,793
Adjusted cost of sales	-638,487	-155,038	-793,525
Gross profit	208,469	58,059	266,528
Adjusted gross profit	208,684	58,112	266,796
% of revenue	24.6%	27.3%	25.2%
Other income	128	32	160
Adjusted other income	128	32	160
Selling & Distribution	-177,307	-64,075	-241,382
Adjusted S&D	-175,817	-63,746	-239,563
Segment EBITDA	31,290	-5,984	25,306
Adjusted segment EBITDA	32,995	-5,602	27,393
Administrative expenses	-47,977	-16,063	-64,040
Adjusted AE	-20,058	-12,621	-32,679
EBITDA	-16,687	-22,047	-38,734
Adjusted EBITDA	12,937	-18,223	-5,286
Depreciation	-16,550	-10,414	-26,964
Adjusted depreciation	-16,550	-10,414	-26,964
EBIT	-33,237	-32,461	-65,698
Adjusted EBIT	-3,613	-28,637	-32,250
Net finance cost and income tax			-8,487
Adjusted net finance cost and income tax			-8,487
Net loss			-74,185
Adjusted net loss			-40,737

DACH SEGMENT SALES ACCELERATED.

During the 2022 reporting period, DACH segment sales in the German, Austrian and the Swiss markets rose profitably at a rate of 11 % although Rx-sales were down by 9.4 %. With sales of EUR 940.2 million in financial year 2022, the DACH segment generated around 78 % of total consolidated sales. In 2021, DACH segment sales accounted for EUR 847.2 million or around 80 % of total consolidated sales.

Cost of sales went up from EUR 638.7 million in 2021 to EUR 678.6 million in 2022. The increase of 6.3 % was below the sales growth ratio. As a result, the segment's gross profit margin improved from 24.6 % to 27.8 %.

Adjusted selling and distribution (S&D) expenses as percentage of sales were up 2.5 pp year-over-year to 23.3 % in 2022. This includes an impact of 0.3 pp resulting from the GoPuls acquisition. The increase can also be attributed to higher marketing expenses and partly to the slowdown in consumer spending, which resulted in a lower average basket size.

Thus, adjusted EBITDA for the DACH segment rose from EUR 12.9 million to EUR 17.8 million, translating into an adjusted EBITDA margin of 1.9 %, after prior year's 1.5 %.

INTERNATIONAL SEGMENT REVENUE SIGNIFICANTLY HIGHER.

Revenue outside the DACH region, which is posted to the International segment, included sales in The Netherlands, Belgium, France and Italy. At 23.9 % they rose more strongly than total Group sales in the period under review from EUR 213.2 million to EUR 264.2 million. Thus, international sales accounted for around 22 % of 2022 consolidated sales versus 20 % in the year before.

Cost of sales in 2022 was EUR 194.0 million compared to EUR 155.1 million in 2021. This translates into gross profit of EUR 70.2 million compared to EUR 58.1 million in 2021. Thus, the gross margin was at 26.6 %, 0.6 pp lower than in the previous year at 27.2 %.

Due to a significantly higher proportion of orders from new clients and other effects, adjusted EBITDA for the International segment stood at EUR –25.9 million from EUR –18.2 million, translating into an adjusted EBITDA margin of –9.8 %, down 1.3 pp vs. the prior year's –8.5 %.

CASH FLOW.

in EUR million	2021	2022
Operating loss for the period	–65.7	–69.2
Net cash flow for/from operating activities	11.6	–29.1
Net cash flow for/from investing activities	–84.3	–138.0
Net cash flow for/from financing activities	229.6	–13.5
Cash and cash equivalents at the beginning of the period	90.5	247.4
Change in cash and cash equivalents	156.9	–180.6
Cash and cash equivalents at the end of the period	247.4	66.8

In the period under review, cash and cash equivalents decreased from EUR 247.4 million to a year-end figure of EUR 66.8 million. As a safeguard against the unfavourable interest rate environment, EUR 80.5 million was invested in short-term securities during the reporting period and are shown in other financial assets, which now amount to EUR 113.3 million of the total of other financial assets of EUR 117.6 million. Cash and cash equivalents at the end of 2022 including EUR 80.5 million which was on a short-term fixed deposit amounted to EUR 180 million.

Operational cash flow was EUR –29.1 million compared to EUR 11.6 million during financial year 2021. This development was substantially driven by inventory increases as well as a decreases of trade payables as of the reporting date.

EUR 138 million were used for investing activities in 2022 (previous year: EUR –84.3 million). EUR 80.5 million of the investing cash flow relate to investments in securities, shown in other financial assets (previous year: divestment of EUR 2.4 million). Previous year's investment activities included the acquisitions of smartpatient and MedApp. Net of cash acquired, the cash outflow for these investments amounted to EUR – 31.2 million against an outflow of EUR – 6 million this year for the acquisition of First A. EUR – 13.6 million (2021: EUR – 13.8 million) were investments in property, plant and equipment.

Cash flow from financing activities shows an outflow of EUR – 13.5 million vs. an inflow EUR 229.6 million last year. Last year's development was essentially driven by the issuance of new convertible bonds in January 2021 with a net cash inflow of EUR 222.2 million and a capital increase of EUR 12.2 million related to the employee stock option programme. Interest payments are related to payment service providers.

The working capital at 31 December 2022 was EUR 40.3 million.

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

ASSETS AND LIABILITIES.

As of the reporting date, the balance sheet total was EUR 729.5 million after EUR 783.1 million at the end of the 2021 financial year. Within the non-current assets, intangible assets rose by EUR 31.5 million, driven by EUR 57.6 million due to investments in software development and the acquisition of GoPuls/First A. Current assets decreased by EUR 88.9 million from EUR 432.8 million to EUR 343.9 million. Inventories were slightly up from EUR 96.6 million to EUR 99.7 million, largely due to the usual seasonality pattern. Cash and cash equivalents decreased from EUR 247.4 million to EUR 66.8 million. The main reason for this development is that EUR 81.2 million was invested in securities and are shown in other financial assets which as of 31 December 2022 total to EUR 117.6 million. Loans and borrowings within the non-current liabilities increased from EUR 230 million as per year end 2021 to EUR 247.7 million. Current liabilities amounted to EUR 119.4 million after EUR 124.1 million.

The equity capital ratio stood at 48 % as of the reporting date after 53 % last year.

FINANCIAL INSTRUMENTS.

Financial instruments details of the Group's objectives and policies on financial risk management and of the financial instruments currently in use are set out in note 25 to the consolidated financial statements which form part of the report.

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.

	2021	2022
Site visits	279,996,725	347,765,913
Mobile visits	198,769,379	251,718,600
KPI – mobile share	71 %	72 %
Number of orders	19,712,658	23,421,138
Repeat orders	82 %	83 %
Return rate	0.72 %	0.73 %
# Active customers	7,875,297	9,311,375
Average basket size	EUR 61.16	EUR 58.58

NUMBER OF SITE VISITS/NUMBER OF MOBILE SITE VISITS.

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

NUMBER OF ACTIVE CUSTOMERS.

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

NUMBER OF ORDERS.

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

AVERAGE GROSS BASKET SIZE.

In addition to the number of orders, there is a direct correlation between the average basket size and the development of consolidated revenue. The reduction of the average basket size is mainly related to the full-year consolidation of nu3, which has lower basket values and a higher proportion of OTC/BPC sales.

REPEAT ORDERS.

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

RETURN RATE.

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

RESEARCH AND DEVELOPMENT.

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

SHOP APOTHEKE EUROPE is a customer-centric e-pharmacy that offers technology-driven solutions for these changes. Most of our customer-facing systems are primarily initiated, refined and maintained internally. We use external partners to obtain specific expertise or increase our development capacity.

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

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

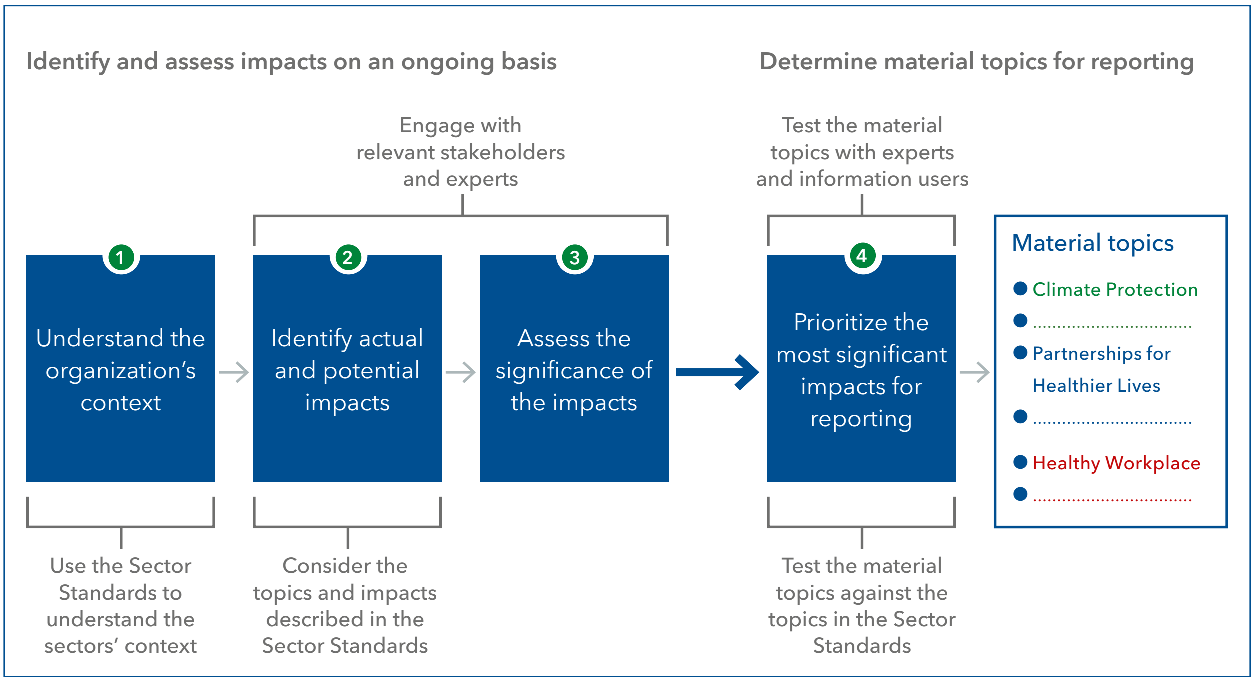
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT.

Sustainable Development is an integral part of SHOP APOTHEKE EUROPE's strategic positioning within the European online pharmacy market which aims to create shared value for the Company and its stakeholders simultaneously. Being deeply convinced that a healthy life is only possible on a healthy planet, SHOP APOTHEKE EUROPE focuses holistically on the topic of sustainability. The focus is on enabling and empowering every employee to work and manage sustainably – rather than building a separate sustainability function. Holistically integrating environmental, social and governance (ESG) aspects in SHOP APOTHEKE EUROPE's organisational structures and processes and its business model will ultimately create long-term value for all our stakeholders.

MATERIALITY & STAKEHOLDER ENGAGEMENT.[20]

Beyond the focus on the three prioritized stakeholder groups – employees, customers and shareholders –, we are committed to behaving responsibly and with integrity – including our interactions with suppliers, political parties and non-governmental organisations.

The process of determining SHOP APOTHEKE EUROPE's material topics is in line with the four steps outlined by the GRI standards: In 2020 the Company worked intensively on identifying the actual and potential, negative and positive impacts on the economy, environment, and people, including impact on their human rights, across its activities and business relationships in process including internal and external stakeholders.



[20] GRI 3-1, GRI 2-29

1. **Understanding the organisation's context:**
GRI recommends its sector standards to understand the organisation's context. Since there is no sector standard yet available for service related business models, the materiality definitions of Sustainalytics and MSCI ESG rating were considered. Understanding internal and external stakeholder expectations allows SHOP APOTHEKE EUROPE to efficiently use resources to work and report on exactly those topics which have underlying materiality with respect to the Company's business model. The focus on three main stakeholder groups – employees, customers and shareholders – is derived from SHOP APOTHEKE EUROPE's core strategy upon customer centricity and the Company's belief in its employees being a core competitive advantage, complemented by the Company's investors commencing a proactive dialogue on ESG.

2. **Identify actual and potential impacts:**
This step was realised via an extensive internal analysis and workshop series with all core departments of SHOP APOTHEKE EUROPE actual and potential impacts. Based on the United Nation's Sustainable Development Goals (SDGs), it was analysed for which of the 169 targets mentioned in the SDGs the Company could have a positive or negative impact. To make this analysis feasible and profound at the same time, the target-level approach was based on the scientific work of Van Zanten and Van Tulder published in "Multinational enterprises and the Sustainable Development Goals: An institutional approach to corporate engagement"*. Customers and investors were presented the long list of actual and potential impacts and had the opportunity to extend the list.

3. **Assess the significance of the impacts:**
This was analysed through internal stakeholders, again first on the basis of workshop sessions with functional departments followed by an assessment of the Board. Subsequently, the external stakeholder perspective on the significance of impacts was again provided by customers and investors via questionnaires.

4. **Prioritise the most significant impacts for reporting:**
In 2021, a materiality review took place, with the primary objective of improving the stakeholder understanding through a change of terminologies. Firstly, the wording for CO_2 emissions was changed to Climate Protection, Sustainable Packaging to Circular Packaging, Data Protection to Data Privacy and Security, Employee Health and Safety to Healthy Workplace. Secondly, it serves to better manage positive and negative impacts per material topic through increased granularity, there was an extension of the list of topics from nine to twelve. Health Services and Medical Supplies was separated into Partnerships for Healthier Lives, Digital Medication Management and Pharmaceutical Quality. Corporate Governance and Sustainable Products were added explicitly to the list to ensure a streamlined management process of material topics and to integrate these as separately managed topics. Development and Training and Education to Promote Sustainable Development was streamlined into Education and Development and separated from Equal Opportunities. The following twelve topics are the building blocks of SHOP APOTHEKE EUROPE's Sustainable Development Strategy "Because we care" clustered in the three pillars Planetary Care, Patient Care and Employee Care and addressing the prioritised SDG targets.

*Van Zanten, J.A., van Tulder, R. (2018): Multinational enterprises and the Sustainable Development Goals: An institutional approach to corporate engagement. In J Int Bus Policy 1, 208-233. Springer. DOI: 10.1057/S42214-018-0008-X.

List of the material topics[21]

PLANETARY CARE.	PATIENT CARE.	EMPLOYEE CARE.
CLIMATE PROTECTION.	PARTNERSHIPS FOR HEALTHIER LIVES.	HEALTHY WORKPLACE.
CIRCULAR PACKAGING.	DIGITAL MEDICATION MANAGEMENT.	EQUAL OPPORTUNITIES.
SUSTAINABLE PRODUCTS.	PHARMACEUTICAL QUALITY.	EDUCATION & DEVELOPMENT.
GREEN WORKPLACE.	DATA PRIVACY & SECURITY.	GOOD GOVERNANCE.

In the following, the management of each material topic is described separately per material topic, including a description of actual and potential, negative and positive impacts on the economy, and people, including impacts on their human rights and the Company's involvement in it as well as policies, commitments, actions taken or intended to be taken. Where not stated differently for single material topics, processes to track effectiveness, progress evaluation indicators and targets as well as, lessons learned and stakeholder insights are reviewed, incorporated and aligned to the Company's overall annual operating planning processes and its management review.[22]

Prioritised SDG Targets

3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
3.8	4.4 | 4.7	5.5	8.4 | 8.7 | 8.8	9.6	11.6	12.2 | 12.5	13.a	16.6

PLANETARY CARE.

Key achievements

- 89 % OF PACKAGING MATERIAL FROM RECYCLED INPUT
- 88 % REDUCTION OF SCOPE 1&2 EMISSIONS COMPARED TO 2020
- 87 % RENEWABLE ENERGY ACROSS ALL LOCATIONS
- THREE SUSTAINABLE ASSORTMENT ATTRIBUTES LIVE ONSITE
- 79 % OF WASTE GETS RECYCLED

[21] GRI 3-2
[22] GRI 3-3

A healthy life is possible only on a healthy planet. SHOP APOTHEKE EUROPE has identified negative impacts its business relationships have on the environment, which is mainly related to resource usage and emissions caused due to packaging and shipping of parcels as well as the production of products sold. Both are indirect impacts. Thus, the Company is focusing on collaborative approaches with partners and suppliers. In light of SHOP APOTHEKE EUROPE's growth rate, the Company wants to find ways to decouple environmental impacts from economic growth. Within Planetary Care SHOP APOTHEKE EUROPE reports within Climate Protection on GRI 305-Emissions based on the GHG protocol, within Circular Packaging and Sustainable Products on GRI 301-Material and within Green Workplace on GRI 302-Energy and 306-Waste.

CLIMATE PROTECTION.

SHOP APOTHEKE EUROPE has committed to a science-based NET ZERO 2040 target – in alignment to the Paris Agreement's 1.5° C, including Scope 1, 2 and 3 emissions. This objective requires not only detailed carbon accounting, but also a systematic and consequent steering of the emissions across all business activities and along the supply chain. SHOP APOTHEKE EUROPE therefore uses effective science-based tools available to keep on track to 1.5° C, no matter how dynamically its business evolves. The commitment entails the decarbonisation along the entire value chain.

SHOP APOTHEKE EUROPE's carbon management consists of three recurring steps: Measure, offset, reduce. SHOP APOTHEKE EUROPE reports entirely in accordance with the GHG-Protocol and GRI.

Measure.

In collaboration with the external carbon accounting service provider Cozero, SHOP APOTHEKE EUROPE calculated the Corporate Carbon Footprint (CCF)[23] of 2022. The consolidation approach for Scope 1, Scope 2 and Scope 3 emissions is operational control. The Company accounts for all entities with operational control. SHOP APOTHEKE EUROPE's organisational boundary is therefore everything the Company has operational control over.

In addition to CO_2, the greenhouse gases included are the six other gases regulated in the Kyoto Protocol: Methane (CH_4) nitrous oxide (N_2O), sulphur hexafluoride (SF_6), hydrofluorocarbons (HFCs and HFCs) and nitrogen trifluoride (NF_3). These are converted into the greenhouse potential of CO_2 and thus form CO_2 equivalents (CO_2e), here simply referred to as CO_2. Emission factors and global warming potential (GWP) rates are provided by Cozero and taken from the following international databases: Defra, Ökobaudat, EPA, EEA, UBA, Eaternity, GHG Protocol, Carbon Transparency, ADEME and UNFCCC. Where possible, the databases use GWP of the 100-year assessment from the IPCC. SHOP APOTHEKE EUROPE does not emit any biogenic emissions.

2020 is defined as the baseline year for reporting Scope 1, Scope 2 and Scope 3 emissions since this is the year starting with detailed emission accounting. In 2022 the Company switched to the CO_2 accounting platform Cozero. Since Cozero uses different emission factors than those that have been used by another external carbon accounting service provider in 2020 and 2021, this would compromise the consistency and relevance of emissions data in 2022. Therefore, SHOP APOTHEKE EUROPE performed a recalculation of the emissions for 2020 and 2021 to gain comparable results. Emissions from all acquired companies were added until the base year according to the GHG protocol. A significant error in the gas consumption of one location has been identified, resulting in a significant decrease of Scope 1 emissions in 2020 and 2021 as well as GRI 302-1 on energy. Additionally, IT emissions had been added retrospectively accounting for an increase in Scope 3 emissions.

[23] The CCF does not include upstream emissions of products sold by the company, this is defined as the product carbon footprints (PCFs) of sold products below.

Scope 3 emission calculations include the following GHG protocol categories including all facilities:

Business travel	**Employee commuting** (including home-office and contingent workers)	**Logistics of sold products** (outbound logistics, including print-marketing logistics)	**Operational waste**	**Operational water management** (water supply and water discharge)
Production goods and materials (including only packaging material and copy paper)	**Purchased electricity** (only those that are Scope 3 emissions)	**Purchased heat, steam, cooling** (only those that are Scope 3 emissions)	**Purchased logistics** (inbound logistics)	**Purchased services** (IT operations and infrastructures, call centre emissions, print-marketing)

Table 1 shows the GHG emissions for 2020, 2021 and 2022 divided into Scope 1, Scope 2 (location-based and market-based) and Scope 3. After switching to 100% renewable energy in Sevenum and Milan the gap between location- and market-based Scope 2 emissions is very large.

From 2020 to 2021 the Company grew strongly and acquired two more entities that allowed the entire business to expand. Especially emissions from downstream emissions and packaging material increased between 2020 and 2021. Due to moving the headquarters in Sevenum to a larger logistics centre, double site emissions have occurred in the facility sector in 2021. In 2022, the Company managed to switch both logistics locations to 100% renewable energy, drastically reducing Scope 1 and 2 emissions. Additionally, packaging material was switched to more sustainable materials lowering the Company's Scope 3 emissions. An increase of Scope 3 emissions is due to business growth.

This way, SHOP APOTHEKE EUROPE managed to keep its total emissions almost stable from 2021 to 2022 while increasing the order rate and therefore reducing the emission intensity strongly.

Table 1: GHG emissions in 2020, 2021, 2022 presented per Scope[24]

Scope	unit	2022	2021	2020
Scope 1	t CO_2	87.91	232.62	350.28
Scope 2 location-based	t CO_2	2,273.57	2,411.99	1,475.56
Scope 2 market-based	t CO_2	141.07	2,401.71	1,465.28
Scope 3	t CO_2	26,678.86	22,694.26	14,050.41
Total	t CO_2	26,907.84	25,328.59	15,865.96

Location-based Scope 2 emissions are theoretical emissions based on the local electricity grid mix within an area, not taking into account contract for renewable electricity. Only market-based Scope 2 emissions are included in the total emissions.

To steer a decoupling of emissions from its economic growth SHOP APOTHEKE EUROPE considers emissions on per order basis (Table 2). Therefore, all emissions (Scope 1, Scope 2 and Scope 3) from all GHGs shown in Table 1 have been included.

[24] GRI 305-1, GRI 305-2, GRI 305-3

Table 2: GHG Emission intensity per order for 2020, 2021, 2022[25]

Scope	Unit	2022	2021	2020
Scope 1	t CO_2	0.004	0.012	0.021
Scope 2	t CO_2	0.006	0.126	0.091
Scope 3	t CO_2	1.152	1.191	0.876
Total	t CO_2	1.162	1.330	0.989

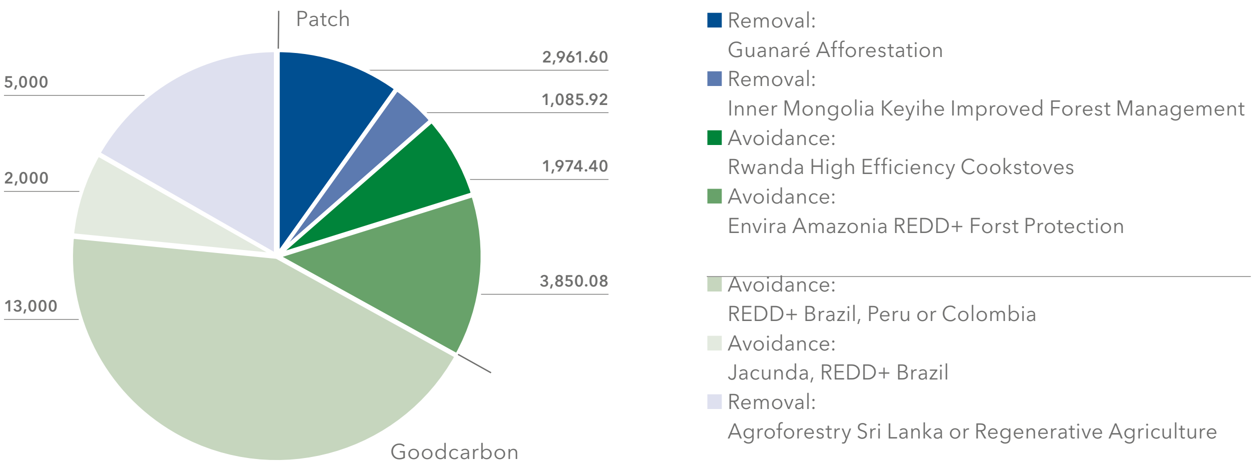
Additionally, in 2021 SHOP APOTHEKE EUROPE started to investigate its carbon emissions in the upstream supply chain, which in the following is referred to as Product Carbon Footprint (PCF) of sold products. So far the main focus has been the PCF of own brands including nu3, RedCare, Skintist and BEAVITA which have been measured in collaboration with the partner Cozero based upon the GHG Protocol, including production materials, packaging materials, logistics, use and end of life of products. This impact assessment of SHOP APOTHEKE EUROPE's own brand's global warming potential is a decisive first step building the foundation to improve the environmental performance of the product portfolio, linking the material topic of Climate Protection to the material topic of Sustainable Products. The PCF of SHOP APOTHEKE EUROPE's own brands was **3,316.93 t CO_2** in **2021** and **3,932.43 t CO_2** in 2022.

In 2022, the Company started a pilot project with one of its largest suppliers calculating the PCF along the whole life cycle of the Stock Keeping Units (SKUs) of one product. This pilot enables the Company to take the first concrete steps towards a comprehensive automated PFC calculation. SHOP APOTHEKE EUROPE is planning to further expand this project in 2023. On the one hand, a better data validity of upstream emissions enables steering the 1.5° path to NET ZERO until 2040 in collaboration with SHOP APOTHEKE EUROPE's suppliers. On the other hand, it aims for more transparency for consumers on the actual carbon footprints of the products they purchase.

Offset.

SHOP APOTHEKE EUROPE completely offsets the emissions of its Corporate Carbon Footprint (CCF)[26]. The offsetting costs are allocated internally to those cost centres responsible for causing the emissions; internalising environmental costs and having a price per ton emitted is incentivising more ambitious CO_2 reduction.

Carbon Offsetting Projects in t CO_2e



[25] GRI 305-4. Intensities have been calculated excluding nu3 amazon orders.
[26] The CCF does not include upstream emissions of products sold by the company. This is defined as the Product Carbon Footprint (PCF)s of sold products.

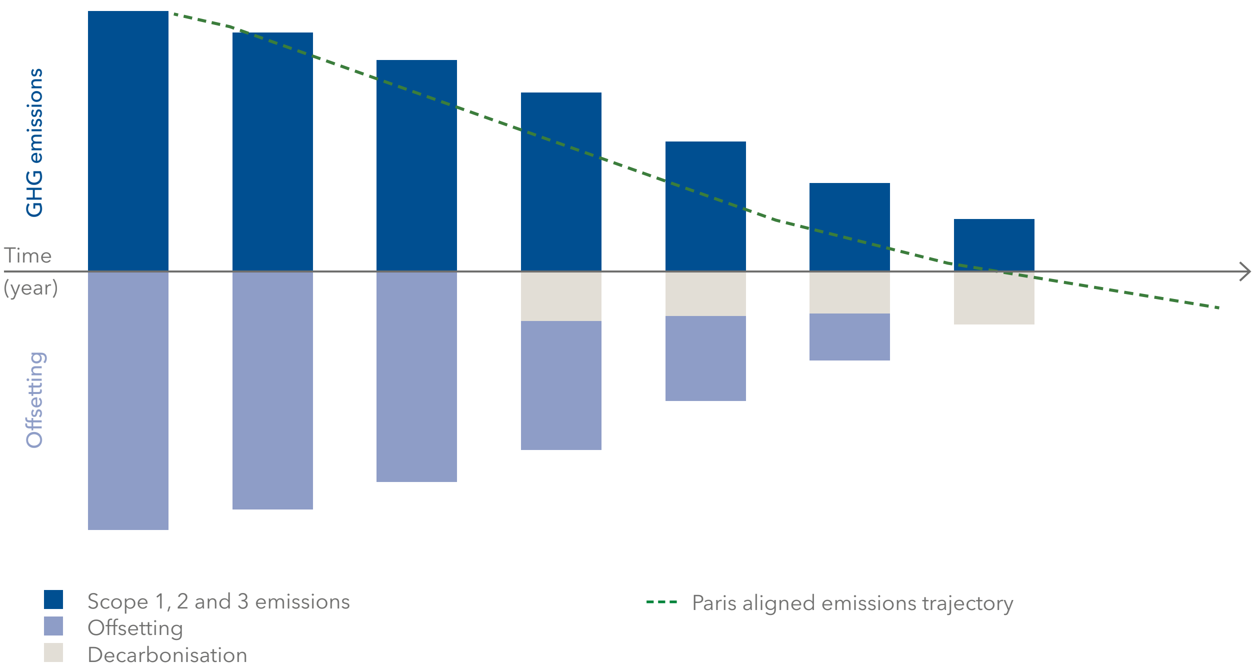
SHOP APOTHEKE EUROPE offset its carbon emissions by 67 % at Goodcarbon and 33 % at patch. 30.3 % of the emissions were offset via carbon removal credits. These project contain afforestation in inner Mongolia and, improved forest management projects in Uruguay provided by patch. These ensure continued sequestration of carbon dioxide from the atmosphere while ensuring sustainable forest management that supports the sustainable development of local economies. 5,000 t were offset via a project for agroforestry in Sri Lanka or for regenerative agriculture provided by Goodcarbon aiming for a diverse landscape that stores carbon and reduce illegally harvested timber products. 70 % of the Company's carbon emissions were offset through avoidance projects. High efficiency cookstoves in Rwanda reduce particulate matter and carbon monoxide which helps avoid respiratory diseases, headaches and eye infections and thus are additionally positively impacting people's health and contributing to SDG 3, Good Health and Well-Being Envira Amazonia REDD+ helps to protect Brazilian forests to reduce carbon emissions, improve the local water quality and prevent erosion. Two REDD+ projects in Brazil, Peru or Colombia were selected at Goodcarbon to protect forest areas from deforestation and degradation and include local communities. The Company is aware of the difficulties and latest discussions on offsetting projects. For this reason, SHOP APOTHEKE EUROPE very carefully selected its offsetting projects and ensured that none of these projects are affected by large overestimations.

Reduce.

The Company's midterm reduction target to reduce Scope 1 and 2 emissions (market-based) by 80 % until 2025 was already reached in 2022, three years in advance. In 2022, the Company managed to emit only 12.61 % of the Scope 1 and 2 emissions emitted in 2020.

In 2021, the Company developed science-based reduction pathways aligned to the Paris Climate Agreement. This was done in collaboration with right. based on science GmbH (right.), the developer of the X-Degree Compatibility (XDC) model calculating the impact of SHOP APOTHEKE EUROPE on global warming, thus its temperature alignment. The model calculation is based on the Company's gross value added (GVA) and its earnings before interest, taxes, depreciation and amortization (EBITDA) as economic dimensions. It calculates an emission budget per year that the Company is allowed to emit given its share of the global economy. This budget is in line with a global temperature rise of a maximum of 1.5° C and declines over the years to net zero emissions in 2040. If the Company's emissions are consistent with its budget, 1.5° C compliance is guaranteed and the net zero reduction path is on track. SHOP APOTHEKE EUROPE monitors its emissions and emission budget on a quarterly basis to assure that they remain within the Company's budget. The science-based reduction targets include Scope 1, 2 and Scope 3 emissions, including PCF emissions of products sold. An example reduction path is shown below.

NET ZERO Roadmap



CIRCULAR PACKAGING.

In 2022, SHOP APOTHEKE EUROPE made significant progress in reducing the negative environmental impact of packaging used for shipping. The Company's Circular Packaging Strategy aims to close the loop, while ensuring safety and quality of the products shipped through three inherent building blocks: Reduce, reuse and recycle. The Company set the target to reach a share of recycled materials of 90 % in 2023. The materials which cannot yet be reduced need to be gradually changed towards components from circular materials. The development throughout the past years is shown in Table 3. Throughout 2022 the Company switched to boxes made from 100 % recycled materials and partly recycled plastics reaching a total recycled share of 89 % for packaging materials in 2022.

Table 3: Materials used for packaging and their recycling share in 2021 and 2022 at the logistic locations Sevenum and Milan[27]

Packaging component	Material	Total weight (kg)		Recycled share (%)	
		2022	2021	2022	2021
Boxes	Cardboard	3,063,751	2,558,411	93.34 %	0.42 %
Filling materials, labels, tapes	Synthetic materials	212,548	206,617	21.94 %	3.44 %
Total		3,276,299	2,765,028	88.71 %	0.65 %
Per order[28]		0.141	0.145		

All data are sourced from packaging materials procured from external suppliers within the defined time period and reported from direct measurements.

SUSTAINABLE PRODUCTS.

Customers purchasing decisions are an important lever for Sustainable Development. SHOP APOTHEKE EUROPE developed and launched its Sustainable Assortment strategy aiming to offer the customers more sustainable choices by increasing the portfolio of sustainable products as well as transparency on sustainability attributes. In 2022 the first three sustainability categories were revised and launched in the webshop for organic, vegan and certified natural cosmetic products. In 2023 more attributes will go live accompanied by educational marketing campaigns to increase the share of sustainable products sold.

Another aspect is the ambitious management of product return rates, directly affecting impacts on the climate and resource usage. In order to create a comparable database of the last years, a recalculation of the return rate was performed for 2020 and 2021 aligning the calculation methods with the financial methodology. SHOP APOTHEKE EUROPE has been able to keep the return rate stable over the past years (Table 4, 5). The low return rate of 0.72 % indicates that the environmental impact of returns is kept to a minimum. The packaging material for the returned products is calculated as the percentage of returns applied to the packaging material.[29]

Table 4: Return rates 2020, 2021, 2022[30]

	2022	2021	2020
Return rate	0.72 %	0.73 %	0.70 %

Table 5: Packaging of returned products 2022

Packaging component	Material	2022 (kg)	2021 (kg)
Boxes	Cardboard	22,063	18,676
Filling materials, labels, tapes	Synthetic materials	1,575	1,508
Total material used to package returns		23,638	20,184

[27] GRI 301-1, GRI 301-2
[28] Intensities have been calculated excluding nu3 amazon orders.
[29] GRI 301-3
[30] The return rate has been calculated excluding nu3 amazon orders.

GREEN WORKPLACE.

Energy.

A pivotal step forward regarding decreasing energy consumption was VENLO 2020 – the construction of a new building aligned with highest environmental standards outlined by BREAAM – the Company received a Very good certification for the office building. A heat pump and photovoltaic installations ensure energy supply without fossil fuels. By running the SHOP APOTHEKE EUROPE headquarters in Sevenum and the new warehouse in Milan on 100 % renewable energy, the Company already reached a share of 87.20 % renewable energy across all locations in 2022 and managed to halve its gas consumption in 2022 compared to 2021. With regard to this, a recalculation was performed for 2020 and 2021 to extend the reporting of energy consumption only from Sevenum headquarters to all international location facilities[31]. In 2021, the Company had set the target to run on 100 % renewable electricity by the end of 2023. In 2022, it has already reached a share of 94.54 %.

Table 6: Energy consumption within the organisation in 2020, 2021, 2022 at all location facilities

		Unit	2022	2021	2020
Electricity	Grid mix	kWh	313,252	7,279,046	
	Fossil-fuel	kWh	70,162		
	Renewable	kWh	6,634,513	33,066	33,066
	Total	kWh	7,017,927	7,312,112	4,291,168
	Share of renewable		94.54 %	0.45 %	0.77 %
Heating	Gas, district	kWh	590,125	1,219,385.71	767,532
Fuel (diesel)		l	0	6,618	64,909
Energie (electricity + heating)	Total	kWh	7,608,052	8,531,498	5,091,766
Renewable energy	Total	kWh	6,634,513	33,066	33,066
Share of renewable energy consumption		%	87.20 %	0.39 %	0.65 %

Relating the total energy consumption to the economic growth, the energy intensity inside the organisation shows the energy consumption per order. In 2022, a reduction of 26.67 % was achieved compared to the previous year[32].

Table 7: Energy reduction inside the organisation as energy consumption per order for 2020, 2021, 2022 All types of energy are included[33]

	Unit	2022	2021	2020
Energy intensity per order	kWh	0.33	0.45	0.32

[31] GRI 302-1
[32] GRI 302-3
[33] Intensities have been calculated excluding nu3 amazon orders.

Waste.

While it is a significant step to rethink the Company's procurement of resources needed to operate, including energy or materials, it is similarly important to ensure sustainable waste management and thus continuously improve circularity of resources. The Company's target for 2023 is to keep the amount of waste per order below 65 g and to increase the recycling share of waste to 90 %.

Waste data include waste generated in own operations at the headquarters in Sevenum for 2020 and 2021 and additionally in all location facilities since 2022 (Table 8). The Company reduced its residual waste in Sevenum and increased the amount of waste separated for recycling. Even though waste generated at all sites was included for the first time in 2022, the total amount of waste increased only slightly between 2021 and 2022 and the recycling share move up to more than 79 %[34].

Table 8: Waste generated within all locations classified by a) hazardous and b) non-hazardous waste for 2022 and for the headquarters in Sevenum for 2020, 2021, 2022

a) Hazardous waste	Unit	2022		2021	2020
		Total	Sevenum	Sevenum	Sevenum
Medical	t	11.77	11.06	8.23	6.58

b) Non-hazardous waste	Unit	2022		2021	2020
		Total	Sevenum	Sevenum	Sevenum
Residual	t	289.27	195.92	336.32	164.51
Wood/bio	t	16.92	15.98	136.18	81.78
Metal	t	8.23	6.88	1.52	5.90
Foil/plastics	t	16.78	16.14	9.40	
Paper	t	1,110.95	1,080.69	934.28	801.58
Total	t	**1,438.98**	**1,315.61**	1,417.70	1,053.77
Per order[35]	kg	0.062	0.057	0.074	0.065
Recycling	t	1,150.59	1,119.69	953,682	0
Recycling share	%	79.31 %	84.40 %	66 %	0 %

Waste-related impacts can be classified in two categories: Hazardous and non-hazardous waste. Hazardous waste as in medical waste is non-recyclable. The treatment of hazardous waste crucially impacts both human and environment when inadequately treated or disposed. Management of certified waste disposals ensures an adequate treatment of hazardous waste. When medical waste gets disposed in the sewage system by the Company's patients, the municipal wastewater treatment plants cannot filter these substances which enables them to enter the water cycle, as well as the soil via sewage sludge from the wastewater treatment plants*. Effects consider water, air or soil exposure**.

[34] GRI 306-3
[35] Intensities have been calculated excluding nu3 amazon orders.

* Umweltbundesamt (2022): Arzneimittelrückstände in der Umwelt. Online at: https://www.umweltbundesamt.de/daten/chemikalien/arzneimittelrueckstaende-in-der-umwelt#zahl-der-wirkstoffe-in-human-und-tierarzneimitteln (28.01.2022).
** Zhang, Z., Malik, M.Z., Khan, A., Ali, N., Malik, S., Bilal, M. (2022): Environmental impacts of hazardous waste and management strategies to reconcile circular economy and eco-sustainability. In Science of The Total Environment. Volume 807, Part 2, 150856. DOI: 10.1016/j.scitotenv.2021.150856.

The majority of the waste created onsite, e.g. paper and plastics, is non-hazardous but may still have effects on ecosystems and human health. Poor waste management contributes to climate change and pollution across multiple sectors. Plastics frequently contain additives that often extend their life to at least 400 years to break down* with consequences for humans, marine organisms, soils and groundwater[36].

Whenever waste gets produced there is a certain risk for the environment and human health but certified waste management companies ensure management of waste according to contractual and legislative obligations. In Sevenum, accounting for > 90 % of the total waste, the external waste management provider is certified in line with ISO 9001:2015 and ISO 14001:2015. Working with certified waste management companies keeps the waste-related impacts to a minimum[37].

PATIENT CARE.

Key achievements

NPS OF 72

+45 % ADHERENCE INCREASE FOR MYTHERAPY USERS

9.3 MILLION OF ACTIVE CUSTOMERS

17 LOCAL PARTNER PHARMACIES IN GERMANY AND AUSTRIA FOR NOW! DELIVERY

+ 2 MILLION USERS OF SHOP APOTHEKE EUROPE'S DIGITAL MEDICATION MANAGEMENT SERVICES

Enabling everyone to live the healthiest life possible. The Company's mission shows how SHOP APOTHEKE EUROPE creates positive societal value through its core business facilitating affordable and safe access to medication and health services. This makes PATIENT CARE the most crucial part of SHOP APOTHEKE EUROPE's Sustainable Development strategy. 100 % of revenue generated comes from services which contribute to SDG target 3.8, defined as "achieving access to quality essential healthcare services and access to safe, effective, qualitative and affordable essential medicines and vaccines for all". The significant responsibility in ensuring societal health became even more tangible during the Covid-19 developments prioritising the consistent supply of medication.

PARTNERSHIPS FOR HEALTHIER LIVES.

In 2022, SHOP APOTHEKE EUROPE strengthened its e-pharmacy platform by extending the number of local partner pharmacies in Germany and Austria. For patients' access to medication, the pharmacies promise to fulfil a same and next day delivery is key. With regard to this, SHOP APOTHEKE EUROPE has strategic partnerships with carefully selected local pharmacies. In total 17 pharmacies have been onboarded in NOW! delivery in the past years in Germany and Austria. For offering online doctor services, SHOP APOTHEKE EUROPE has partnered up with Zava, Dermanostic und Doktorabc.

[36] GRI 306-1
[37] GRI 306-2

*Parker, L. (2019): The world's plastic pollution crisis explained. Much of the planet is swimming in discarded plastic, which is harming animal and possibly human health. Can it be cleaned up?. In National Geographic. Online at: https://www.nationalgeographic.com/environment/article/plastic-pollution (26.07.2022).

Furthermore, SHOP APOTHEKE EUROPE collaborated with the non-profit organisations below, extending the reach of the Company's social impact to go beyond its customers. The organisations below are carefully selected to ensure high transparency, independence of religious institutions and impact effectiveness.

Table 9: Donations to non-profit organisations

Non-profit organisation	Description of donation	Total value transferred in 2022 in EUR
Herzenswünsche e. V.	Amount per submitted prescription handed in a DACH market	92,713
CARE Deutschland e. V. & CARE Österreich	Amount per RedCare product sold in a DACH market	19,929
Total		112,642

DIGITAL MEDICATION MANAGEMENT.

Through its medication management services SHOP APOTHEKE EUROPE improves the lives of people taking medications beyond the Company's excellent provision of access to medication. Medication management places a particular focus on people taking prescription medications. Additionally, designated, disease-specific offerings provide expert support for people living with chronic diseases. In total eight smart THERAPIE PLUS programs e.g. for multiple sclerosis, asthma, rheumatism, diabetes, psoriasis and HIV offer people experience and sound knowledge the Company's pharmaceutical experts have gathered for more than twelve years about living with these diseases.

Scalable digital services such as the MyTherapy App and MedApp support people 24/7 in administering their medications safely and adherently and having informed conversations with their healthcare providers. Every year more than two million people use the Company's medication management services globally. Scientific evidence shows that medication adherence increases by more than 45 % for users of the MyTherapy App. Many of these patients engage with the application several times a day. This creates the opportunity for SHOP APOTHEKE EUROPE to improve the lives of patients and establish the Company as a leading provider of high-quality pharmaceutical remote care. The medication management roadmap foresees a further expansion of digital services to maintain and further build out SHOP APOTHEKE EUROPE as the leading e-pharmacy platform in Europe.

PHARMACEUTICAL QUALITY.

As a pharmacy, SHOP APOTHEKE EUROPE is committed to the highest safety and quality standards. Customer safety and quality of care are considered the top priorities within the organisation. SHOP APOTHEKE EUROPE guarantees the safety and quality of products and services by continual compliance with international and national regulations and standards. These standards include primarily the Good Distribution Practices (GDP) for the safe distribution of human and veterinary medicines, the certified audit of ISO 9001:2015 for an optimal quality management system, regulation on organic products for the safe storage and selling of organic products, and the Royal Dutch Pharmacists Association (KNMP) guidelines for reliable and safe pharmaceutical care.

A dedicated Quality department is responsible for the provision of continuous insight and steering information on all quality and safety aspects which lead to the identification of risks and opportunities for continuous quality improvement. As a pharmacy, SHOP APOTHEKE EUROPE provides a yearly overview of important quality and safety indicators to the KNMP. By digitalising these indicators, the Company has continuous information on the quality and safety level of the pharmaceutical services which is used to continuously improve the care provided by the pharmacy.

Beyond that, additional risk-based internal audits are conducted throughout the organisation to determine the extent to which the products and services meet internal and external guidelines, protocols and/or standards. Based on the audits and deficiencies, opportunities for improvement can be identified and the measures required to maintain and/or improve the required safety and quality become visible and tangible.

Product safety & recall management.

The safety of the entire assortment offered to the customers is guaranteed by the Pharma Compliance department by the assessment of 100 % of products in line with strict quality standards and compliance to external guidelines and regulations[38]. For each country separately, assessments are performed on the authorisation to sell products on the basis of national guidelines considering several checkpoints such as dosage, language and label/product information.

All products are assessed based on product information, country-specific legislation, the safe usage and its reliability. This results in the customers being extensively informed about the use of medication and new prescriptions in forms of general product information, first user letters and package inserts.

All medication orders for customers are double-checked and assessed on possible interactions between medications. The organisation´s system is professionalised by an automatic warning system that identifies interactions between products, products with possible problematic effects for specific customers or that have a low therapeutic range. In case of interactions, contra-indications or ambiguities about e.g. dosage, the customer or prescribing doctor will always be contacted by qualified pharmaceutical technicians.

Furthermore, SHOP APOTHEKE EUROPE complies with the Falsified Medicine Directive (FMD); each medicinal product needs to be verified and decommissioned in a European database. All products that are applicable to this directive are both verified and decommissioned in the system. Based on alerts from the database, actions are taken to assure safe distribution of medicinal products towards the customers.

When being informed about a possible defect or quality issue with one of the products, the product is recalled and taken out of sellable stock. In order to guarantee the safety of the products, recalls are handled with the highest priority and are managed and controlled adequately. In case of a recall, the stock is immediately checked, customers get contacted and authorities and suppliers are informed. Furthermore, adverse effects and unforeseen side effects of products that are reported by customers are carefully checked, handled and directly communicated to manufacturers and appropriate authorities.

Risk management & error management.

Within SHOP APOTHEKE EUROPE, risks for the quality and customer safety domain are identified and discussed at an early stage. A main structural process element is the Enterprise Risk Management (ERM) where risks to customer safety and product quality are identified, managed, controlled and/or minimised in a structured way in order to reduce possible negative effects and ensure the delivery of safe, high-quality products and services. More information can be found in the dedicated chapter on risks and opportunities within this report.

Within the organisation, the identification and handling of errors has been further developed and professionalised. The established Error Management aims to continuously improve processes, enhance customer safety and ensure quality of services through identifying and investigating failures and weaknesses. Based on the analysis, appropriate corrective and preventive actions are taken to reduce and prevent recurrence and bring the keep and always increase quality and safety.

[38] GRI 416-1

DATA PRIVACY AND SECURITY.

The General Data Protection Regulation (EU) applies to all business lines and entities. However, being an e-pharmacy, SHOP APOTHEKE EUROPE sees a special responsibility to ensure outstanding data privacy and security going beyond legal requirements. Detailed information regarding the Company's comprehensive data privacy and security policies, processes and commitments can be found in SHOP APOTHEKE EUROPE's Information Security Practices published on the Company's corporate website. The Company's practices were audited again in 2022 in an ISO 27001 surveillance audit and were validated again without conditions, ensuring confidentiality, integrity and availability of information the Company handles. The ISO certification entails SHOP APOTHEKE EUROPE's risk assessment and risk mitigation practices and security controls. The target for 2025 is to additionally become ISO 27701 certified. In 2022, the Company received one substantiated complaint concerning breaches of customer privacy from an outside party and no complaints from regulatory bodies. There were zero cases of identified leaks, thefts or losses of customer data [39].

In his function as Chief Information Officer, Marc Fischer, is responsible for information security strategy and implementation; thus Board-level oversight is secured. This function also leads the Board-level committee responsible for Privacy and Data Security, which further consists of the Company's Information Security Officer and its Legal Counsel.

Each employee receives training on data protection and security, privacy and cybersecurity at a minimum on an annual basis. SHOP APOTHEKE EUROPE has concluded data protection agreements/addendums with its service providers in order to ensure that the same level of confidentiality and data security is implemented by its subcontractors. SHOP APOTHEKE EUROPE has the right to perform audits in order to monitor the compliance of its subcontractors with the agreed technical and organisational measures regarding data confidentiality and security. A service provider management system has been implemented.

EMPLOYEE CARE.

Key achievements

2,166 EMPLOYEES

LAUNCH OF SERVANT LEADERSHIP MODEL AND PROGRAM

270° FEEDBACK ROLLED OUT FOR TOP MANAGEMENT

The third pillar of the BECAUSE WE CARE strategy enhances again the SOCIAL dimension of the Company's ESG approach, focusing solely on its employees with the main aim of caring about its employees' lives as it does about patients and customers.

[39] GRI 418-1

As per 31 December 2022, SHOP APOTHEKE EUROPE employed 1,847 FTEs, comprised as follows compared to 31 December of the previous years[40]:

		2022	% of total	2021	% of total	2020	% of total
By gender	Number of employees (male)	903	41.7 %	1,057	57.9 %	563	40.8 %
	Number of employees (female)	1,261	58.2 %	769	42.1 %	816	59.2 %
	Number of employees (other)	2	0.1 %	0	0 %	0	0 %
By age group	Under 30 years	586	27.1 %	593	33 %	410	30 %
	30-50 years	1,198	55.3 %	894	49 %	712	52 %
	Over 50 years	382	17.6 %	339	18 %	257	18 %
By employment type	Full-time employees	1,638	75.6 %	1,341	73.4 %	1,043	75.6 %
	Part-time employees	528	24.4 %	485	26.6 %	336	24.4 %
By region	Netherlands	1,433	66.2 %	1,316	72.1 %	1,014	73.5 %
	Germany	589	27.2 %	430	23.5 %	303	22.0 %
	Belgium	70	3.2 %	65	3.6 %	55	4.0 %
	Italy	63	2.9 %	10	0.5 %	3	0.2 %
	Other international locations	11	0.5 %	5	0.3 %	4	0.3 %

These disclosures do not include contingent workers, freelancers or voluntary workers but do include permanent and temporary employees.

HEALTHY WORKPLACE.[41]

SHOP APOTHEKE EUROPE puts a special emphasis on occupational health and safety (OHS) as the pharmaceutical core of the Company needs to be reflected in the responsibility for the employees. The following disclosures deal with the management approach for health and safety of employees working at the Company's logistics locations in Sevenum and Milan, covering 63.51 %[42] of employees. In Sevenum 162 FTEs (7.50 % of the total) are not employees, but whose work is controlled by the organisation and covered by the OHS system that is internally audited[43]. In general, the topic of employee health and safety is managed on a cross-departmental basis in Human Resources and Facility Management which is reviewed by the management on a quarterly basis. A key element of SHOP APOTHEKE EUROPE's OHS management is the dedicated position of a Health Manager ensuring continuous development. Within the Change and Deviation Management policy, all employees from all operational locations are encouraged to communicate and report every deviation from approved processes, procedures, instructions or established standards with the team lead or within their daily meetings. They are also encouraged to come up with ideas on how an occurring issue can be prevented or resolved. Everyone is free to give his feedback on processes, procedures or work instructions in order to minimise the re-recurrence of deviations in the future. Additionally, exit interviews of leaving employees reveal discrepancies and room for improvement. In this way, the Company's standard operating procedures (SOP) are in place at the headquarters in Sevenum and Milan[44]. All guidelines on driving licenses and transport within logistics as well as regulations for first aid, fire prevention and handling of dangerous goods are complied with at both operational locations.

[40] GRI 2-7
[41] GRI 403
[42] FTEs including contingent workers.
[43] GRI 403-8
[44] GRI 403-2, GRI 403-4, GRI 403-5

Sevenum specifics.

SHOP APOTHEKE EUROPE implements an OHS management system in accordance with the Dutch legal requirements (Dutch Working Conditions Act, Arbowet) for the Sevenum location. As a requirement of the Arbowet, all staff, visitors, trainees and other external parties who are in Sevenum, are under the responsibility of SHOP APOTHEKE EUROPE. In addition, there are two 'Arbo Catalogues' where the employer and employees describe initiatives, measures and show how regulations in the Company-specific case are implemented. The "Inspectorate SZW"audits the Arbo Catalogue. An integral part is the Risk Inventory and Evaluation (RI&E) according the Fine & Kinney method that is regularly updated in order to identify risks based upon legal workplace safety regulations. According to the RI&E, all risks are given a score that either does or does not require action for prevention to be taken. If action is needed, a responsible person is appointed to the action and given a deadline for a solution. A safety and facility audit is conducted every month under the coordination of the quality management team and the EHS officer[45]. Since 2021, a Works Council in Sevenum is committed to the well-being and health of the employees and provides the option of communicating difficulties at work and protects workers from reprisals. In Sevenum an action tracker ensures transparent and profound management of identified risks. Incidents are registered via a standard form for deviation management and monitored via an overview by the departments where the incident occurred, supported by the Quality department. If first aid has been provided by the first aid team, a logbook reports small incidents and an incident registration logbook reports bigger incidents. Fleet crashes are reported via a fleet management system to the supplier. On a weekly basis a warehouse-check is performed by the Logistics department and controlled by the Quality department to ensure that safety standards are maintained and to keep work-related risks to a minimum. As an integral part of the GDP requirements, every employee at the operational locations receives quality, safety and security training. Furthermore, each employee can report risks and hazards via a ticket system that helps prevent risks and hazards and at the same time documents worker's needs. In case of dangerous situations, every employee can remove himself from the situations and communicate the risk to their team lead. In case of a near miss, a Near Miss report must be filled out and sent to the Quality department and Facility Management. A Health and Safety Task Group has been established and its work will be further intensified in 2023. Regular meetings between the facility manager, the EHS officer and the Works Counsel are used to analyse the safety situation and improve the safety of workers[46].

Milan specifics.

The OHS system in Milan is managed according to the Italian laws D.Lgs 81/2008 and D.M. 01/09/2021 ensuring adequate employee training, first aid, fire prevention and licenses as well as risk assessments, emergency plans and documentation of external companies and the usage of machines. In Milan the risk assessment and prevention are performed by an approved external consultancy in the position of the health and safety management together with the facility manager. Each risk is classified by its severity and probability. For all risks, a mandatory improvement plan is in place and is reviewed on a yearly basis. In Milan it is mandatory for employees to nominate a safety representative who is involved in all safety decisions and risk assessments[47].

Both locations.

Employees are offered regular consultation hours and additional voluntary appointments at a medical officer. This offer is made available inhouse under strict compliance and data protection rules for the employees. For employees working in the logistics warehouse, SHOP APOTHEKE EUROPE provides a physiotherapist advising the employees on how to work ergonomically in the warehouse and prevent injuries. In Sevenum a gym is provided to all employees at no charge. Additionally, SHOP APOTHEKE EUROPE supports stop-smoking-actions[48].

[45] GRI 403-1, GRI 403-2, GRI 403-3
[46] GRI 403-2, GRI 403-4, GRI 403-5
[47] GRI 403-2, GRI 403-4, GRI 403-5
[48] GRI 403-5, GRI 403-6

Last year's move to the new headquarters is accompanied by a totally new work environment in logistics and operations as well as in the offices for which an external consultant developed a concept fostering modern, transparent and flexible working as well as providing ergonomic workspaces tailored to the needs of SHOP APOTHEKE EUROPE. Company-wide initiatives promoting employee health include a flu vaccination and flexible opportunities for sport and relaxation. Additionally, since 2021 a remote mindfulness and resilience training has been offered to all SHOP APOTHEKE EUROPE employees, addressing the feedback that the pandemic situation and resulting measures were causing even higher stress levels for employees[49]. For critical personal or work-related situations, the Company has established a comprehensive, yet informal, network of 16 employee representatives. While all of them have received specialised training, two have been additionally trained and certified in the field of harassment. These confidants protect workers from reprisals and allow them to report risks and incidents anonymously[50].

Considering the Covid-19 situation, SHOP APOTHEKE EUROPE ensured employees health at the Company's locations at all times or enabled people to work from home, taking care of the peculiarities this change implies. Facing the exceptional challenges with regard to employee's health and safety, a crisis task force was established with responsibilities from various functions, analysing international and local developments on a daily basis, in order to derive measures and investments that needed to be made at SHOP APOTHEKE EUROPE to ensure minimised infection risks at all locations[51].

EQUAL OPPORTUNITIES.[52]

SHOP APOTHEKE EUROPE's core belief is that diverse and inclusive teams create the most sustainable value and thus makes equal opportunities for people with diverse demographic, cultural or sexual backgrounds, perspectives and beliefs a priority. This includes employee professional and personal development, fair and equal pay and long-term social protection measures as well as ensuring that any form of discrimination has no place at SHOP APOTHEKE EUROPE. We aim for diversity across all management levels. Last year, several key management positions were filled with female candidates in order to enhance the management's gender diversity. In early 2023, SHOP APOTHEKE EUROPE published its Diversity & Inclusion Policy. In December 2022, specific appropriate and ambitious targets were set to enhance the number of women in the Managing Board and the two highest senior management levels. For 2027, the Company has the target of increasing the number of women in the Managing Board to one-third and the number of women in the positions of Executive Director and Director to one-third. A key driver the Company identified for more female leadership positions is increased flexibility. In 2021, SHOP APOTHEKE EUROPE implemented a remote working policy to ensure flexible working beyond the current Covid-19 regulations as a first step, it is planned to take further structural steps, such as a pay gap analysis.

In terms of long-term social protection, in 2021 a Company pension plan was launched for all employees with Dutch employment contracts whose pensions are not already covered by either the occupational pension fund for pharmacists (SPOA) or the scheme for pharmacist staff (PMA). Additionally, all Shop Apotheke Service GmbH employees are offered a Company pension program on a voluntary basis and an individual and independent consultancy service going beyond the occupational pension topic. Information regarding employee stock options-plans is published in the notes to the financial statements as part of the Annual Report.

SHOP APOTHEKE EUROPE´s compensation[43] philosophy aims at promoting and reinforcing the quality and commitment of employees. The Company is generally committed to paying its employees fair and appropriate compensation in the form of wages and salaries, social components and other perks. The ratio between the average and the highest base salary is 1 : 10.3. In terms of the total compensation, including variable salary components, the spread is 1 : 26.3.

[49] GRI 403-6
[50] GRI 403-3, GRI 403-4
[51] GRI 403-3, GRI 403-6
[52] GRI 405-1
[53] GRI 2-21

EDUCATION & DEVELOPMENT.[54]

A dedicated team within the Human Resources function was established in 2022, further accelerating SHOP APOTHEKE EUROPE's learning culture, making it a learning organization as well as promoting a feedback culture and feedback skills. The Company's approach to employee education and development can be clustered into three pillars: People Development, Leadership Development and Organisational Development. In all three pillars sustainability is reflected contributing to the objective to enable and empower every employee to take ESG aspects into account on a day-to-day basis as well as in strategic decision making. Part of this is the target to reach all employees with different formats of the BECAUSE WE CARE. ACADEMY, the Company's own sustainability course.

People development.

Aiming to cultivate a culture of learning at SHOP APOTHEKE EUROPE, people development is comprised of digital and self-directed offers as well as more classical personal offerings. This ensures full scalability of people development at SHOP APOTHEKE EUROPE considering the Company's growth plans. This combination of self-directed and personal courses is reflected in the language classes offered to all employees. A central role in promoting self-directed learning is the rollout of the online learning platform Udemy and its flexible, on-demand learning opportunities including 5,000+ top rated, engaging professional and personal development courses. A key achievement of 2022 is the development of a streamlined onboarding concept to improve the employee experience right from the start[55]. In 2023, a revised concept for regular development and feedback processes will be launched on a Company-wide level. Furthermore, an internal marketplace for learning offers will be made available Company-wide[56].

Leadership development.

In 2022 the Company developed and rolled-out its comprehensive leadership model, "SHOP APOTHEKE EUROPE's Model of Servant Leadership", creating a common understanding for leadership and management development. One key milestone of the rollout in 2022 was the launch of 270° feedbacks for the Company's top management, consisting of 45 people, incorporating the competency fields from all three dimensions of the leadership model which will be repeated regularly: "Leading Myself", "Leading People", and "Leading the Organisation". For 2023, it is planned to further extend the 270° feedback to the middle management, consisting of 55 people while from 2024 onwards it will be rolled out to everyone in the organisation.

Building upon this, the Company launched its first development program tailored to the needs of young leaders with 42 participants across various departments and entities of SHOP APOTHEKE EUROPE. Besides that, diverse training programs have been developed and launched for very specific leadership and management challenges in functional departments such as customer service, logistics or IT product development. Individual leadership coaching or career orientation and reflection opportunities continued to be offered[57].

Organizational development.

One of SHOP APOTHEKE EUROPE's strategic initiatives in 2022 was to develop and start implementing of a new organisational design, aiming to ensure continued customer-centricity while growing rapidly. This reflects measures to empower the expert level with proximity to the respective markets instead of decisions being made in line with hierarchies. The implementation in 2022 included a redefinition of formalised management bodies as well as decision-making powers, responsibilities and accountabilities. The implementation of new structures and processes is accompanied by the introduction and development of a new HR management software which enables a learning management system including data analytics of time invested per employee.

[54] GRI 404-1, GRI 404-3
[55] GRI 404-1
[56] GRI 404-1, GRI 404-3
[57] GRI 404-3

Servant Leadership

CORPORATE GOVERNANCE.[48]

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

An outline of the broad corporate governance structure is provided below. As SHOP APOTHEKE EUROPE is a publicly listed company incorporated under the laws of The Netherlands with its registered seat in Sevenum, The Netherlands, it complies with all the principles and best practice provisions of the Dutch Corporate Governance Code 2016 (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).

Since 2021 a Works Council for employees at the Sevenum location has been in place. Employees are not covered by collective bargaining agreements.[59]

[58] GRI 2-23
[59] GRI 2-30

In 2023, the Company will take part in the UN Global Compact Business & Human Rights Accelerator, in order to strategically investigate whether there are reasonable grounds to suspect human rights risks along the Company's value chain. There is not yet an official policy statement with regard specifically to human rights. However, this does not mean that SHOP APOTHEKE EUROPE does not count this as a material aspect to be managed. Indeed, it is considered in the pillar of employee care as the Company expects the human rights aspect to be embedded in the relationship with staff along the supply chain.

Corporate structure.

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

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

Our corporate governance practices are principally derived from the provisions of the Dutch Civil Code and the Dutch Corporate Governance Code.

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

The Supervisory Board of SHOP APOTHEKE EUROPE N.V. currently has five members. The Annual General Meeting of the Company is responsible for determining the number of Supervisory Board members and their appointment. The full procedure for appointment and dismissal of members of the Supervisory Board is explained in Article 20 of the Company's Articles of Association.

The duties of the Supervisory Board are to supervise the policy of the Managing Board and the general course of business of the Company. The Supervisory Board members are to assist the Managing Board by providing solicited and unsolicited advice. In fulfilling their duties, the Supervisory Board members shall act in accordance with the interests of the Company and the business enterprise it operates. In practice, this means supervising the corporate strategy, the achievement of the Company's operational and financial objectives, the design and effectiveness of the internal risk management and control systems, the main financial parameters, compliance with applicable laws and regulations and risk factors. On 14 April 2022, the Supervisory Board adopted new rules which are published on the corporate website.

Committees of the Supervisory Board.

The Supervisory Board established an Audit Committee on 27 December 2018. The committee's role is to act on behalf of the Supervisory Board and oversee all material aspects of the organisation's financial reporting, internal control and audit functions. On 14 April 2022, the Supervisory Board appointed Jaska de Bakker as its new Chairperson, meaning that the Audit Committee now consists of three members, Jaska de Bakker, Frank Köhler and Henriette Peucker. On 14 April 2022, the Supervisory Board also adopted a new Audit Committee Charter which is published on the corporate website.

Further, on 14 April 2022 the Supervisory Board established a Nomination Committee and a Remuneration Committee and adopted charters for both committees. The Nomination Committee consists of Henriette Peucker (Chairperson) and Björn Söder. The Remuneration Committee consists of Jérôme Cochet (Chairperson), Frank Köhler and Björn Söder.

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 full Supervisory Board. A Supervisory Board member who has a personal conflict of interest will not participate in the decision-making process regarding such items. In 2022, a planned transaction was reported in advance and presented for approval by Jérôme Cochet. Jérôme is 28 % shareholder and statutory director of Goodcarbon GmbH which concluded a transaction with Shop-Apotheke Service B.V. regarding the sale of carbon credits for EUR 120,000. As this transaction with the Company seems of material importance to Jérôme as a shareholder and director of Goodcarbon, pursuant to Article 27.4 of the Corporate Governance Code, it is subject to approval of the Supervisory Board. Following the procedure laid down in the Articles 27.3 and 27.4 of the Corporate Governance Code, the Supervisory Board has approved the transaction on 28 January 2023.

The Supervisory Board, and the Company believe that Mr. Cochet's qualification as an independent Supervisory Board member is not impacted, because the transaction is concluded at arm's length, the volume of the transaction represents an insignificant percentage of the Company's expenses and Mr. Cochet is only a minority (28 %) shareholder of Goodcarbon.

Generally, the Company is aware of the fact that all of the members of its Managing Board as well as that some members of the Supervisory Board hold shares in the Company. One member of the Supervisory Board (Frank Köhler) is part of a voting pool agreement with his brother Michael Köhler, the largest shareholder and former CEO, and other shareholders, in total representing around 25 % of the actual outstanding voting rights of SHOP APOTHEKE EUROPE. Furthermore, Stephan Weber (CCO) and Marc Fischer (CIO) are brothers-in-law.

Insider Trading Policy.

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

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

Transactions in the Company's shares carried out by the Managing Board and the Supervisory Board members (including their related parties) 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.[60]

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 have been actualised recently, and can be found on the Company's website.

[60] GRI 2-26

Diversity and Inclusion Policy.

We aim for diversity in the Supervisory Board as we do for our management. In 2022, a second female member was added to the Supervisory Board, meaning that now two of the five members of the Supervisory Board members are female. We do not see diversity as merely a matter of gender or ethnicity, but also of personality, skills and knowledge. We need men and women, people from different backgrounds and cultures. SHOP APOTHEKE EUROPE will focus on further enhancing diversity across all management levels, including future appointments to its Supervisory Board and Managing Board, but without compromising our commitment to hiring the best individuals for positions without any discrimination. The more we make use of the differences between us and the more we can cooperate and learn from each other, the stronger we will be as a company in serving a highly diverse society and our diverse stakeholders.

At the end of 2022, the Company adopted a new Diversity and Inclusion Policy. After some fine-tuning, it will be published on the corporate website at the start of 2023.

Substantial shareholdings.

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

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

As per the date of this report, the following substantial shareholdings were recorded in this register:

Date of notification	Shareholder	Share in Company's share capital
06.04.2020	ETHENEA Independent Investors SA	4.12%
04.06.2020	Sylebra Capital Limited	3.02%
28.01.2021	A. Köhler	26.44%
24.01.2022	Allianz Global Investors GmbH	3.02%
08.02.2022	Credit Suisse Group AG	3.20%
13.09.2022	T. Rowe Price International Funds, Inc.	5.26%
21.09.2022	Smallcap World Fund, Inc.	6.28%
22.12.2022	T. Rowe Price Group, Inc.	4.75%

Publication requirements under German law.

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

Statement by the Managing Board (Dutch Corporate Governance Code).

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

- the Company's internal risk management and control organisation 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 2022,
- the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems,
- the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies,
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis, and
- the report states those material risks and uncertainties relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report.

Corporate governance declaration and accountability.

The Company acknowledges the importance of good corporate governance and agrees with the principles of the Code, revised in December 2016. The Company is committed to comply with the Code in the way set out herein. During 2022, the Company complied with the Code with the exception of deviations from the following principles:

1.3: Internal Audit function

Given the size of the Company, the centralised set-up of main processes, the presence of internal quality and control processes, enhanced by the more extensive enterprise risk management system implemented during the 2021 financial year, no internal audit function has been established. According to the organisational needs of SHOP APOTHEKE EUROPE N.V. implementation may be considered in the future.

2.1.8: Independence of Supervisory Board members

The Company knows that all members of the Supervisory Board, except Henriette Peucker and Jaska de Bakker, hold shares in the Company. All hold their shares for long-term investment purposes.

2.2.4 Succession

The Company does not comply with this recommendation as SHOP APOTHEKE EUROPE N.V. is only listed as of 2016 and the Supervisory Board has only recently been re-appointed and a retirement schedule is therefore not needed at this point of time. It is, however, envisioned to provide such a plan in the future.

4.2.3 Meetings and presentations

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

EU TAXONOMY.

The EU taxonomy established a list of environmentally sustainable economic activities. The main aim is to provide companies, policymakers and investors with a common definition for directing investments towards sustainable projects and activities in order to reach the European Green Deal's objectives. Thus, the taxonomy serves a classification system to assess whether economic activities contribute towards one of the following six environmental objectives:
1. Climate change mitigation.
2. Climate change adaptation.
3. Sustainable use and protection of water and marine resources.
4. Transition to a circular economy.
5. Pollution prevention and control.
6. Protection and restoration of biodiversity and ecosystems.

The EU taxonomy sets out reporting including the disclosure of information on the eligibility and alignment of a company's activities with those objectives, using Key Performance Indicators (KPIs) for the proportion of sustainable turnover, capital expenditure ("CapEx") and operational expenditure ("OpEx"). In a first step it needs to be identified if activities are eligible; in the following step it needs to be analysed if an activity is aligned to the EU taxonomy. The taxonomy regulation is supplemented by delegated acts which contain detailed technical screening criteria for determining when an economic activity can be considered sustainable, and hence can be considered Taxonomy-aligned.

SHOP APOTHEKE EUROPE falls into the scope of companies which are required to report. However, so far only the first two delegated acts on climate change mitigation and adaptation have been published, laying down the classification criteria. Further clarification, extension to more economic activities and elaboration the guidelines are expected to be defined in the upcoming years.

CALCULATION PROCESS KPIs.

Turnover, CapEx and OpEx were calculated using the existing Company's internal accounting and reporting structures. Business activities are leading to postings in our financial administration and as such labelled into Turnover, CapEx or OpEx, so that the differentiation between the three is guaranteed. The different ledger accounts allocate costs and incomes to different reporting categories which avoids double counting into the different EU-Taxonomy KPIs. Constant controlling keeps the risk of errors to a minimum. The Company is manually calculating the required KPIs but developing an improved Taxonomy accounting process throughout 2023. The calculation method of 2022 was kept equal to 2021. The analysis for EU Taxonomy has been performed for the scope of companies equal to the scope of the financial reporting. No CapEx plans are in place.

SHOP APOTHEKE EUROPE has chosen substantial contribution to climate change mitigation (Article 10) as the only relevant environmental objective. There are no activities related to climate change adaptation since the company is actively reducing its emissions by a better energy management, waste recycling management and less emissions in logistics. Its goal is to contribute to keeping the global temperature rise below 1.5°C according to the Paris agreement and to avoid greenhouse gas emissions by improved internal processes. Especially relevant are article 10 1b: Energy efficiency and 1c: increasing clean or climate-neutral mobility. None of the company's activities are enabling activities, neither transitional activities as described in section 2 of article 10.

All activities within the EU taxonomy have been screened according to business activities and analysed for eligibility if they fit the activity descriptions published in the objectives Annex. No activities contribute to multiple objectives and no KPIs are to be disaggregated. A double counting in the calculation of the activities cannot take place since an activity is either taken fully or not taken into account when performing the assessment.

CapEx and OpEx have additionally been screened if the Company has eligible turnover. All eligible activities have in a second step been screened according to article 3 if they fulfil the technical screening criteria, do no significant harm on any other objective and guarantee the minimum standards of human rights according to article 18. The assessment has been performed in a step-by-step checking system ensuring that only activities fulfilling all criteria mentioned in article 3 have been selected as aligned activities. No activities contribute to multiple objectives and no KPIs are to be disaggregated. As there is not yet an official policy statement with regard specifically to human rights, the assessment on alignment criteria was done on an individual basis for each of the activities identified. The discrepancy between eligibility rates and alignment rates comes from activities where we could not substantiate the assessment on the do no significant harm criteria and/or minimum social safeguards.

EU TAXONOMY KPIS.

Based upon the current information available and a thorough analysis SHOP APOTHEKE EUROPE has determined the 2022 EU taxonomy eligible and aligned economic activities per KPI as follows.

EU TAXONOMY TURNOVER ASSESSMENT.

For SHOP APOTHEKE EUROPE's revenue streams, the EU taxonomy-eligible revenue is determined to be 0.04 %, namely EUR 496 thousand of the total revenue of EUR 1,204,352 thousand. Reference is made to Note 5 of the Notes to the consolidated Financial Statements.

Since SHOP APOTHEKE EUROPE's main revenue streams are not outlined in the delegated regulations, there is a high non-eligibility rate. The most valid classification according to the Statistical classification of economic activities in the European Community (NACE) on which the EU Taxonomy relies, would be as follows: G47 – Retail trade, except of motor vehicles and motorcycles. Although SHOP APOTHEKE EUROPE is developing from a pure online retailer to an e-pharmacy platform, the distribution of pharmaceuticals and beauty and care products is considered to be the most relevant activity found in the above-mentioned classification system. For NACE G47, however, no eligibility is defined yet. In case retail activities will be added to the delegated regulations in the future, the eligibility percentage SHOP APOTHEKE EUROPE's eligibility share in terms of turnover would increase significantly

The determined EU taxonomy eligible revenue can be linked to the following economic activities: The Company receives money for selling resources such as pallets, paper and cardboard for recycling purpose. The collection and transport of non-hazardous waste in source segregated fractions for material recovery from non-hazardous waste is eligible but not yet aligned for pallets. It is already aligned for paper and cardboard recycling, since the technical screening criteria is fulfilled without any harm on other objectives and human rights are guaranteed.

After the acquisition of GoPuls, the Company received turnover by delivering pharmaceutical products emission free via bikes and e-bikes. The zero-emission transport is the purpose of this company and making GoPuls an eligible company. Its turnover stream is therefore counted as eligible, too. GoPuls turnover contributes to EU taxonomy "6.4. Operation of personal mobility devices, cycle logistics". Thus, the turnover of SHOP APOTHEKE EUROPE changed compared to the previous year before GoPuls acquisition.

EU taxonomy turnover KPI (in EUR x 1,000)				Substantial contribution criteria*		Does not significantly harm						
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	CCM	CCA	CCM	CCA	WaMR	CE	P	BoE	MS
A. Taxonomy eligible activities (Taxonomy aligned)												
A.1. Environmentally sustainable activities (Taxonomy aligned)												
5.5. Collection and transport of non-hazardous waste in source segregated fractions	E38.11	104	0.01 %	Y	N	–	Y	N/A	Y	N/A	N/A	Y
Turnover of environmentally sustainable activities (Taxonomy-aligned)		104	0.01 %	0.01 %	0.00 %							
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)												
6.4. Operation of personal mobility devices, cycle logistics (GoPuls)	N77.21	169	0.01 %									
5.5. Collection and transport of non-hazardous waste in source segregated fractions (Pallets Sevenum)	E38.11	223	0.02 %									
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		391	0.03 %									
Total A.1. and A.2.		**496**	**0.04 %**									
B. Taxonomy non-eligible activities												
Turnover of Taxonomy non-eligible activities		1,203,856	99.96 %									
Total (A. + B.)		**1,204,352**	**100.00 %**									

EU TAXONOMY CAPEX ASSESSMENT.

For SHOP APOTHEKE EUROPE's CapEx streams, the EU taxonomy-eligible CapEx is determined to be 24 % namely EUR 18,257 thousand of the total CapEx of EUR 78,181 thousand. Reference is made to the amounts presented as Additions and Acquisitions in Note 13 and Note 14 of the Notes to the consolidated Financial Statements.

In 2022, the Company opened a new logistic location in Milan, Italy. In order to run the energy consumption of this facility sustainably, a new roof and a heat pump have been installed. The technical screening criteria are fulfilled in 7.3.a and c. Human rights are guaranteed by the Company and no significant harm is done to any other objectives,

CCM: Climate change mitigation | CCA: Climate change adaptation | WaMR: Water and marine resources
CE: Circular economy | P: Pollution | BoE: Biodiversity and ecosystems | MS: Minimum safeguards

* The other 4 objectives are entirely not applicable.

so that the CapEx activity is counted as aligned. This is covered by the third CapEx criterion of activities related to output from Taxonomy eligible activities and individual measures enabling the target activities to become low-carbon or lead to greenhouse gas reduction. For SHOP APOTHEKE EUROPE, all activities from the third CapEx definition are assessed, not only those listed in points 7.3.–7.6.

The acquired eligible company GoPuls provided eligible turnover to the company making its tangible and intangible acquisition costs and further investments during the year eligible but not yet aligned, too. Tangible and intangible CapEx are made transparent separately. The primary activity of GoPuls is zero-emission transport therefore the investments are considered for the full amounts. The first CapEx definition is taken into account here. Both investments have not occurred in the previous year increasing the CapEx investments in 2022 compared to 2021. There are no CapEx plans in place at SHOP APOTHEKE EUROPE.

EU taxonomy CapEx KPI (in EUR x 1,000)

				Substantial contribution criteria*		Does not significantly harm						
Economic activities	**Code(s)**	**Absolute CapEx**	**Proportion of CapEx**	**CCM**	**CCA**	**CCM**	**CCA**	**WaMR**	**CE**	**P**	**BoE**	**MS**
A. Taxonomy eligible activities												
A.1. Environmentally sustainable activities (Taxonomy aligned)												
7.6. Installation, maintenance and repair of renewable energy technologies (Heat pump, roof Milan)	F43.22, F43.91	1,423	2 %	x	N	–	Y	N/A	N/A	N/A	N/A	Y
CapEx of environmentally sustainable activities (Taxonomy-aligned)		1,423	2 %	2 %	0 %							
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)												
6.4. Operation of personal mobility devices, cycle logistics (tangible acquisition GoPuls)	N77.21	272	0 %									
6.4. Operation of personal mobility devices, cycle logistics (intangible acquisition GoPuls)	N77.21	17,384	22 %									
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		17,656	23 %									
Total A.1. and A.2.		**19,079**	**24 %**									
B. Taxonomy non-eligible activities												
CapEx of Taxonomy non-eligible activities		59,102	76 %									
Total (A. + B.)		**78,181**	**100 %**									

EU TAXONOMY OPEX ASSESSMENT.

In general, the KPI OpEx as defined under the EU taxonomy only covers direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the operation of property, plants and equipment, e.g. cleaning costs. The sum of these costs only makes a relatively small share of SHOP APOTHEKE EUROPEs overall operating costs, in total EUR 2.7 million a share of 0.69 % of our total selling & distribution and administrative expenses. The proportion of total OpEx that relates to taxonomy eligible activities is determined by assessing the economic activities of the costs that are not capitalized but directly relate to assets on the balance sheet. The EU-taxonomy eligible or aligned OpEx costs can be linked to the following economic activities:

The Company had costs related to the technical setup of collection and transport of non-hazardous waste for material recovery in Sevenum and Milan as aligned activities according to "5.5. Collection and transport of non-hazardous waste in source segregated fractions". OpEx for the collection and transportation of non-hazardous waste have also been an eligible activity in 2021.

All following activities are included since 2022 resulting in an increase of eligible and aligned OpEx in 2022.

The short-term lease of bikes is also an aligned OpEx activity of SHOP APOTHEKE EUROPE according to 6.4. "Operation of personal mobility devices, cycle logistics". Because the company has eligible turnover here, this is an activity according to the first OpEx criterion related to assets or processes associated with Taxonomy-eligible economic activities, including training and other human resources adaptation needs, and direct non-capitalised costs that represent research and development.

Costs for window insulation are included as eligible OpEx in Sevenum and aligned OpEx in Milan because in Milan the criteria mentioned in article 3 can already be proven. In addition, the Company uses software for emission calculation for GHG reduction as an eligible OpEx activity and a data driven science-based climate model for GHG emission reduction as an aligned activity as part of 8.2. 8. "Data driven solution for GHG emission reduction". All OpEx activities apart from the short-term lease are taken according to the third OpEx criterion. This criterion is related to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions as well as individual building renovation measures as identified in the delegated acts and provided that such measures are implemented and operational within 18 months.

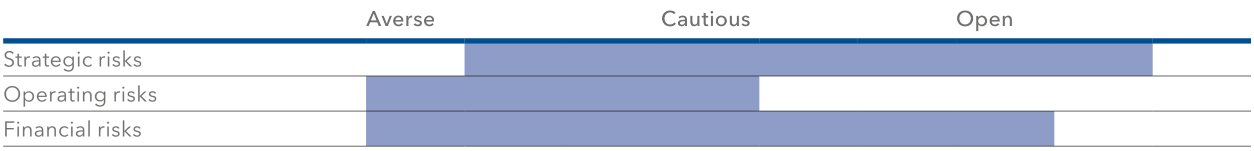
EU taxonomy OpEx KPI (in EUR x 1,000)				Substantial contribution criteria*		Does not significantly harm						
Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	CCM	CCA	CCM	CCA	WaMR	CE	P	BoE	MS
A. Taxonomy eligible activities												
A.1. Environmentally sustainable activities (Taxonomy aligned)												
5.5. Collection and transport of non-hazardous waste in source segregated fractions	E38.11	41	1.46%	Y	N	–	Y	N/A	Y	N/A	N/A	Y
8.2. Data-driven solutions for GHG emissions reductions	J62	5	0.17%	Y	N	–	Y	N/A	Y	N/A	N/A	Y
OpEx of environmentally sustainable activities (Taxonomy-aligned)		46	1.64%	1.64%	0.00%							
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)												
6.4. Operation of personal mobility devices, cycle logistics (short-term bike lease)	N77.21	51	1.82%	Y	N	–	Y	N/A	Y	N/A	N/A	
8.2. Data-driven solutions for GHG emissions reductions	J62	35	1.25%									
7.3. Installation, maintenance and repair of energy efficiency equipment (Window insulation)	F43.32	21	0.75%									
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		107	1.89%									
Total A.1. and A.2.		**153**	**7.17%**									
B. Taxonomy non-eligible activities												
OpEx of Taxonomy non-eligible activities		2,651	94.58%									
Total (A. + B.)		**2,804**	**100.00%**									

RISKS AND OPPORTUNITIES.

SHOP APOTHEKE EUROPE is exposed to various risks and opportunities. As a company of our size, we therefore deem it important to have the best possible and systematically updated overview of the risks that we run as a Company and how those risks can be mitigated. There are Company-specific risks and also risks with regard to natural capital such as climate risks and social capital. Furthermore, it entails external risks and impacts on third parties that result from SHOP APOTHEKE EUROPE's business model. Risk-based thinking enables our organisation to proactively determine factors that could lead to deviations from planned results and execution of our strategy and to implement preventive control measures or take actions to minimise the likelihood and magnitude of possible negative effects. At the same time, a risk-based thinking process could also reveal opportunities on which we could act. The risk management system of SHOP APOTHEKE EUROPE applies to all areas of the Group and takes into account the standards of ISO 31000, GDP (Good Distribution Practice), Veterinary Good Distribution Practice and the Corporate Governance Code. With its risk management system, and the ERM framework, which was additionally implemented last year, SHOP APOTHEKE EUROPE can identify, analyse, evaluate and treat risks that it is entering into as a company.

RISK APPETITE.

Risk appetite expresses the aggregate level of risk that SHOP APOTHEKE EUROPE is willing to accept within the risk capacity to pursue its strategy of becoming the leading European online pharmacy, which enables people to live the healthiest life possible. Risk capacity is defined as the maximum level of risk that can be assumed before breaching regulatory constraints and obligations to stakeholders. Risk appetite is an integral element in the business planning processes to promote the appropriate alignment of risk, capital and performance targets, while at the same time considering risk capacity and appetite constraints from both financial and non-financial risks. The figure below qualitatively shows SHOP APOTHEKE's risk appetite in the three main risk categories of strategic risks, operating risks and financial risks.



MANAGING RISKS WITH ENTERPRISE RISK MANAGEMENT.

The enterprise risks management system (ERM) cycle has been continued in 2022. The primary objectives of ERM within the Company are:

1. Gaining insight into the risks and opportunities. This is achieved by a structured inventory process of the risks that SHOP APOTHEKE EUROPE runs as a company.
2. Creating a framework to classify the risks and to mitigate them in an appropriate way.
3. Gaining insight into and clarifying the degree of risk management and the degree of risk appetite.
4. Realising a dynamic process with periodic reporting and dialogue across the Group.

In order to reach these objectives an extensive process was developed within the Company. Chaired by CFO Mr. J. Eenhorst, the ERM process is managed by the ERM Group. Other members of the ERM Group are Mrs. T. Holler (COO and responsible pharmacist) and the directors of both the Accounting & Tax, Controlling and Quality departments. The ERM group is responsible for driving the ERM process within the Company to make sure risks are identified and addressed in the right way. In the next paragraphs, the steps within the ERM process are described.

Step 1: Establishing the context.

SHOP APOTHEKE EUROPE's strategic objectives, as well as external and internal parameters, need to be considered to establish the context. Strategic and operational events and actions, with a significant impact on the existence and the economic situation of the Group are considered. These also include external factors such as the competitive situation, the regulatory environment and developments and other factors that can compromise the achievement of corporate goals.

Step 2: Risk identification.

A two-sided approach is used for the risk identification process. Starting with a bottom-up process for risk identification, a risk questionnaire has been sent to each significant function or department of the Group. In addition, a top-down process for risk identification was also conducted by risk identification sessions within the ERM Group and with the Managing Board.

To create a framework for risk classification, a fixed risk identification format was developed. After the risk description, the risk was classified into a risk domain. For SHOP APOTHEKE EUROPE, thirteen relevant risk domains were defined (see Figure 1). As the figure shows the risk domains encompass a broad perspective of topics all relevant for SHOP APOTHEKE EUROPE as an online pharmacy. Subsequently, the risk domains are used to cluster risks into relevant categories and enable comparable risks or synergetic relationships between risks to become apparent and be clustered. The risks domains used are based on international risk management literature and supplemented with domains relevant for SHOP APOTHEKE EUROPE as an online pharmacy company. For each domain a domain owner from senior management was appointed, who is responsible for taking the mitigation actions for risks within the respective domain.

RISK DOMAINS

GOVERNANCE, LEGAL & REGULATORY	PHARMA COMPLIANCE	STRATEGY	REPUTATION & TRUSTWORTHY BRAND	FINANCE
FACILITY & EQUIPMENT	OPERATIONS (OPS)	QUALITY & CUSTOMER SAFETY	IT	HUMAN RESOURCES & HEALTH AND SAFETY FOR THE EMPLOYEES
	SUSTAINABILITY	DATA SECURITY AND PRIVACY/ PATIENT DATA	PROCUREMENT	

Step 3: Risk analysis.

To begin with, all risks identified are assessed on the basis of a risk score. The risk score is calculated by multiplying the probability of occurrence of the risks (likelihood) by the consequences of the risk (impact). Based on the risk score, it is determined whether the risk is very high, high, medium or low. Both gross and net risk are taken into account. Where the gross risk refers to the risk score without internal control and/or mitigating measures, the net risk score is the risk after implementation of actions.

Step 4: Risk evaluation.

Based on the outcome of the risk analysis, decisions need to be made about prioritisation including which risks need to be mitigated. All identified risks has been discussed with the domain owners and in consultation with the ERM group a proposal for prioritized risks has been made and has been used as input for reporting to the Managing Board. Subsequently, the final prioritised risks for the Company per domain are determined by the Managing Board.

In 2022, the prioritised risks of the previous reporting year have been re-assessed by the domain owner. Changes have been documented in a risk management tool. Next to that, new identified risks were evaluated by the domain owners and eventually prioritised in collaboration with the Managing Board.

Step 5: Risk treatment.

After final prioritisation, risks per domain are allocated to the responsible domain owner and appropriate control measures are implemented to mitigate the risk if possible. The choice of a control measure depends on the risk score and the risk appetite of the Company. A decision is made on whether an action is taken to eliminate or control the risk; if a risk is within the organisation's risk appetite, a risk can be accepted.

In 2022, the domain owners took several actions to mitigate some prioritised risks of 2021. Because of successful mitigation actions, several risk scores could be reduced.

RISK MONITORING & REVIEW.

An integral part of the ERM is to continuously run the process, monitoring the risks and evaluating the control measures. While domain owners are responsible to report progress on mitigation actions, the overall process driven by the ERM Group ensures that this actually takes place in a systematic way. All risks that have been prioritized in 2021 have been re-assessed by the domain owners. The re-assessments have been documented in our risk management tool.

EXTERNAL CONTROL.

Besides the internal control system, external institutions also provide assurance on the design and effectiveness of the risk management processes and compliance with the relevant standards, policies and norms within our Company:

EXTERNAL CERTIFICATIONS.

Being a pharmacy, SHOP APOTHEKE EUROPE maintains strict pharmaceutical controls monitored by the Dutch Health and Youth Inspectorate, as well as a number of certifications including ISO 9001 certified by TÜV and Trusted Shops. The effectiveness of the Quality and Health, Safety and Environment (HSE) management systems is regularly audited internally and externally, alongside the continuous improvement process installed for ongoing optimisation of the pharmacy and administrative processes.

EXTERNAL AUDITOR.

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

OVERVIEW OF RISKS AND OPPORTUNITIES.

This chapter provides an overview of the most important risks that SHOP APOTHEKE EUROPE currently identifies.

STRATEGIC RISKS.

Risk – acquisition of businesses.

Risk description and its possible impact – Since being founded, we have grown both organically and through acquisitions. During 2021 we did two acquisitions, smartpatient and MedApp and during 2022 we did the acquisition of GoPuls (former First A) and APS All Pharma GmbH. Furthermore, as part of our business strategy to further expand our offering across continental Europe, it is possible that we engage in strategic and opportunistic acquisitions of other companies, businesses or assets. Acquisitions involve numerous risks such as unanticipated difficulties associated with higher-than-expected costs for integrating the technologies, operations, existing contracts and personnel of acquired businesses or difficulties associated with higher-than-expected costs for integrating and coordinating sales and marketing functions and other administrative functions.

Risk mitigation approach – Careful planning of the acquisition and integration including proper due diligence. The management bodies of the acquired business are part of our existing management structure and are integrated in our periodic internal management review process and planning processes.

Risk – adverse judgments or settlements resulting from legal proceedings.

Risk description and its possible impact – We are or may become involved from time to time in private actions, investigations and various other legal proceedings by employees, suppliers, competitors, government agencies or others.

SHOP APOTHEKE EUROPE is the subject of some procedures, mainly in the field of unlawful competition. The more interesting ones are mentioned below. A case is pending against SHOP APOTHEKE EUROPE at the Federal Supreme Court (BGH) in Karlsruhe regarding the question of whether it can advertise with the so-called Webshop Awards in view of alleged objections against the role of the contest organiser in the nominating process. SHOP APOTHEKE EUROPE is also the subject of a procedure before the second instance civil court of Cologne (OLG) regarding advertisements for its cooperation with the online doctor service Zava.

In Germany, Europa Apotheek is currently still the subject of one first instance social court (Sozialgericht) proceeding regarding the so-called manufacturer rebates that pharmaceutical producers reimburse to pharmacies. Several other cases regarding this issue were amicably settled.

Risk mitigation approach – Careful review and monitor applicable law and regulations. In case of legal proceedings, we have our own legal experts and we consult external specialised lawyers.

REGULATORY RISKS.

Risk – change in legislation for e-commerce pharmacies.

Risk description and its possible impact – The pharmacy business is highly regulated. Failure to comply with laws and regulations can damage our reputation and have negative financial and operational consequences. From a compliance perspective, we are allowed to sell both Rx and OTC medicinal products via mail to our customers in Germany.

Furthermore, a change in the legislation relating to pharmaceutical e-commerce deliveries can have a big impact on business models of online pharmacies. In Germany, the so called Vor-Ort Apotheken Stärkungsgesetz came into force at the end of 2020. Among other things, this legislation prohibits offering Rx discounts in the future. This applies equally to on-site and mail-order pharmacies. We believe that by doing so, German lawmakers are circumventing a 2016 Supreme Court ruling by the ECJ (AZ C-148/15), in which the Court ruled that pharmacies from other EU countries are not bound by regulated prices in Germany for prescription drugs and may grant their customers discounts to compensate for a competitive disadvantage.

Risk mitigation approach – Our Legal and Public Affairs department are closely monitoring all international legislative developments. In addition, we try to cooperate with other companies in the online pharmaceutical industry to bundle our interest and we invest significantly in networking with relevant stakeholders.

Risk – continuation of our pharmacy license(s).

Risk description and its possible impact – We currently hold a pharmacy license that allows us to ship into all member states of the European Union. If we fail to comply with relevant Dutch and other applicable European pharmacy laws, our pharmacy licenses could be withdrawn and we would not be allowed to continue our current business and our reputation would be significantly harmed. Potential changes of government regulations of the healthcare and pharmacy industries expose us to risks that we may be fined or exposed to civil or criminal charges, receive negative publicity or be prevented from shipping products into one or all of our markets. This could have a material adverse effect on our business, financial condition and results of operations.

Risk mitigation approach – Our Quality department closely monitors and reviews all the applicable legislation and performs internal audits to assess compliance with the law and regulations and requirements for improvement.

OPERATING RISKS.

Risk – dependency on people.

Risk description and its possible impact – SHOP APOTHEKE EUROPE is proud of all their employees. Without enough qualified staff our business would be disrupted and our strategic development would also hindered. As an online pharmacy we are highly dependent on IT, pharmaceutical and operational colleagues. In addition, we have a duty to deliver our parcels in time to our customers. When we do not have sufficient and qualified employees, this might also be a risk for the quality of the care that we can deliver. Furthermore, our future success is heavily dependent on the continued service of our key members on management levels. A lack of qualified and motivated personnel could impair our development and growth, increase our costs and harm our reputation.

Risk mitigation approach – For SHOP APOTHEKE EUROPE it is important to be an attractive employer for both current and new employees. We continue to develop our recruiting processes and capacity. In 2022, the results of our employee satisfaction survey were analysed, discussed with our employees and improvement actions were implemented to increase the employee satisfaction, though the average score was generally good compared to benchmarks. Furthermore, learning and development is an important topic for us as Company, so that we will achieve professionalism to provide an attractive training offer to our employees for their personnel development. In addition, we learn from exit interviews with colleagues who decided to leave the Company. The Company also regularly reviews the compensation and benefits compared to the market and has taken actions in areas where we deemed this necessary.

Risk – high dependency on automation and IT systems.

Risk description and its possible impact – As an e-commerce pharmacy platform we are highly dependent on our webshops both on the front and back-end. Furthermore, we are highly dependent on automated systems and their related software in our warehouse. Failures or bugs in IT systems can have a major impact on our business continuity.

Risk mitigation approach – Changes in our webshops or IT environment are thoroughly tested prior to implementation. An emergency power generator is installed as fall back scenario for IT systems by power outage situations. In addition, we have a team of technical engineers responsible for maintaining all the automated systems and fixing technical issues.

Risk – data security risks and unauthorised use of one or more systems.

Risk description and its possible impact – In our company personal data is processed to ensure that the right parcels are sent to the right customer. In order to deliver high quality of pharmaceutical care, sensitive health data of our customers need to be analysed by our pharmaceutical staff as well. Threats in information security, intentional misuse of confidential data or breaches in one of our systems are therefore risks that need to be mitigated.

Risk mitigation approach – In order to control all the threats of data security within our company, an information security management system is implemented in which the procedures for mitigating risks regarding data security issues are integrated. Penetration testing, access management and 2-factor authentication are some examples of data security measures. Furthermore, we continued the mandatory data security training and awareness program during 2022.

Risk – management of our inventory levels.

Risk description and its possible impact – We must maintain sufficient inventory levels to operate our business through our online webshops successfully. However, many of our products have limited shelf lives and we seek to avoid accumulation of excess inventory, while at the same time seeking to minimise out-of-stock levels and maintain in-stock levels across all product categories. If we do not accurately anticipate the time it will take to obtain new inventory or sell existing inventory, our inventory levels will not be appropriate and this may result in a loss of sales, a loss of customers who are unsatisfied with our delivery times or increased costs of maintaining inventory. Furthermore, we may incur additional costs for the disposal of expired products which typically need to be disposed, especially in the light of e-Rx with its regulatory requirements.

Risk mitigation approach – We have specialised staff and departments working on this. In addition, we have an automated purchase tool in place that calculates the required purchase volumes for the right inventory levels. Furthermore, via various dashboards information we monitor on stock levels per country and specific article information for articles with a potential future inventory risk.

FINANCIAL RISKS.

Risk – ability to grow and operate our business successfully and achieve profitability in the future.

Risk description and its possible impact – The current inflationary environment is putting pressure on purchase prices which can result in a reduced profitability. In order to operate our business successfully we may be forced to a general increase of selling prices and focus on negotiating purchase terms with our suppliers. In this regard it is important to compete in our market environment, a failure to successfully compete against current or future competitors could negatively impact our ability to attract and retain customers, which could, in turn, have a material adverse effect on our business, financial condition and results of operations.

Risk mitigation approach – Via our annual operating plans we ensure we track and implement new products in line with our multi-year strategy. We continuously monitor developments in the relevant market and from competitors.

Risk – financial consequences due to environmental pollution.

Risk description and its possible impact – We are aware of negative environmental impacts that occur across our supply chain. We are aware of the environmental impact of our business model and want to reduce our carbon footprint extensively in the upcoming years. As an e-commerce player, we have a large volume of parcels being sent out to various customers with different carriers on a daily basis. Because of costs arising from extended carbon taxation, we run the risk that the transportation cost for our parcels will rise in the future. In early 2023, we maintained an AA rating by the renowned ESG institution MSCI, this means we are considered an industry leader as in respect to our ESG efforts.

Risk mitigation approach – We are working hard to eliminate waste, are replacing plastic with recyclable materials in our operations and are reducing our carbon emissions. Most of our offices now use only green electricity. With the expert help of our Sustainability department, we are continuously investigating where we can make the next improvements.

Risk – dependency on advertising partners.

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

Risk mitigation approach – Continue to monitor the rules stipulated by Google and build our brand value and loyalty of our customers.

● OPPORTUNITIES.

MACRO-ECONOMIC AND MARKET CONDITIONS.

According to market information, the market for medications and pharmacy-related beauty and personal care products is expected to grow. As a first mover and one of the leading pharmacies in Europe, SHOP APOTHEKE EUROPE has good opportunities to benefit strongly from this general growth opportunity.

TREND TOWARDS SWITCH FROM OFFLINE TO ONLINE E-COMMERCE.

While many retail stores were temporarily closed, e-commerce recorded significant growth in certain areas. E-commerce has become a sustainable additional supply infrastructure and the trend toward e-commerce has even been accelerated by the corona situation.

We believe that the e-commerce market in most of the countries we currently operate in will continue to grow by a double-digit percentage over the coming years and we should continue to benefit strongly from this development because of our market-leading position in continental Europe. Also mobile devices have contributed to the strong growth of online retail. This also applies to the sale of medications and pharmacy-related beauty and personal care products because customers have convenient access to the products anywhere and anytime.

SUBSEQUENT EVENTS.

There have been no significant subsequent events.

OUTLOOK.

GDP GROWTH EXPECTED TO CONTINUE.

The GDP expectations for the Euro area in 2023 vary depending on the source. Wellington Management expects the Euro area to go into a mild recession by year-end and GDP to contract by 0.5 % in 2023. Goldman Sachs forecasts that the Euro area economy will contract by only –0.1 % for 2023 and grow by 1.4 % for 2024, close to consensus over the next two quarters but slightly below for the remainder of 2023 and early 2024. The OECD projects that real GDP growth is projected at 0.5 % in 2023 owing to Russia's war of aggression against Ukraine, monetary policy tightening, and global slowdown. For 2024, the OECD projects that growth is projected to rebound to 1.4 % as consumption and investment pick up.

The European Commission has raised its forecast for economic growth in the 20 countries using the euro to 0.9 % this year, up from the previous prediction of 0.3 % made last November. The growth rate for 2024 remains unchanged, at 1.6 % and 1.5 % for the EU and the euro area, respectively. Headwinds, however, remain strong. Consumers and businesses continue to face high energy costs and core inflation was still rising in January, further eroding households' purchasing power.

Inflation is likely to remain elevated and sticky than expected in Europe due to energy prices equating to an estimated reduction of about three percent to four percent in GDP. Headline inflation is forecasted to fall from 9.2 % in 2022 to 6.4 % in 2023 and then decline further to reach around two-point eight percent in EU countries. The key inflation issue to watch in Europe is labor cost pressures as wage growth has picked up almost four percent, and it is expected that recession will push up unemployment rates slightly from six-point six percent to seven-point two percent.

DEVELOPMENT OF THE ONLINE PHARMACY MARKET LOOKS PROMISING.

The global e-pharmacy market is expected to grow from USD 48.9 billion in 2020 to USD 153.79 billion by 2028, at a CAGR of 15.4 % during the 2021–2028 forecast period, according to a study of FIORMARKETS. During the 2020–2025 period, the online pharmacy market in Europe is expected to grow at a CAGR of over 14 % (source: ResearchAndMarkets, “Online Pharmacy Market in Europe 2021–2025”).

E-commerce penetration for Rx medications and OTC and BPC products is still relatively low in the core European markets. According to Bank of America, the total pharmacy market in Western Europe (ex U.K.) was worth EUR 193 billion in 2020 and is growing at a 2.5 % CAGR. Online penetration is low, at only 6 %, far behind other categories such as apparel, electronics and contact lenses, a recent note said. Electronic prescriptions are expected to boost the online pharmacy industry as they will allow easy exchange and upload of prescriptions without patients having to scan the prescription to upload it. For e-prescriptions in Europe, Bank of America estimates a volume of EUR 47 billion by 2030, from EUR 11 billion in 2020, which is a 10-year annual compound growth rate (CAGR) of 16 %.

OPERATIONAL OUTLOOK FOR THE SHOP APOTHEKE EUROPE GROUP.

Driven by an increase of the base of active customers to 9.3 million at the end of 2022, a continuation of fast growth was achieved each consecutive quarter in 2022, up to and including a successful December month. With this momentum SHOP APOTHEKE EUROPE entered the new year 2023. SHOP APOTHEKE EUROPE anticipates to continue its many years' track record of double-digits growth into the coming future years as well, starting with 2023 where the company expects the non-Rx assortment to continue on its growth pace of more than 10%. The share of this assortment comprising of OTC, BPC and other pharma- and health related assortment, is currently 90% of the company's total net sales. The assortment will be further expanded with selected increases of products on stock as well as in Germany and Austria via partners on the marketplace platform. High-customer satisfaction, reliable and fast delivery, trust, good pharmacy services and a broad assortment at the right prices are key in this area. In SHOP APOTHEKE's market area, a many year's continuous shift from physical pharmacy stores to online continued in the overall increasing pharmacy market. In Germany, SHOP APOTHEKE expects the paper prescription sales (Rx) to be roughly stable, and the company is focused on being best prepared for when the electronic prescription sales (eRx) become the new standard for the entire nation.

A temporary capacity constraint almost two years ago in the summer of 2021, when the company was both in the transition to a new next-generation distribution centre in the Netherlands, and Europe suffered from a shortage of people on the labour market after the opening-up after the covid lockdowns, was followed by the recent 1.5 years of stable, reliable, ever-growing performance of the logistics. Moreover, efficiency increased, production times decreased, and new capacity was opened mid 2022 with the opening of a distribution centre in Italy. Current capacity suffices for at least the coming year's expected volume growth, in parallel the company is preparing for the future thereafter.

In key functions of SHOP APOTHEKE EUROPE, e.g. IT, pharmacy- and quality specialists, commercial and logistic experts, the company expects to continue to expand to enable the fast-growing business, but in 2023 the growth of number of people will be lower than in 2021 – 2022, because in the past two recent years investments were made in strategic areas including platform, marketplace, e-Rx as well as in quality and head-office functions which are successfully launched or installed.

SHOP APOTHEKE in 2023 is aiming for increased underlying unit economics and cash generation by improving gross margins, efficiencies, scale and new income sources.

Strategically, SHOP APOTHEKE EUROPE will continue to be a technology-driven, customer-centric e-pharmacy platform, with the vision to enable everybody to live their healthiest life possible. SHOP APOTHEKE's largest countries operated at a positive adjusted EBITDA already the past years, for the coming year focus will be on profitable and fast growth as a total group. Existing cash balances are deemed sufficient for executing the strategy.

ARTICLE 10 TAKEOVER DIRECTIVE DECREE (BESLUIT ARTIKEL 10 OVERNAMERICHTLIJN).

INTRODUCTION.

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

ANTI-TAKEOVER PROVISIONS AND CONTROL.

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

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

CAPITAL STRUCTURE.

On 31 December 2022, SHOP APOTHEKE EUROPE had a total of 18,199,281 ordinary bearer shares with voting rights. Each share has a nominal value of EUR 0.02. The total share capital amounts to EUR 363,985.62. The Company does not hold treasury shares. There are no share types other than the ordinary bearer shares.

AUTHORISATION FOR THE MANAGING BOARD TO REPURCHASE SHARES.

The Annual General Meeting held on 14 April 2022 authorised the Managing Board to repurchase shares, on the stock exchange or otherwise, for a period of 18 months as of the date of the meeting (i. e. up to and including 13 October 2023), up to a maximum of 10 % of the total number of issued shares outstanding on the date of the meeting (i. e. up to a maximum of 10 % of 18,199,281 shares), provided that the Company does not hold more shares in treasury than a maximum 10 % of the issued and outstanding share capital at any given time. The repurchase can take place at a price between the nominal value of the shares and the weighted average price on the Xetra trading venue at the Frankfurt Stock Exchange for five trading days prior the day of purchase plus 10 %. This price range enables the Company to adequately repurchase its own shares even in volatile market conditions.

AUTHORISATION OF THE MANAGING BOARD TO ISSUE SHARES.

The Annual General Meeting held on 21 April 2021 appointed the Managing Board for a period of five years from the date of the meeting (i.e. up to and including 20 April 2026), or until such date on which the Annual General Meeting revokes or again extends the authorisation, if earlier, as the corporate body authorised to issue shares and grant rights to acquire shares, subject to the prior approval of the Supervisory Board, up to a maximum of 20 % of the total number of issued shares on the date of the meeting (i. e. up to a maximum of 20 % of 17,935,121 shares).

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

SHARES WITH SPECIAL RIGHTS/VOTING RIGHT CONTROL IN THE CASE OF EMPLOYEE PARTICIPATION.

There are no shares with special rights conferring powers of control. There is also no employee participation in capital that prevents employees from directly exercising their controlling rights.

OBLIGATION OF SHAREHOLDERS TO DISCLOSE SHARE OWNERSHIP.

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

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

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

SHAREHOLDERS' AGREEMENT ON LIMITATIONS ON EXERCISING OF VOTING RIGHTS.

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

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGING BOARD.

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

Each member of the Managing Board is appointed for a maximum period of four years, provided that if a Managing Board member retires earlier, his term expires 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 is authorised to suspend a Managing Board member at any time. The Annual General Meeting may suspend and dismiss a Managing Board member at any time. A Managing Board member may be suspended and dismissed by the Annual 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 an Annual General Meeting to pass a resolution either on lifting the suspension of the respective member of the Managing Board or on his dismissal.

APPOINTMENT AND SUSPENSION OF SUPERVISORY BOARD MEMBERS.

The Annual General Meeting determines the number of members of the Supervisory Board. The Supervisory Board members are appointed by the Annual 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 at any time is entitled to suspend or dismiss any Supervisory Board member. The appointment, dismissal or suspension of a Supervisory Board member is decided by the Annual 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 Annual General Meeting to appoint such Supervisory Board member requires an absolute majority representing at least one third of the issued capital.

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

RULES GOVERNING AMENDMENTS TO THE ARTICLES OF ASSOCIATION.

On the basis of a Managing Board proposal, approved by the Supervisory Board, the Annual General Meeting is authorised to resolve amendments to the Articles of Association, to dissolve the Company or to conclude a legal merger (juridische fusie) or a demerger (splitsing) as referred to in Title 7 of Book 2 DCC, unless the Company acts as acquiring company.

A resolution of the Annual General Meeting referred to above, which has not been proposed by the Managing Board and given prior approval by the Supervisory Board, requires a majority of at least two thirds of the votes cast in a meeting in which at least fifty per cent (50 %) of the issued capital is represented.

A resolution of the Annual General Meeting to conclude a legal merger or a demerger as referred to in Title 7 of Book 2 DCC which has been proposed by the Managing Board and approved by the Supervisory Board requires a majority of two thirds of the votes cast if less than fifty per cent (50 %) of the issued capital is represented.

If less than fifty per cent (50 %) of the issued share capital is represented in a meeting, a second meeting should be convened, to be held no later than six weeks after the first meeting. In the second meeting, valid resolutions can be adopted with respect to the proposals placed on the agenda for the first meeting, regardless the share capital represented in the second meeting, provided there is a majority of at least two thirds of the votes cast. The notice convening the second meeting should indicate and set forth the reasons why a resolution may be adopted at such second meeting, irrespective of the share capital represented at the meeting.

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CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS.

	Notes	Year ended 31.12.2022	Year ended 31.12.2021
		EUR 1,000	EUR 1,000
Revenue	5	1,204,352	1,060,321
Cost of sales		-872,566	-793,793
Gross profit		**331,786**	**266,528**
Other income	6	149	160
Selling and Distribution	7	-333,234	-264,301
Administrative Expenses	8	-67,873	-68,085
Operating result		**-69,172**	**-65,698**
Finance income	10	2,075	1,519
Finance expense	10	-17,361	-13,278
Share of profit of associates and joint ventures		339	-427
Result before tax		**-84,119**	**-77,884**
Income tax	11	6,473	3,699
Result after tax		**-77,646**	**-74,185**
Attributable to:			
Owners of the company		-77,646	-74,185
Earnings per share	12		
Basic and diluted earnings per share		-4.32	-4.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

	Notes	Year ended 31.12.2022	Year ended 31.12.2021
		EUR 1,000	EUR 1,000
Loss for the period		-77,646	-74,185
Other comprehensive income/loss		0	0
Total comprehensive loss		-77,646	-74,185
Attributable to:			
Owners of the company		-77,646	-74,185

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

	Notes	31.12.2022	31.12.2021
		EUR 1,000	EUR 1,000
Assets			
Non-current assets			
Property, plant and equipment	13	85,435	78,261
Intangible assets	14	289,005	257,476
Deferred tax assets	11	462	0
Other financial assets	19	9,389	13,109
Investments in joint ventures	16	1,250	1,154
Investments in associates		5	305
Investments in equity-instruments		10	10
		385,556	350,315
Current assets			
Inventories	17	99,708	96,624
Trade and other receivables	18	59,876	52,310
Other financial assets	19	117,555	36,415
Cash and cash equivalents	20	66,777	247,413
		343,916	432,762
Total assets		729,472	783,077
Equity and liabilities			
Shareholders' equity	21		
Issued capital and share premium		571,057	566,898
Reserves/accumulated losses		-216,427	-151,485
		354,630	415,413
Non-current liabilities			
Loans and Borrowings	22	247,650	230,028
Deferred tax liability	11	7,886	13,552
		255,536	243,580
Current liabilities			
Trade and other payables	23	72,882	80,523
Loans and Borrowings	23	7,505	6,368
Amounts due to banks	24	40	38
Other liabilities	23	38,879	37,156
		119,306	124,085
Total equity and liabilities		729,472	783,077

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY.

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Issued and paid-up share capital	Share premium	Accumulated losses	Equity part on convertible bonds	Reserve for stock option plan	Undistributed results	Equity
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Equity as of 1 January 2022		361	566,537	-133,597	31,698	24,599	-74,185	415,413
Transfer to accumulated losses		0	0	-74,185	0	0	74,185	0
Capital increase	21	0	0	0	0	0	0	0
Issue of convertible bond	22	0	0	0	0	0	0	0
Share-based payment charge for the period	27	0	0	0	0	16,226	0	16,226
Capital increase due to exercised options	21	1	4,158	0	0	-3,522	0	637
Loss for the period		0	0	0	0	0	-77,646	-77,646
Balance as at 31 December 2022		362	570,695	-207,782	31,698	37,303	-77,646	354,630

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Issued and paid-up share capital	Share premium	Accumulated losses	Equity part on convertible bonds	Reserve for stock option plan	Undistributed results	Equity
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Equity as of 1 January 2021		354	551,663	-116,950	0	6,842	-16,771	425,138
Transfer to accumulated losses		0	0	-16,771	0	0	16,771	0
Capital increase	21	0	0	0	0	0	0	0
Issue of convertible bond	22	0	0	0	31,698	0	0	31,698
Share-based payment charge for the period	27	0	0	0	0	20,542	0	20,542
Capital increase due to exercised options	21	7	14,874	124	0	-2,785	0	12,220
Loss for the period		0	0	0	0	0	-74,185	-74,185
Balance as at 31 December 2021		361	566,537	-133,597	31,698	24,599	-74,185	415,413

CONSOLIDATED STATEMENT OF CASH FLOWS.

	Notes	Year ended 31.12.2022	Year ended 31.12.2021
		EUR 1,000	EUR 1,000
Cash flow from operating activities			
Operating result		-69,172	-65,698
Adjustments for:			
– Depreciation and amortisation of non-current assets	9	39,510	26,964
– Net foreign exchange differences	10	1,762	1,488
– Share-based payment charge for the period	27	16,226	20,542
Corporate income tax paid	11	-457	-179
Operating result adjusted for depreciation and amortisation and taxes		-12,131	-16,883
Movements in			
– (Increase)/decrease in trade and other receivables	18	-2,277	-6,581
– (Increase)/decrease in inventory	17	-3,084	-15,375
– Increase/(decrease) in trade and other payables	23	-12,245	26,507
– Increase/(decrease) in other liabilities	23	625	23,967
Net cash (used in)/generated by operating activities		-29,112	11,635
Cash flow from investing activities			
Investment for property, plant and equipment	13	-13,565	-13,818
Investment for intangible assets	14	-39,959	-29,341
(Investment in)/disposal from other financial assets	19	-80,493	2,413
Repayment of loan to associates		300	303
(Investment in)/disposal from escrow account	19	1,412	-12,704
Acquisition of subsidiary, net of cash acquired	28	-6,017	-31,181
Interest received	10	313	31
Net cash (used in)/generated by investing activities		-138,009	-84,297
Cash flow from financing activities	24		
Interest paid	10	-7,068	-6,377
Capital increase exercised options	21	637	12,219
Issue convertible bond, net of expenses	22	0	222,197
Repayment of other long-term loans	22	-1,625	-5,663
Proceeds from other long-term loans	22	0	13,000
Movement in bank overdraft		2	-1
Cash-out lease payments	30	-5,461	-5,784
Net cash (used in)/generated by financing activities		-13,515	229,590
Net increase/(decrease) in cash and cash equivalents		-180,636	156,928
Cash and cash equivalents at the beginning of the period	20	247,413	90,485
Net foreign exchange difference		0	0
Cash and cash equivalents at the end of the period	20	66,777	247,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

1. CORPORATE INFORMATION.

The consolidated financial statements of SHOP APOTHEKE EUROPE N.V. (or the "Company") and its subsidiaries (collectively, the Group) for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Managing Board on 6 March 2023, SHOP APOTHEKE EUROPE N.V. is a limited liability company incorporated in The Netherlands on 30 September 2015 and is legally domiciled in Sevenum, The Netherlands. SHOP APOTHEKE EUROPE N.V. is listed on the regulated market of the Frankfurt Stock Exchange.

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

2. GROUP INFORMATION.

Besides the financial information of SHOP APOTHEKE EUROPE N.V., the financial information of the following wholly-owned subsidiaries are also included in these consolidated financial statements.

SA Europe B.V., Sevenum, The Netherlands, with its 100 % subsidiaries:
- Shop-Apotheke B.V., Sevenum, The Netherlands
- Shop-Apotheke Service B.V., Sevenum, The Netherlands
- EuroService Venlo B.V., Sevenum, The Netherlands
- RC Staff B.V., Sevenum, The Netherlands
- RC Pharma B.V., Sevenum, The Netherlands
- Fastnet BVBA, Tongeren, Belgium
- nu3 GmbH, Berlin, Germany
- Shop Apotheke Service GmbH, Cologne, Germany (previously: RedTecLab GmbH)
- Hygée Santé S.A.R.L., Pont-A-Marcq, France
- Redcare srl., Milan, Italy
- nu3 Schweiz GmbH, Lachen, Switzerland
- nu3 France S.A.R.L., Entzheim, France
- smartpatient GmbH, Munich, Germany
- smartpatient Business Services Sp. z.o.o., Warsaw, Poland
- MedApp Holding B.V., Eindhoven, The Netherlands
- MedApp Nederland B.V., Eindhoven, The Netherlands
- MedApp Apotheek B.V., Eindhoven, The Netherlands
- APS All Pharma Service Nettetal GmbH, Viersen, Germany
- Aurora Gesundheit GmbH, Berlin, Germany
- Aurora Gesundheit Services 1 UG, Berlin, Germany

EHS Europe Health Services B.V., Sevenum, The Netherlands, with its 100 % subsidiary:
- EHSC B.V., Sevenum, The Netherlands, with its 100 % subsidiaries:
  - Europa Apotheek Venlo B.V., Sevenum, The Netherlands
  - Europa Apotheek Service Venlo B.V., Sevenum, The Netherlands

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

Associates
The Group has a 37.5 % interest in DatamedIQ GmbH (2021: 37.5 %), incorporated and located in Germany.

Joint arrangements in which the Group is a joint venturer
The Group has a 50% interest in König IDV GmbH (2021: 50%) and König IT Systeme GmbH (2021: 50%), both incorporated and located in Germany.

The Group has the following interest classified as equity-instruments:

Equity instruments
The Group has a 5% interest in Verkstedt GmbH (2021: 5%), incorporated and located in Germany.

3. SIGNIFICANT ACCOUNTING POLICIES.

3.1 BASIS OF PREPARATION.

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

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

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

GOING CONCERN.

In 2022, the Group incurred losses before tax of EUR 84.1 million (2021: EUR 77.9 million), coming from a negative EBITDA in the first and second quarter of 2022 which improved significantly in the second half of the year.

The cash flow from operating activities shows a negative cash flow of EUR 29 million. The working capital at the end of 2022 was positive at EUR 40.3 million. These figures show an impact of the fluctuation in working capital reflecting a relatively high trade payables and low receivables balance as end of 2021.

The cash including short term securities was at EUR 180 million as per 31 December 2022.

	31.12.2022	31.12.2021
	EUR 1,000	EUR 1,000
Trade and other receivables	59,876	52,310
Inventory	99,708	96,624
Trade and other payables	-72,882	-80,523
Loans and Borrowings (short-term)	-7,505	-6,368
Other liabilities (short-term)	-38,879	-37,156
Working capital	**40,318**	**24,887**
% Revenue	3.35%	2.35%
Working capital incl. cash and short term securities	**224,610**	**307,265**

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

The Company is closely monitoring its cash position and has taken the necessary measures to ensure future growth financing and financial robustness. The underlying unit economics in its larger markets are cash flow positive but the company is executing a fast growth strategy to build market share and increase its base of active customers. Parallel to the focus on growth, the company is driving gross profit margin improvements, efficiencies and scale. Liquidity is secured for at least the next 12 months through the cash and cash in short term deposits and securities of EUR 180 million as per 31 December 2022..

On the basis of the above, the consolidated financial statements have been prepared on a going concern basis.

3.2 BASIS OF CONSOLIDATION.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

3.3.1 CURRENT VERSUS NON-CURRENT CLASSIFICATION.

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period;
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

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

3.3.2 FAIR VALUE MEASUREMENT.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3.3 REVENUE FROM CONTRACTS WITH CUSTOMERS.

The Group is in the business of providing pharmaceuticals, food supplements and beauty and personal care products. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. For direct product sales the Group has concluded that it is the principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer. Therefore this revenue is recognised in full, whereas in the platform business the revenue is recognised in the amount of the commission and other fees expected to be received from the partners. Sales are reduced by sales deductions, taxes and fees.

Revenue is measured as the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Upon the sale of products to customers, the date on which the goods are delivered at the indicated place of destination is the date on which economic title to the products passes to the customer. In this case, the transfer of economic title is attached to the transfer of legal title. Revenue is recorded net of sales deductions.

Loyalty points programme.

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

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

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

3.3.4 COST OF SALES.

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

Vendor allowances.

The Group receives various types of vendor allowances. The most common allowances vendors offer are (i) volume allowances, which are off-invoice or amounts billed back to vendors based on the quantity of products purchased from the vendor and (ii) promotional allowances, which relate to (online) advertising and market development efforts. Volume allowances are recognized as a reduction of the cost of the related products as they are sold. Promotional allowances are recognized as a reduction of the cost of the related products when the Company has performed the activities specified in the contract with the vendor. If the contract does not specify any performance criteria, the allowance is recognized over the term of the contract. Vendor allowances are generally deducted from cost of sales, unless there is clear evidence that they should be classified as revenue resulting from the Company providing a distinct good or service to the vendor.

3.3.5 MARKETING EXPENSES.

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

3.3.6 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS.

The Group maintains three pension plans covering pharmacy personnel:

- Pharmacists of the Group participate in the occupational pension plan "SPOA". This pension plan is a collective defined contribution plan with direct conversion into pension entitlements. The pension plan is based on a predetermined premium that the participants transfer to the fund. Although this pension plan is based on the "average pay system", this pension scheme is based on a predetermined premium. Therefore, the participants are entitled to a pension to the extent that the previously determined premium is sufficient. During 2022 the employer contribution amounted to 20.5 % (2021: 19.1 %) of the pensionable base.
- Eligible employees of the Group participate in the multi-employer pension plan (PMA) determined in accordance with the collective bargaining agreements effective for the industry in which the Group operates. The employees in service before 2013 participate voluntarily in the PMA pension plan. This multi-employer pension plan covers approximately 2,000 companies and approximately 25,000 contributing members. The PMA pension plan is a collective defined contribution plan based on the average pay system. During 2022, the employer contribution amounted to 20.3 % (2021: 18.9 %) of the pensionable base.
- As of 1 January 2021, eligible employees of the Group participate in the pension scheme (BrandNewDay). The BND pension plan is a defined contribution plan. During 2022 the employer contribution amounted to 12 % (2021: 12 %) 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 was enacted. One of the results of this legislation was 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 2022 amounts to 119.0 % (31 December 2021: 104.1 %). (Source: Website SPOA)

The coverage ratio of the PMA pension fund as per 31 December 2022 amounts to 100.5 % (31 December 2021: 99.5 %). (Source: Website PMA)

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

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

3.3.7 SHARE-BASED PAYMENTS.

Selected employees, including senior executives, of the Group have received remuneration in the form of share-based payments.

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

3.3.8 TAXES.

The tax expense for the financial year is comprised of current and deferred income tax. Tax expense is recognised in the consolidated statement of profit and loss.

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

Value added taxes
Expenses and assets are recognised net of the amount of sales tax, except:
When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

3.3.9 FOREIGN CURRENCIES.

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

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

3.3.10 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS.

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

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

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

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- Represents a separate major line of business or geographical area of operations,
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

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

3.3.11 PROPERTY, PLANT AND EQUIPMENT.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

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

3.3.12 LEASES.

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

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

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policy in 3.3.15 Impairment of tangible and intangible assets.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

3.3.13 BUSINESS COMBINATIONS AND GOODWILL.

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

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

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

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

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

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

3.3.14 INTANGIBLE ASSETS.

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

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets: Software, technology and contracts
Software, technology and contracts, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period.

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

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

Derecognition of intangible assets

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

3.3.15 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss; impairment for goodwill is not reversed. Non-current assets include goodwill, other intangible assets, investments in equity-accounted joint ventures, investments in associates and property, plant and equipment.

At the end of each reporting period, the Group performs an impairment test on the carrying amounts of its goodwill to determine whether there is an impairment loss. This impairment review is prepared by comparing the carrying values of the cash-generating units related concerned to that cash-generating unit’s recoverable amount, being the higher of the value in use and fair value less costs to sell. Value in use is a valuation derived from the discounted future cash flows of the cash-generating units. The most important estimates in determining the present value of cash flows are growth rates used to calculate revenue growth, expected improvements as result of economics of scale and the discount rate in order to determine present value. The weighted average cost of capital used e. g. for goodwill impairment calculations has been determined based on the capital asset pricing model using the risk-free rate, market premium and beta based on peer-group capital structure. The pre-tax discount rates are calculated from the post-tax discount rate using the goal-seek method. Estimates are reviewed at least annually as of the date of each impairment test and believed to be appropriate. However, changes in these estimates could change the outcomes of the impairment reviews and therefore affect future financial results, the effects of which would be recognised in the consolidated income statement through operating profit.

3.3.16 ASSOCIATES AND JOINT VENTURES.

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

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

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

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

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

3.3.17 INVENTORIES.

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

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. There are limited net realisable value adjustments due to the fact that in general products can be returned to manufacturer or wholesaler prior to expiring.

3.3.18 CASH AND CASH EQUIVALENTS.

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

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

3.3.19 CASH FLOW STATEMENT.

The Company has chosen to prepare the statement of cash flows using the indirect method, which presents cash flows from operating activities as the operating result adjusted for non-cash transactions, working capital movement, corporate income tax paid, and items of income or expense associated with investing or financing cash flows. Cash flows in foreign currencies have been translated using weighted average periodic exchange rates. Interest paid on loans is presented as a financing activity, while interest received is presented as an investing activity. Acquisitions and divestments of businesses are presented net of cash and cash equivalents acquired or disposed of respectively. In the cash flow statement, the Company has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Lease payments are not split between interest and principal portions but are shown as one line, Cash-out lease payments, in the cash flow statement. Lease payments for short-term leases, lease payments for leases of low-value assets not included in the measurement of the lease liability are classified as cash flows from operating activities.

3.3.20 PROVISIONS.

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

3.3.21 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT.

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

Financial assets.

Initial recognition and measurement

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

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

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

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

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

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

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

The financial assets are included in current assets except for maturities greater than twelve months after the statement of financial position date. These are classified as non-current assets.

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

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

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of financial assets

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

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

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

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

Financial liabilities.

Initial recognition and measurement

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

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

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost (loans and borrowings).

Financial liabilities at fair value through profit or loss

The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

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

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

Classification as debt or equity

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

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

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

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

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

Offsetting of financial instruments.

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

3.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES.

New and amended standards and interpretations
In the current year, the Group has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. In 2022, the Group has not adopted early any new standards, interpretations or amendments that have been issued but are not yet effective.

The Group has adopted the amendments included in the Annual Improvements to IFRS accounting standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards; IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture. The Group is not affected by these amendments.

The Group is not affected by the Improvement in IFRS 3 Business Combinations and the Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use, the Amendment to IAS 37 Onerous Contracts-Cost of Fulfilling a Contract.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Other disclosures relating to the Group's exposure to risks and uncertainties include:
– Capital management (Note 25).
– Financial instruments (Note 25).

4.1 JUDGEMENTS.

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

DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL AND TERMINATION OPTIONS – GROUP AS LESSEE.

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

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

CAPITALISATION OF DEVELOPMENT EXPENSES.

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

In particular, we have capitalised development work for our websites and for the ERP system that runs our business operations.

4.2 ESTIMATES AND ASSUMPTIONS.

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

EVALUATION OF NON-CURRENT ASSETS FOR IMPAIRMENT.

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

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

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

LEASES – ESTIMATING THE INCREMENTAL BORROWING RATE.

The Group cannot readily determine the market rate in the lease. Therefore, it uses its incremental borrowing rate (IBR) to measure leases.

The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

CONVERTIBLE BONDS – ESTIMATING THE EFFECTIVE INTEREST RATE.

The Group measures the convertible bonds, net of directly attributable transaction costs, at amortised cost.

The effective interest rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain a convertible bond in a similar economic environment. The Group estimates the effective interest rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

TAXES.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Under consideration of IAS 12, no deferred tax assets have been recognised in excess of existing deferred tax liabilities, since no positive fiscal results have been reported yet.

PROVISION FOR EXPECTED CREDIT LOSSES OF TRADE RECEIVABLES.

Almost all accounts receivable are derived from sales to customers and receivables from vendors. In order to monitor potential credit losses, the Group performs ongoing credit evaluations of its customers' financial condition. Respective allowances for expected 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 judgements as to potential prevailing economic conditions in the industry and their potential impact on its customers.

PROVISION FOR NET REALISABLE VALUE OF INVENTORIES.

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

SHARE-BASED PAYMENTS.

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses the Black-Scholes valuation method for initial plans 1 until 6. For new plans during financial year 2020 the Monte-Carlo valuation method has been applied. The assumptions and methods used for estimating fair value for share-based payment transactions are disclosed in Note 27.

5. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION.

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

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

Segment Information

For the year ended 31 December 2022	DACH	International	Consolidated
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	940,169	264,183	1,204,352
Cost of sales	-678,559	-194,007	-872,566
Gross Profit	261,610	70,176	331,786
% of revenue	27.8%	26.6%	27.5%
Other income	116	32	148
Selling & Distribution	-219,437	-80,213	-299,650
Segment EBITDA	42,289	-10,005	32,284
Administrative expenses	-37,453	-24,493	-61,946
EBITDA	4,836	-34,498	-29,662
Depreciation	-23,888	-15,622	-39,510
EBIT	-19,052	-50,120	-69,172
Net finance cost and income tax			-8,474
Net loss			-77,646

For the year ended 31 December 2021	DACH	International	Consolidated
	EUR 1,000	EUR 1,000	EUR 1,000
Revenue	847,171	213,150	1,060,321
Cost of sales	-638,702	-155,091	-793,793
Gross Profit	208,469	58,059	266,528
% of revenue	24.6%	27.3%	25.2%
Other income	128	32	160
Selling & Distribution	-177,307	-64,075	-241,382
Segment EBITDA	31,290	-5,984	25,306
Administrative expenses	-47,977	-16,063	-64,040
EBITDA	-16,687	-22,047	-38,734
Depreciation	-16,550	-10,414	-26,964
EBIT	-33,237	-32,461	-65,698
Net finance cost and income tax			-8,487
Net loss			-74,185

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

The Group's assets and liabilities are not disclosed by segment as they are not included in the segment information used by the chief operating decision-makers. The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

The Group allocates all costs (excluding net finance cost and income tax) to the segments. The result by segment is shown in the EBITDA line including all costs directly related to the revenue of the segments (marketing, operations) and administrative expenses. EBITDA means earnings before tax, interest, depreciation and amortisation.

REVENUE FROM TYPE OF PRODUCTS AND SERVICES.

The revenue from type of products and services is the following:

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Prescription (Rx)	129,956	143,483
Over-the-counter (OTC) & beauty and personal care (BPC)	1,070,498	916,204
Other services	3,898	634
	1,204,352	1,060,321

The 2022 revenue from the country of domicile amounts to EUR 1,163.1 million (2021: EUR 1,020.1 million). The Group has no revenue from transactions with a single external customer amounting to 10 % or more of revenue.

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

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

OTHER GEOGRAPHICAL INFORMATION.

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

Other geographical information – location of non-current assets	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Netherlands	322,790	317,724
Germany	42,725	16,545
Italy	7,565	103
Belgium	1,239	1,202
France	121	163
	374,440	335,737

Other geographical information – additions to non-current assets	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Netherlands	44,101	39,435
Germany	25,294	3,573
Italy	8,396	6
Belgium	390	492
France	0	5
	78,181	43,511
Additions and acquisitions		
Property, plant and equipment	20,675	14,108
Intangible assets	57,506	29,403
	78,181	43,511

6. OTHER INCOME.

For 2022 and 2021, the other income relates to other transactions such as result from disposal for sale of fixed assets.

7. SELLING & DISTRIBUTION.

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Other selling & distribution expenses	217,728	175,634
Employee benefit expenses	81,922	65,746
Depreciation and amortisation expenses	33,584	22,921
Total selling & distribution	333,234	264,301

The main categories within selling & distribution are fulfilment, last mile and marketing and also cost related to online payment methods. As percentage of sales, selling & distribution expenses increased versus last year. This is largely due to increased marketing expenses as well as to shipping expenses.

8. ADMINISTRATIVE EXPENSE.

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Other administrative expenses	26,511	21,250
Employee benefit expenses	35,435	42,833
Depreciation and amortisation expenses	5,927	4,002
Total administrative expenses	67,873	68,085

Main categories within administrative expenses are personnel expenses e.g. for management, Finance, HR and Legal, as well as other IT-related non-labour cost, operations overhead cost and facility expenses.

Reconciliation: Employee benefit to selling & distribution, administrative expenses and cost of sales	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Included in Selling & distribution	81,922	65,746
Included in Administrative expenses	35,435	42,833
Included in Cost of sales	12,095	11,052
	129,452	119,631

Reconciliation: Employee benefit to various categories	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Wages & salaries	98,409	84,755
Social securities	13,901	10,164
Pension contributions	3,005	2,262
Post-combination services	14,137	22,450
	129,452	119,631

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

Employee benefit expenses include costs of EUR 14.1 million (of which EUR 15.2 million for smartpatient and EUR – 1.1 million for MedApp, in 2021: EUR 22.5 million (of which EUR 19.9 million for smartpatient and EUR 2.5 million for MedApp) of post-combination services payments related to the acquisitions of smartpatient and MedApp. The credit amount for MedApp relates to the reassessment of the expected future post-combination services liability as per the reporting date. For detailed explanation on the nature of these cost reference is made to note 29 business combinations completed in prior periods.

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

	Year ended 31.12.2022	Year ended 31.12.2021
FTE's (Full Time Equivalents) as at 31 December	1,847	1,569

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

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Cost of sales	219	178
Selling & distribution	1,455	1,225
Admin	173	166
	1,847	1,569

All employees are involved in providing the Group's services relating to its online pharmacy and e-commerce activities. As of 31 December 2022, 655 of the 1,847 FTEs were working outside The Netherlands (31 December 2021: 469 of 1,569).

The average FTE's for the year 2022 do not materially deviate from the year end FTE's.

TOTAL EXPENSES DEFINED CONTRIBUTION PENSION PLANS.

The total expenses of EUR 3.1 million (2021: EUR 2.2 million) recognised in profit or loss represents contributions payable to the plan by the Group.

As of 31 December 2022, contributions of EUR 0 (2021: EUR 137 thousand) due in respect of the reporting period had not been paid over to the plan.

9. TOTAL DEPRECIATION AND AMORTISATION EXPENSES.

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Depreciation of property, plant and equipment	13,834	11,380
Amortisation of intangible assets	25,677	15,543
	39,510	26,923

10. FINANCE INCOME AND EXPENSES.

Finance income	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Net foreign exchange differences	1,801	1,491
Finance income from subrental	233	–
Other finance income	41	28
	2,075	1,519

Finance expenses	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Interest and other expenses convertible bonds	6,044	5,652
Expenses for online payment methods	5,788	4,532
Losses from other financial assets	1,575	156
Net loss on contingent consideration liability subsequently measured at FVTPL	1,444	–
Interest expenses credit institutions	1,343	1,824
Interest costs related to leasing	1,117	1,090
Net foreign exchange differences	39	3
Other finance expense	11	21
	17,361	13,278

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

11. INCOME TAX EXPENSES.

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

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Result before tax	**-84,119**	**-77,884**
Temporary difference capitalization developed software	-2,711	-679
Temporary difference intangible assets from business combination	6,319	6,739
Temporary difference leases	1,040	-393
Temporary difference convertible bond	5,720	0
Permanent difference provision business combinations	0	-4,897
Permanent difference contingent consideration business combinations	14,137	22,450
Permanent difference share option plan	16,227	6,819
Permanent difference result joint ventures	-96	-4
Limited deductible costs	0	0
Taxable result before tax	**-43,483**	**-47,848**
Fiscal result other countries	-26,947	-13,680
Taxable result before tax Netherlands	**-16,536**	**-34,168**
Income tax expense:		
Income tax rate Netherlands	25.8 %	25.0 %
Effect of tax during the year Netherlands	-4,266	-8,542
No deferred tax due to uncertainty	4,266	8,542
Effect of tax loss carry forward Netherlands	0	0
Effect of current taxes in other countries	187	467
Effect of tax loss carry forward Germany	0	0
Effect of current taxes prior years	-240	96
Effect from movement deferred taxes	-6,420	-4,262
Tax expense in profit and loss	**-6,473**	**-3,699**

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

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

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Current taxes	53	-563
Deferred taxes	6,420	4,262
	6,473	3,699

DEFERRED TAX BALANCES.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25.8 % in The Netherlands and 32 % in Germany (2021: 25 % and 34 % respectively).

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

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Balance 1 January	-13,552	-4,227
Recognized in profit and loss	6,420	4,262
Arising on equity component of convertible bond	0	-10,566
Arising on business combinations	-293	-3,021
Balance 31 December	-7,425	-13,552

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

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

	Asset 2022	Liability 2022	Net 2022	(Charged)/ credited to profit & loss 2022	(Charged)/ credited to equity 2022	Arising on business combination 2022
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Available losses	11.929	0	11.929	1.427	0	0
Temporary difference fiscal amortisation goodwill	0	-1,179	0	-37	0	0
Temporary difference intangible fixed assets from business combinations	0	-11,714	0	1,483	0	-293
Temporary difference on convertible bond	0	-7,887	0	1,266	0	0
Temporary difference on software capitalisation	1,427	0	0	2,281		
Tax assets/(liabilities)	13,356	-20,780	11,929	6,420	0	-293
Set off of tax	-12,894	12,894	0	0	0	0
Net tax assets (liabilities)	462	-7,886	11,929	6,420	0	-293

	Asset 2021	Liability 2021	Net 2021	(Charged)/ credited to profit & loss 2021	(Charged)/ credited to equity 2021	Arising on business combination 2021
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Available losses	9,648	0	9,648	987	0	1,543
Temporary difference fiscal amortisation goodwill	0	-1,142	-1,142	0	0	0
Temporary difference intangible fixed assets from business combinations	0	-12,905	-12,905	1,862	0	-4,564
Temporary difference on convertible bond	0	-9,153	-9,153	1,413	-10,566	0
Tax assets/(liabilities)	9,648	-23,200	-13,552	4,262	-10,566	-3,021
Set off of tax	-9,648	9,648	0	0	0	0
Net tax assets (liabilities)	0	-13,552	-13,552	4,262	-10,566	-3,021

The Company has carry-forward losses in The Netherlands for an amount of EUR 262.9 million at the end of 2022 and EUR 210.3 million at the end of 2021. The actual applicable tax rate is the Dutch corporate tax rate of 25.8% payable by corporate entities in The Netherlands and the corporate tax rate of 32% payable by corporate entities in Germany on taxable profits.

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

	2022	2021
	EUR m	EUR m
Unused tax losses	219.3	174.8
The expiry date of the unused tax losses is as follows:		
No expiry date	**219.3**	**174.8**

On 4 June 2021 a Royal Decree was published on the earlier announced modification to the Dutch Net Operating Loss (NOL) carryforwards. Under the new tax law, effective as per 1 January 2022, the NOL carryback period will remain 1 year and the carryforward period will be unlimited for all taxable losses as of the fiscal year 2013. However, the amount of the NOL utilization will be limited to 50 per cent of taxable income (in excess of EUR 1 million). As a result of the change in tax law the overview with unused tax losses does not show an expiry date for the tax losses.

DEFERRED TAX LIABILITIES.

As per 31 December 2022, the deferred tax liability for intangible assets mainly relates to:
- Acquisition of the Shop Group in 2010 which was an asset deal under Dutch jurisdiction with an initial (at acquisition) duration of ten years: EUR 1.2 million (2021: EUR 1.1 million);
- to the intangible assets identified in the purchase price allocation to the acquisition of EHS Europe Health Services B.V., in 2017: EUR 7.0 million (2021: EUR 7.6 million).
- Intangible assets identified in the purchase price allocation to the acquisition of nu3 in 2018: EUR 1.3 million (2021: EUR 1.6 million).
- Intangible assets identified in the purchase price allocation to the acquisition of smartpatient GmbH in 2022: EUR 2.5 million (2020: EUR 3.0 million).
- Intangible assets identified in the purchase price allocation to the acquisition of MedApp in 2021: EUR 630 thousand (2020: EUR 749 thousand).

As per 31 December 2022, a deferred tax liability of EUR 7.9 million (2021: EUR 9.2 million) has been recorded which is related to a temporary difference in the convertible bond arising from the initial recognition of the equity component separately from the liability component.

DEFERRED TAX ASSETS.

For the fiscal entities nu3 GmbH, MedApp, Shop Group and EHSC B.V., deferred tax assets related to losses carried forward are recognised only as far as they can be offset against deferred tax liabilities for the same fiscal entity.

12. EARNINGS PER SHARE.

Basic and diluted earnings	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Result for the year attributable to owners of the Company	-77,646	-74,185
Earnings used in the calculation of basic and diluted earnings per share	-77,646	-74,185
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	-77,646	-74,185
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	17,984,921	17,883,173

Basic and diluted earnings per share	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
From continuing operations	-4,32	-4,15
From discontinued operations	0,00	0,00
Total basic and diluted earnings	**-4,32**	**-4,15**

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

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

- Employee share options: Assuming full execution of the total outstanding options per 31 December 2022, an additional 664,514 new shares would be issued in the future, of which 202,859 have already been issued and are held in treasury. This relates to stock option plans 6a up to and including 12c. We refer to Note 27 for an explanation regarding the vesting and expiry dates.
- Convertible bonds: As outlined in Note 33, the Group issued a EUR 225 million convertible bond on 14 January 2021. Assuming full conversion of the total convertible bond 962,238 new shares would be issued in the future. The maturity of the convertible bond is seven years, with an investor put option after five years.
- Payment related to acquisitions: The contingent obligation exists to issue 589,729 shares in the next two years related to the acquisition of smartpatient during the year 2021. The contingently issued shares must be issued except if the contractual conditions are not met.

The number of outstanding shares is 18,199,281 as of 31 December 2022. If all mentioned potentially issuable shares are issued then the number of outstanding shares would increase to 20,212,903.

13. PROPERTY, PLANT AND EQUIPMENT.

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

	Land & Buildings	Machinery	Other	Under construction	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Cost					
Balance 1 January 2021	40,952	12,290	13,316	22,291	88,847
Reclassification	1,729	22,302	1,549	-25,580	0
Additions	720	726	3,458	9,204	14,108
Acquisitions	1,032	0	215	0	1,247
Disposals	-6,556	-70	-1,337	0	-7,962
Balance 31 December 2021	**37,877**	**35,249**	**17,201**	**5,915**	**96,241**
Reclassification	2,038	9,652	293	-11,676	307
Additions	7,984	-1,342	4,017	9,579	20,238
Acquisitions	363	0	73	0	436
Disposals	-73	-26	-680	0	-779
Balance 31 December 2022	**48,189**	**43,533**	**20,903**	**3,818**	**116,443**
Accumulated amortisation and impairment					
Balance 1 January 2021	8,675	404	5,223	0	14,302
Reclassification	0	0	0	0	0
Depreciation	5,517	3,088	2,775	0	11,380
Impairment	0	0	0	0	0
Disposals	-6,359	-70	-1,274	0	-7,703
Balance 31 December 2021	**7,834**	**3,423**	**6,723**	**0**	**17,980**
Reclassification	0	0	0	0	0
Depreciation	5,739	4,463	3,511	0	13,713
Impairment	0	0	0	0	0
Disposals	-49	-21	-614	0	-685
Balance 31 December 2022	**13,524**	**7,864**	**9,620**	**0**	**31,009**
Carry value					
Balance 31 December 2021	**30,043**	**31,826**	**10,478**	**5,915**	**78,261**
Balance 31 December 2022	**34,665**	**35,669**	**11,282**	**3,818**	**85,434**

In the calculation of depreciation, the following useful lives are used:
- Machinery, leasehold improvements, furniture, office equipment: 10 years
- IT- and communication equipment, other: 3–5 years
- Right-of-use assets (according to IFRS 16, refer to Note 30): 2–10 years depending on underlying contracts

The adjustments during the financial year mainly relate to the new logistics centre in Italy as well as further investments in mechanisation and IT equipment in the logistics centre in The Netherlands.

14. INTANGIBLE ASSETS.

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

	Software, technology & contracts	Brand	Customer Database	Goodwill	Under construction	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Cost						
Balance 1 January 2021	38,624	14,370	40,858	131,166	16,645	241,664
Reclassification	27,238	0	0	0	-27,238	0
Additions	4,141	21	0	0	25,241	29,403
Acquisitions	13,705	1,305	0	24,006	0	39,016
Disposals	0	0	0	0	-62	-62
Balance 31 December 2021	**83,708**	**15,696**	**40,858**	**155,172**	**14,586**	**310,021**
Reclassification	25,888	0	0	0	-26,195	-307
Additions	7,400	0	0	0	32,559	39,959
Acquisitions	125	38	938	16,446	0	17,547
Disposals	-1,476	0	0	-166	0	-1,642
Balance 31 December 2022	**115,646**	**15,734**	**41,796**	**171,452**	**20,950**	**365,579**
Accumulated amortisation and impairment						
Balance 1 January 2021	17,342	8,349	9,266	2,045	0	37,002
Reclassification	0	0	0	0	0	0
Amortisation	11,341	1,190	3,013	0	0	15,543
Disposals	0	0	0	0	0	0
Balance 31 December 2021	**28,683**	**9,539**	**12,279**	**2,045**	**0**	**52,545**
Reclassification	0	0	0	0	0	0
Amortisation	21,324	1,255	3,096	0	0	25,677
Disposals	-1,482	0	0	-166	0	-1,648
Balance 31 December 2022	48,525	10,794	15,375	1,879	0	76,574
Carry value						
Balance 31 December 2021	55,026	6,157	28,579	153,127	14,586	257,476
Balance 31 December 2022	67,120	4,940	26,421	169,573	20,950	289,005

In the calculation of amortisation the following useful lives are used:
- Software licenses: 2–5 years, depending on the license contract
- ERP-software: 3–7 years
- Smart technology (included in software category): 15 years
- Customer database: 7–17 years, depending on the nature
- Brand name: 2–10 years, depending on the brand
- Favourable contracts/agreements: 8 years
- Goodwill: Indefinite life subject to impairment

Assets under construction mainly relate to capitalised costs for development projects. These costs are capitalised at the moment the project is ready for use.

15. IMPAIRMENT TESTS FOR GOODWILL.

15.1 DESCRIPTION OF THE IMPAIRMENT TEST PROCESS.

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

Considering the requirements of IAS 36.49, the company has identified the main drivers for future cash flows. The past year, 90% (EUR 1.1 billion) of total company sales were from OTC and other pharmacy related products excluding prescription medicines, respective sales increased by 17% compared to the prior year. In each of the markets the company operates in, for many consecutive years a double-digits growth has been achieved, in part from a successful customer proposition and execution and in part from a continuous shift from off- to online pharmacies. The company and external experts including analysts who follow the company closely expect the shift from off- to online pharmacies to continue in the coming years as current online penetration numbers are still low and customer satisfaction is high. SHOP APOTHEKE EUROPE'S reporting segment DACH is already now operating at a positive adjusted EBITDA. In addition, there is in Europe but foremost currently in Germany, the opportunity for the company to significantly increase the sales of prescription medications. In Germany, the online sales of prescription medications are allowed, but was a cumbersome process for customers because of the requirement to give the doctor's paper prescription to the pharmacist or in case of SHOP APOTHEKE via post. In 2019 the development started of an electronic alternative (eRx) by the gematik, and after a successful testing until summer 2022, in total 1 million eRx were dispensed by doctors across Germany until early 2023. The prospect on a nation-wide usage of eRx is a great opportunity for customer-centric online pharmacy SHOP APOTHEKE. Expected sales and unit economics are taken into account for the best estimates for total cash flows.

15.2 DETERMINATION OF CASH GENERATING UNITS (CGU'S).

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

- CGU Shop-Apotheke Germany (incl. smartpatient)
- CGU Farmaline
- CGU nu3
- CGU MedApp
- CGU Hygee Santé
- CGU First A/GoPuls

APS was acquired in 2022 and has been added to the Shop Apotheke Germany CGU.

smartpatient was acquired in 2021 and has been added to the Shop Apotheke Germany CGU. The acquisition of smartpatient is part of our Medication Management strategy via which we anticipate to improve our Prescription-based sales in Germany. The cash-generation of the smartpatient investment will be visible in the Prescription-based sales as part of the Shop Apotheke Germany CGU.

Following the definition of CGU's, the following analyses were not performed:
– Hygee Santé was acquired in 2017. As the respective goodwill of the CGU Hygee Santé is not material, no specific impairment test was carried out for this CGU.

15.3 OVERVIEW GOODWILL.

As a result, the following table shows the goodwill existing in the Group as at 31 December 2021:

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Shop Apotheke Germany	145,456	144,715
GoPuls (former First A)	15,705	0
Farmaline	4,179	4,179
nu3	2,975	2,975
MedApp	1,253	1,253
Hygee Santé	5	5
	169,573	153,127

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

STRATEGIC INFORMATION.

The Group is a fast-growing online pharmacy in Continental Europe. With the acquisition of Europa Apotheek Venlo in November 2017, the Group significantly enhanced its position in Germany and in prescription medicines. The product range of OTC, beauty and personal care products as well as prescription drugs segments is supplemented by high quality natural food and health products, low carb products and sports nutrition following the acquisition of nu3 GmbH in July 2018. In 2021, the Group made acquisitions of smartpatient, a digital medication management expert and MedApp, a drug business in the Dutch market.

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

The Group delivers a broad range of more than 100,000 original products on stock and 100,000 products via its marketplace to more than 9 million active customers (9.3 million active customers at year-end 2022) and at attractive prices. In addition, the Group provides comprehensive pharmaceutical consulting services. SHOP APOTHEKE has a single face to customers in Germany and is transitioning from a pure e-pharmacy retailer to a customer-centric e-pharmacy platform. SHOP APOTHEKE'S goal is to gain a relevant share of the online prescription market growth that is expected from the introduction of electronic prescriptions (eRx) in Germany.

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

INTERNAL PROCESS FOR PREPARING THE 8-YEAR FORECAST TO PERFORM IMPAIRMENT TESTS.

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

HISTORICAL FINANCIAL INFORMATION.

The health sector is driven by regulations that result in barriers of entry and loyal, long-term customers with high customer lifetime values. As the online market is expected to stay in a growth mode for a number of years due to an expected continuation from offline to online in the continental European markets, the length of the forecasting period needs to reflect this. An 8 year forecast period is considered appropriate to reflect this adequately with robust assumptions due to the nature of the industry, the long-term growth phase expected from the introduction of electronic prescriptions in Germany, and the gradual shift of consumer preferences from offline to online.

In the past, SHOP APOTHEKE has shown consistent fast growth during consecutive years, even ranging to above 20 and 30 % sales p. a. in the German OTC/BPC online markets but calculates with approximately 15 % sales growth p. a. going forward for the impairment testing purposes. The growth of the prescription medication (Rx) sales was 10 – 20 % p. a. until 2020. In 2021, a strong decrease of Rx sales was the result of not being allowed anymore to grant a Rx bonus to our customers; in 2022 this decrease stopped with stable sales volumes from Q3 2021 up to and including all quarters of 2022. In the near future it is expected that Rx sales will grow again at a rapid pace following the nation-wide obligation to use the electronic prescriptions in the German market.

2022 was an important year where both the financials were delivered according to external guidance provided at the start of the year and important strategic progress was achieved at the same time. After the opening of a next generation central distribution facility in Sevenum, The Netherlands in 2021, in 2022 a distribution centre was opened near Milan in Italy. Both serve to enable the company to meet the higher future demand expected due to the ongoing shift of customers from offline to online and the expected introduction of e-scripts in Germany. After the launch of a marketplace platform in Germany late 2021, in 2022 Austria followed enabling our customers in the two countries to choose from a wide range of additional assortment from our marketplace merchants. We extended the delivery options to our customers particularly in Germany with further same-day or quick delivery options organized by ourselves or via partners and platforms. In the turbulent year externally, with increased customer uncertainty due to geopolitical and economic developments, SHOP APOTHEKE EUROPE continued to grow its customer base fast, achieved double-digits sales growth, and at a margin as guided towards externally at the start of the year.

For the most important goodwill, i. e. Shop-Apotheke, nu3, Farmaline, MedApp and GoPuls, long-term forecasts were produced to perform respective impairment tests.

SUPPORT FOR MAIN ASSUMPTIONS.

Future revenue growth is planned in a two-step approach: First, based on customer data and future expectations on sales growth rates and market shares are calculated. The results of these calculations are then partially compared against organic growth rates and market shares realised historically. In a second step, the outcome is compared against the total market size, based on the calculations regarding total market share computed in step 1. In addition, specifically for the prescription-based market an online mail order penetration of 10 % is assumed to be reached in five years supported by market research.

Target adjusted EBITDA profitability in access of 8% is based both on benchmarking of local German pharmacies (information from ABDA Pharmacists' Association), and a bottom-up build-up of current unit economics, future income streams, efficiencies and scale.

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

Operations personnel is calculated on the number of parcels taking into account, realised and expected efficiency gains from the new site based on calculations from an external general planner.

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

Administrative personnel and IT infrastructure personnel is calculated taking into account economies of scale and typical efficiency gains. Internal and external IT personnel is calculated for the first year based on the required man days for the IT projects that are planned to be delivered, for future years it is based on a percentage of sales as these costs and demands are expected to increase together with our sales growth.

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

UPSIDES AND DOWNSIDES.

The downside risks of the impairment test for the CGU SHOP APOTHEKE would be not only a significant (years) delay in the implementation of the electronic script in Germany, but there could be a potential, very unlikely (as in conflict with European law) ban on mail order for prescription medications in Germany or Belgium.

The upside potential is a stronger adaption of the electronic script in 2023 and onwards or an overall acceleration (vs. our estimates) of the shift from customer preference from off- to online pharmacies across our geographies. A broader overview of the risks and opportunities of the company is described in the Risk Report part of the annual report.

WACC.

The calculation of the WACC follows the capital asset pricing model applying current interest rates, market premiums and betas, benchmarked by a peer-group analysis performed by independent experts, resulting in a 8.3% WACC for the Group. From the post-tax discounted cash flow analysis, pre-tax rates were determined using the goal-seek method according to IAS 36.BCZ85 Determining a pre-tax discount rate. The respective pre-tax WACC was 10.5% for the Shop Apotheke Germany impairment test, 11.1% for the nu3 impairment test, 10.9% for the Farmaline impairment test, 35.0% for the GoPuls impairment test and 9.3% for the MedApp impairment test.

15.4 IMPAIRMENT TEST.

Impairment tests on goodwill in line with IAS 36 have been made for the goodwill related to
- Shop-Apotheke Germany
- Farmaline
- nu3
- MedApp
- GoPuls (former First A)

For Hygee Santé no impairment tests were performed as explained in Note 15.2.

As the Shop-Apotheke goodwill is related only to the German business the respective CGU relates only to the DACH segment. The main assumption for the related impairment test is the sales growth expected from the start with electronic prescriptions in 2023, the total number of annual prescriptions in Germany as well as approximately 10% online penetration rates of electronic prescriptions in markets such as Switzerland, Sweden and the United States. The related cash flow projections include projected investment in capacity expansion as well as increased personnel cost and working capital needs in line with the expected sales growth. Due to the long-term growth perspective based on demographic factors, i.e. market studies projecting an ageing population with a respective higher need for prescription medication, the respective calculations are based on an eight-year forecasting period.

The assumptions used in the impairment test as of 31 December 2022 are summarised in the table below:

	Terminal sales growth	Revenue growth rate	EBITDA margin	Discount rate
SHOP APOTHEKE	0%	7.5%-66.0%	1.5%-8.2%	10.5%
Farmaline	0%	10.1%-27.6%	2.7%-8.2%	10.9%
nu3	0%	6.7%-13.7%	2.8%-9.7%	11.1%
MedApp	0%	10.0%-135.0%	-17.6%-8.6%	9.3%
GoPuls (former First A)	0.9%	31.7%-212.5%	-90%-13.6%	35.0%

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

16. ACCOUNTING FOR JOINT VENTURES.

The Company has a 50% (2021: 50%) interest in two joint ventures, König IDV GmbH and König IT Systeme GmbH, both incorporated and located in Germany. The primary business of König IDV GmbH is data processing. The primary business of König IT Systeme GmbH is IT services.

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

	Country of incorporation principle place of business	Proportion of ownership interest held as at 31 December	
		2022	2021
König IDV GmbH [1]	Germany	50%	50%
König IT-Systeme GmbH [2]	Germany	50%	50%

König IDV GmbH had a result after taxes of EUR 169 thousand in financial year 2022 (2021: EUR 148 thousand). König IT Systeme GmbH had a result after taxes of EUR –11 thousand (2021: EUR –31 thousand).

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

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

Summarised statement of financial position – joint ventures	As at 31 December 2022	As at 31 December 2021
	EUR 1,000	EUR 1,000
Non-current assets	62	62
Current assets	1,343	1,194
Total assets	**1,405**	**1,256**
Equity	1,241	1,092
Current liabilities	164	164
Total equity and liabilities	**1,405**	**1,256**

Summarised statement of profit or loss – joint ventures	2022	2021
	EUR 1,000	EUR 1,000
Revenue from contracts with customers	1,131	1,187
Other operating income	11	10
Cost of sales	–97	–82
Operating expenses	–866	–943
Result before tax	**179**	**172**
Income tax expense	–30	–62
Result for the year (continuing operations)	**149**	**110**
Total comprehensive income for the year (continuing operations)	**149**	**110**
Group's share of result for the year	**74**	**55**

The operating expenses include depreciation expenses of EUR 40 thousand (2021: EUR 31 thousand).

The carrying amount of the Company's interest in joint ventures amounts EUR 1,250 thousand (2021: EUR 1,154 thousand). The changes in this carrying value only relates to share in income (loss) of joint ventures.

17. INVENTORIES.

The cost of inventories recognised as an expense during the year in respect of continuing operations was EUR 872.6 million (2021: EUR 793.8 million). No inventories are expected to be recovered after more than twelve months.

The inventories include EUR 0.7 million (2021: EUR 0.6 million) carried at net realisable value. Such write-down was recognised as an expense during 2022. The write-downs and reversals are included in Cost of sales.

	Year ended 31.12.2022	Year ended 31.12.2021
Finished products held for resale	103,897	103,377
Raw materials, packaging materials and other	478	491
Inventory allowance	–4,667	–7,244
Total	99,708	96,624

18. TRADE AND OTHER RECEIVABLES.

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Trade receivables	30,004	27,918
Prepayments	6,574	3,696
Other current assets and deferred income	12,354	12,450
VAT receivable	10,944	8,246
	59,876	52,310
Trade receivables	34,806	32,604
Provision for impairment	-4,802	-4,686
	30,004	27,918

The average credit period on sales of goods and services is nine days in 2022 (2021: 10 days).

As of 31 December 2022, the aging analysis of receivables was as follows:

		Not past due				Past due
	Total	0-30 days	30-60 days	61-90 days	91-120 days	121 days and older
Trade receivables	34,806	24,217	3,471	684	562	5,872
Provision for impairment	-4,802	-12	-85	-148	-71	-4,485
Net trade receivables	**30,004**	**24,205**	**3,387**	**536**	**491**	**1,387**
Expected credit loss	14%	0%	2%	22%	13%	76%

As of 31 December 2021, the aging analysis of receivables was as follows:

		Not past due				Past due
	Total	0-30 days	30-60 days	61-90 days	91-120 days	121 days and older
Trade receivables	32,604	23,653	3,304	725	1,026	3,895
Provision for impairment	-4,686	-30	-25	-191	-544	-3,895
Net trade receivables	**27,918**	**23,623**	**3,279**	**534**	**482**	**-0**
Expected credit loss	14%	0%	1%	26%	53%	100%

No interest is charged on trade receivables. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer scoring. Limits and scoring attributed to customers are reviewed periodically. In addition, customer orders are checked automatically by defined algorithms to prevent fraud.

Movement in the provision for impairment:

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Balance beginning of the year	4,686	4,300
Provision for expected credit losses	550	941
Write-off	-434	-555
Balance end of the year	**4,802**	**4,686**

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

19. OTHER FINANCIAL ASSETS.

The current other financial assets of EUR 117.6 million (2021: EUR 36.4 million) includes total securities and fixed term deposits amounting to EUR 113.3 million (2021: EUR 35.0 million). The largest part is related to a fixed term deposit of EUR 80 million which has been released in February 2023. This has been shown as current securities in other financial assets according to IAS 7. The other part is related to the short-term portion of the prepaid post-combination services in escrow related to the acquisition of smartpatient of EUR 4.2 million (2021: EUR 1.4 million).

Non-current other financial assets of EUR 9.4 million (2021: EUR 13.1 million) are related to prepaid post-combination services related to the acquisition of smartpatient of EUR 7.1 million (2021: EUR 11.3 million) as well as to payments made regarding rent deposits; it is expected that they will be repaid at the end of the rental contract.

20. CASH AND CASH EQUIVALENTS.

All cash balances are at free disposal of the Group, except for a rent guarantee of EUR 336 thousand.

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

21. SHAREHOLDERS' EQUITY.

SHARE CAPITAL.

The share capital of the Group as of 31 December 2022 amounts to EUR 364.0 thousand (31 December 2021: EUR 361.9 thousand) divided into 18,199,281 shares (31 December 2021: 18,095,121) each with a nominal value of EUR 0.02 all of which have been issued and fully paid.

CAPITAL INCREASE.

During the financial year 38,813 employee options were exercised. Each share option gives the participant the right to subscribe newly issued ordinary shares of the company on exercise at a predetermined exercise price. The average exercise price amounts to EUR 43.32 per share. The exercised options have a total value of EUR 0.6 million.

22. NON-CURRENT LIABILITIES.

LOANS AND BORROWINGS.

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Amounts due to banks	8,125	9,790
Lease liabilities	27,593	26,055
Convertible bond	191,629	185,586
Contingent consideration	12,872	0
Other liabilities to third parties	1,743	2,651
Employee benefit liabilities	5,688	5,946
	247,650	230,028

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

CONVERTIBLE BOND.

In January 2021, the Company issued 2,250 0.0% convertible bonds with an aggregate principal amount of EUR 225.0 million. Each bond entitles the holder to convert to ordinary shares at a conversion price of EUR 233.83. Given the zero coupon no interest is due on these bonds. Conversion of the above-mentioned bonds may occur as of 3 March 2021 in the period to and including the earlier of the following days:

- the 40th business day prior to the maturity date (21 January 2028); or
- if the bonds are redeemed by the issuer, the 30th business day prior to the redemption date or if such day falls within an excluded period the first business day prior to the beginning of this excluded period.

To the extent the bonds have not previously been redeemed, converted or repurchased and cancelled they will be redeemed at their principal amount on the maturity date (21 January 2028). The issuer will be entitled to fulfil its obligation to redeem the bonds in cash by redeeming all but not only some of the bonds, according to the share redemption option.

The convertible bonds contain two components: Liability and equity elements. The equity element is presented in equity under the heading of equity part on convertible bonds.

The effective interest rate of the liability element on initial recognition is 3.05% per annum.

INITIAL RECOGNITION CONVERTIBLE BONDS.

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

	Issued on 14 January 2021
	EUR 1,000
Proceeds of issue principal (amount minus costs)	222,197
Liability component at date of issue	- 179,933
Deferred tax liability on equity component	- 10,566
Equity component	**31,698**

MOVEMENTS OF THE CONVERTIBLE BONDS.

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

	EUR 1,000
Balance 1 January 2021	**0**
Liability component issued convertible bond	179,933
Interest charged calculated at an effective interest rate of 3,05 %	5,653
Interest paid	0
Balance 31 December 2021	**185,586**
Interest charged calculated at an effective interest rate of 3,05 %	6,043
Interest paid	0
Balance 31 December 2022	**191,629**

CURRENT VERSUS NON-CURRENT CLASSIFICATION.

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Liability component	191,629	185,586
– of which long-term position	191,629	185,586
– of which short-term position	0	0

AMOUNT DUE TO BANKS.

In February 2021, the Company obtained a EUR 13 million loan at a credit institution. This loan is secured by a pledge over the logistics automation in the Sevenum logistics centre.

The loan has a duration of six years, ending on 31 December 2026, repayment is quarterly for an amount of EUR 406,250 starting on 31 March 2021.

The annual interest amounts to 3-month EURIBOR + 2.95 % of the principal amount.

OTHER LIABILITIES TO THIRD PARTIES.

The Group has other liabilities to third parties which result from the business combinations during the financial year 2021.

CONTINGENT CONSIDERATION.

The contingent consideration liability relates to the acquisition of 100 % of the shares of Aurora Gesundheit GmbH (the business of "First A") during 2022. The consideration is to be paid in cash (with an option for SHOP APOTHEKE EUROPE to have a (part) payment in shares) in five subsequent tranches in the following four years after the acquisition. Each tranche payment is an earn-out based on a sales multiple with a correction for EBITDA for the respective earn-out period.

The fair value of the contingent consideration arrangement of EUR 12,872,000 was estimated calculating the discounted cash flow based upon the present value of the future expected cash flows. The estimates are based on assessment of the business plan and the corresponding expected earn-out. Since the contingent consideration is considered to be classified as a financial liability it is subsequently measured to fair value at each reporting date until the contingency is settled.

A sensitivity analysis indicates that the fair value of the contingent consideration as per year end would increase with EUR 4.4 million if the outcome of the business plan would be increased with 20 % or EUR – 12.8 million if the business plan would be decreased with 20 %.

EMPLOYEE BENEFIT LIABILITIES.

This relates to the long-term portion of the post-combination benefit payments as a result of the acquisitions of smartpatient and MedApp. Reference is made to note 29 business combinations in prior periods for detailed disclosure.

23. CURRENT LIABILITIES.

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Trade and other payables	72,882	80,523
Loans and borrowings	7,505	6,368
Other liabilities	38,879	37,156
	119,266	124,047

TRADE AND OTHER PAYABLES.

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Trade payables	68,944	78,116
Other payables	3,937	2,407
	72,881	80,523

The average credit period on purchases is 29 days in 2022 (2021: 36 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

LOANS AND BORROWINGS.

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Loans to credit institutions – short term portion	1,625	1,625
Lease liabilities – short term position	5,879	4,743
	7,504	6,368

Amounts due to banks are further disclosed in note 22.

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

OTHER LIABILITIES.

	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000
Corporate income tax	241	775
Wage tax & soc. security charges	2,311	2,566
VAT	11,990	11,176
Employee benefit liabilities	4,147	8,414
Liability due to customer loyalty program	7,567	6,645
Accrued expenses	12,623	7,579
	38,879	37,156

EMPLOYEE BENEFIT LIABILITIES.

The employee benefit liabilities include accruals for bonus payments, vacation days and several other accruals, as well as the short-term portion of contingent consideration payment as a result of the acquisitions of smartpatient and MedApp in 2021.

OTHER LIABILITIES.

No interest is charged on the other liabilities.

24. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES.

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

During financial year 2022			Non-cash changes			
	31.12.2021	Cash flows	Acquisition	Addition/ Movement	Interest accretion to liability	31.12.2022
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Long term borrowings (incl. current)	11,415	-1,665	0	0	0	9,750
Short term borrowings - bank overdraft	38	2	0	0	0	40
Lease liabilities (non-current)	26,055	0	226	188	1,124	27,593
Lease liabilities (current)	4,743	-5,461	80	6,517	0	5,880
Contingent consideration	0	0	11,485	1,387	0	12,872
Convertible bond	185,586	0	0	0	6,043	191,629
	227,837	-7,124	11,791	8,092	7,167	247,763

During financial year 2021			Non-cash changes			
	31.12.2020	Cash flows	Acquisition	Addition/ Movement	Interest accretion to liability	31.12.2021
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Long term borrowings (incl. current)	4,078	7,337	0	0	0	11,415
Short term borrowings - bank overdraft	39	-1	0	0	0	38
Lease liabilities (non-current)	28,732	0	788	-4,559	1,095	26,055
Lease liabilities (current)	5,384	-5,784	294	4,849	0	4,743
Convertible bond	0	222,197	0	-42,264	5,653	185,586
	38,233	223,749	1,082	-41,974	6,748	227,837

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

The total number of additions/movements in lease liabilities relates to a movement from non-current to current and to the additions in the lease liabilities during the financial year. For further substantiation of the total amount of additions (non-current and current) of EUR 6,705 thousand (2021: EUR 290 thousand), please refer to Note 30.

The cash flow of EUR 222,197 thousand in the convertible bond during the year 2021 in the table relates to the newly issued convertible bond in January 2021, the addition/movement relates to the part which has been classified as the equity part of the convertible bond and the corresponding deferred tax liability. Additional information on convertible bonds and movements during the financial year is disclosed in Note 22.

25. FINANCIAL INSTRUMENTS.

CATEGORIES OF FINANCIAL INSTRUMENTS.

	Financial assets at fair value through profit or loss		Financial assets at amortised cost	
	Year ended 31.12.2022	Year ended 31.12.2021	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Trade and other receivables	0	0	59,876	52,310
Other financial assets	33,321	0	93.623	49,524
Cash and cash equivalents	0	0	66,777	247,413
Total financial assets	33,321	0	240,276	349,247

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised costs (debt instruments)	
	Year ended 31.12.2022	Year ended 31.12.2021	Year ended 31.12.2022	Year ended 31.12.2021
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Non-current liabilities (excluding lease)	12,872	0	207,185	203,973
Trade and other payables	0	0	72,881	80,523
Current loans and borrowings (excluding lease)	0	0	1,625	1,625
Other current liabilities	0	0	24,337	22,638
Total financial liabilities	12,872	0	306,028	308,759

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 would not have a significant effect on the Group profit or equity, since the credit facility is normally not used and the most other non-current liabilities have a fixed interest rate. Given the current market circumstances, a potential positive affect on cash and equivalents balances could arise when interest rates further increase.

Credit risk

Credit risk is the risk of a loss being incurred because a counterparty is unable or unwilling to meet its obligations. The Group is exposed to credit risk; this risk mainly relates to non-payment by customers for services provided. Credit risk also arises from cash, cash equivalents and other financial assets. We have invested part of our cash in securities and fixed term deposits (total EUR 113 million as per year end). The fixed term deposit is not readily available cash and although it has been released in February 2023 it has been reinvested after year-end for short term periods within one year. For banks and financial institutions only independently rated parties with minimum rating A are accepted.

The risk of default on receivables has been reflected in provisions for bad debt. Due to constant close monitoring of potential default risks, additional receivables risk is very limited. Without exception receivables which are past due, but for which no provision has been recognised, are trade receivables from normal sales. In relation to the provision for doubtful debts, see Note 18 of the consolidated financial statements.

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

Liquidity risk

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

The Group's liquidity needs are affected by many factors, some of which are based on the normal ongoing operations of the business and others that relate to the uncertainties of the global economy and the industry. Although cash requirements fluctuate based on the timing and extent of these factors, the Group believes that cash generated from operations, together with the liquidity provided by existing cash and cash equivalents, are sufficient to satisfy the current requirements, including the 2023 capital expenditure.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). The cost of raw materials and consumables used and other expenses are mostly denominated in euro and to a very limited extent in other currencies. Therefore, foreign currency exchange risk is considered not material.

Liquidity and interest risk tables

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

The following table sets out the maturities (representing undiscounted cash flows) of financial liabilities:

	Up to 1 year	1 - 5 years	Over 5 years	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
At 31 December 2022				
Non-current liabilities (excluding lease)	0	47,723	225,000	272,723
Trade and other payables	72,881	0	0	72,881
Current loans and borrowings (excluding lease)	1,625	0	0	1,625
Other current liabilities	24,337	0	0	24,337
Total financial liabilities	98,843	47,723	225,000	371,566

	Up to 1 year	1 - 5 years	Over 5 years	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
At 31 December 2021				
Non-current liabilities (excluding lease)	0	18,387	225,000	243,387
Trade and other payables	80,523	0	0	80,523
Current loans and borrowings (excluding lease)	1,625	0	0	1,625
Other current liabilities	22,638	0	0	22,638
Total financial liabilities	104,786	18,387	225,000	348,173

CAPITAL MANAGEMENT.

The Group manages its equity to ensure it will be able to continue as going concern with an emphasis on capital preservation. The Group's overall strategy is leadership in all relevant European markets. The Group is subject to reporting and governance rules of the Dutch Autoriteit Financiële Markten (AFM) and the Frankfurt Stock Exchange and has been listed in the SDAX of the Frankfurt Stock Exchange since 21 September 2020.

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES.

The Company considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values, except for the Convertible bond which is presented as part of the non-current liabilities, which are accounted for based on amortised costs. The fair value of the Convertible Bond is at EUR 160,546 thousand compared to the carrying amount of EUR 191,629 thousand. The fair values are the same as the carrying amounts since all trade and other receivables are due within 30 days and all trade and other payables are paid within 30 days.

26. RELATED PARTY TRANSACTIONS.

COMPENSATION OF KEY MANAGEMENT PERSONNEL.

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

The total compensation of key management personnel in 2022 amounted to EUR 5,133 thousand (2021: EUR 5,121 thousand).

REMUNERATION OF THE MANAGING BOARD BY MEMBER.

	Base salary	STI	Other[1]	Share-based compensation[2]	Pensions	Total remuneration
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
S. Feltens. CEO						
2022	250	–	5	657	–	912
2021	250	–	5	657	–	912
J. Eenhorst. CFO						
2022	420	–	–	772	25	1,217
2021	420	2	–	851	25	1,297
T. Holler. COO						
2022	250	–	5	657	2	914
2021	250	–	4	657	2	913
S. Weber. CCO						
2022	250	–	2	657	–	909
2021	250	–	2	657	–	909
M. Fischer. CTO						
2022	250	–	2	657	–	909
2021	250	–	2	657	–	909
Total 2022	1,420	–	14	3,400	27	4,861
Total 2021	1,420	2	13	3,478	27	4,940

[1] Other mainly includes gross allowances for fringe benefits such as compensation for car and phone.
[2] The fair value according to IFRS of each year's grant is determined on the grant date and expensed on a straight-line basis over the vesting period. The fair value is determined by an external agency. The expense for 2022 reflects this year's portion of share option grants which are not yet vested. For more information on the share-based compensation expenses, see Note 27.

REMUNERATION OF THE MANAGING BOARD.

The table below specifies the remuneration of the Managing Board.

	2022	2021
	EUR 1,000	EUR 1,000
Base salary	1,420	1,420
Short term variable incentives (STI)	–	2
Other [1]	14	13
Share-based compensation	3,400	3,478
Pensions	27	27
Total remuneration	**4,861**	**4,940**

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD.

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

	2022	2021
	EUR 1,000	EUR 1,000
Björn Söder	80	62
Frank Köhler	60	48
Jérôme Cochet	46	34
Henriette Peucker	48	28
Jaska de Bakker	37	–
Jan Pyttel	–	9
Total	**272**	**181**

LOANS TO KEY MANAGEMENT PERSONNEL.

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

LOANS FROM RELATED PARTIES.

As in 2021, no loans from related parties were obtained in 2022.

OTHER TRANSACTIONS WITH RELATED PARTIES.

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

	Sales to related parties	Purchases from related parties	Amounts owed by related parties [4]	Amounts owed to related parties [4]	Other transactions
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Joint venture in which the parent is a venturer:					
2022	–	191	–	17	–
2021	–	234	–	15	–
Associates:					
2022	306	–	139	–	–
2021	288	–	122	–	–
Key management personnel:					
2022	5 [3]	112 [5]	–	112	–
2021	15 [3]	–	–	–	–

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

IDENTIFIED RELATED PARTIES.

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

Although a voting pool agreement with a combined stake of a bit over 25% exists there is no individual shareholder/ entity which directly or indirectly holds 20% or more of the voting power of the investee. In this situation there is a clear majority share within the voting pool agreement of Michael Köhler which makes it likely that he exercises a decisive influence within the voting pool. Therefore, there seems to be good reason to identify Michael Köhler and the entities he controls as a related party of SHOP APOTHEKE EUROPE N.V. Since other shareholders have a significantly smaller share in the company and within the voting pool, we consider them as not having significant influence and as such not as a related party.

[3] The sales to related parties relates to an agreement regarding distribution of products with an entity in which supervisory board member F. Köhler has a significant influence.
[4] The amounts are classified as trade receivables and trade payables, respectively (see Note 18 and Note 22).
[5] The purchases from related parties relates to an agreement to purchase carbon credits (to offset 2022 CO_2 emissions) with an entity in which supervisory board member J. Cochet has a significant influence.

A contract under which consulting services can be provided exists between Shop Apotheke Service B.V. and a personal holding company of Michael Köhler.

During 2022 SA Europe B.V. has acquired 100% of the shares of APS All Pharma GmbH, this is a transaction with Dr. R. Hess, an employee of the Group (not identified as related party). Reference is made to Note 28 for full disclosure on the business combination transaction.

27. SHARE-BASED PAYMENTS.

As of 31 December 2022, the Group provides two share-based payment plans for a selected group of employees:
– Employee share option plan of the Group (equity-settled).
– smartpatient plan (equity-settled).

● EMPLOYEE SHARE OPTION PLAN OF THE GROUP.

DETAILS OF THE EMPLOYEE SHARE OPTION PLAN OF THE GROUP.

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

Each employee share option converts into one ordinary share of the Group on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

At the Annual General Meeting of 26 April 2018 shareholders granted options to purchase ordinary shares to certain employees. In addition, the Annual General Meetings of 2 April 2019, 30 April 2020, 21 April 2021 and 14 April 2022 approved the decision to grant additional share options.

The following share-based payment arrangements were in existence during the current year:

Options series	Quantity	Grant date	Vesting date	Expiry date	Exercise price	Fair value grant date	Balance at end of year
6a	78,334	02.07.2019	18.06.2021	30.06.2026	35.50 €	12.72 €	38,411
6b	78,333	02.07.2019	18.06.2022	30.06.2026	35.50 €	12.72 €	59,252
6c	78,333	02.07.2019	18.06.2023	30.06.2026	35.50 €	12.72 €	66,168
7a	10,000	01.02.2020	01.02.2022	11.06.2027	46.40 €	17.06 €	10,000
7b	10,000	01.02.2020	01.02.2023	11.06.2027	46.40 €	18.18 €	10,000
7c	10,000	01.02.2020	01.02.2024	11.06.2027	46.40 €	19.13 €	10,000
8a	93,000	12.05.2020	12.05.2022	11.06.2027	81.40 €	29.59 €	73,777
8b	93,000	12.05.2020	12.05.2023	11.06.2027	81.40 €	31.47 €	76,278
8c	93,000	12.05.2020	12.05.2024	11.06.2027	81.40 €	33.05 €	76,278
9a	100,000	01.10.2020	01.10.2023	01.10.2027	149.40 €	61.14 €	100,000
9b	100,000	01.10.2020	01.10.2024	01.10.2027	149.40 €	64.46 €	100,000
10a	4,184	04.05.2021	04.05.2023	04.05.2028	160.60 €	63.94 €	3,350
10b	4,183	04.05.2021	04.05.2024	04.05.2028	160.60 €	68.45 €	3,350
10c	4,183	04.05.2021	04.05.2025	04.05.2028	160.60 €	75.25 €	3,350
11a	10,050	28.04.2022	28.04.2024	28.04.2029	74.42 €	31,55 €	8,610
11b	10,050	28.04.2022	28.04.2025	28.04.2029	74.42 €	34,01 €	8,610
11c	13,400	28.04.2022	28.04.2026	28.04.2029	74.42 €	36,15 €	11,480
12a	1,680	02.11.2022	02.11.2024	02.11.2029	44.12 €	19,90 €	1,680
12b	1,680	02.11.2022	02.11.2025	02.11.2029	44.12 €	21,52 €	1,680
12c	2,240	02.11.2022	02.11.2026	02.11.2029	44.12 €	22,95 €	2,240
	795,650						664,514

FAIR VALUE OF THE SHARE OPTIONS GRANTED IN THE YEAR.

The weighted average fair value of the share options granted during the year is EUR 69.64 (2021: 68.24). The actuarial valuation was performed using best estimate assumptions developed by the management of the Group.

An external expert performed the valuation of the expected fair value of the option. The Black-Scholes valuation method for option valuation was used for Option Plans 1 to 6, for the Options Plans 7 to 12 the Monte Carlo model has been used for valuation, taking into account the terms and conditions on which the share options were granted. The Monte-Carlo model allows the expected life of the option to be included in the determination of fair value.

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

INPUTS TO THE MODEL.

Options series	Series 6a	Series 6b	Series 6c	Series 7a	Series 7b	Series 7c
Grant date share price	35.80 €	35.80 €	35.80 €	46.40 €	46.40 €	46.40 €
Exercise price	35.50 €	35.50 €	35.50 €	46.40 €	46.40 €	46.40 €
Expected volatility	36.01 %	36.01 %	36.01 %	44.33 %	44.33 %	44.33 %
Option life	7 years	7 years	7 years	7 years + 4 m	7 years + 4 m	7 years + 4 m
Dividend yield	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Risk-free interest rate	-0.77 %	-0.77 %	-0.77 %	-0.549 %	-0.549 %	-0.549 %
Calculation model	BS	BS	BS	MC	MC	MC

Options series	Series 8a	Series 8b	Series 8c	Series 9a	Series 9b	Series 10a
Grant date share price	81.40 €	81.40 €	81.40 €	149.40 €	149.40 €	160.60 €
Exercise price	81.40 €	81.40 €	81.40 €	149.40 €	149.40 €	160.60 €
Expected volatility	44.33 %	44.33 %	44.33 %	47.32 %	47.32 %	49.49 %
Option life	7 years	7 years	7 years	7 years	7 years	7 years
Dividend yield	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Risk-free interest rate	-0.561 %	-0.561 %	-0.561 %	-0.638 %	-0.638 %	-0.446 %
Calculation model	MC	MC	MC	MC	MC	MC

Options series	Series 10b	Series 10c	Series 11a	Series 11b	Series 11c	Series 12a
Grant date share price	160.60 €	160.60 €	74.42 €	74.42 €	74.42 €	44.12 €
Exercise price	160.60 €	160.60 €	74.42 €	74.42 €	74.42 €	44.12 €
Expected volatility	49.49 %	49.49 %	51.88 %	51.88 %	51.88 %	54.39 %
Option life	7 years	7 years	7 years	7 years	7 years	7 years
Dividend yield	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Risk-free interest rate	-0.446 %	-0.446 %	0.850 %	0.850 %	0.850 %	2.132 %
Calculation model	MC	MC	MC	MC	MC	MC

Options series	Series 12b	Series 12c
Grant date share price	44.12 €	44.12 €
Exercise price	44.12 €	44.12 €
Expected volatility	54.39 %	54.39 %
Option life	7 years	7 years
Dividend yield	0.00 %	0.00 %
Risk-free interest rate	2.132 %	2.132 %
Calculation model	MC	MC

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

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

MOVEMENTS IN SHARE OPTIONS DURING THE YEAR.

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

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the year	665,047	89.17 €	969,501	73.98 €
Granted during the year	35,500	69.64 €	12,550	150.60 €
Forfeited during the year	-21,366	76.31 €	-40,000	58.45 €
Exercised during the year	-14,667	43.32 €	-277,004	43.66 €
Expired during the year	–	–	–	–
Balance at end of year	664,514	89.55 €	665,047	89.17 €

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

SHARE OPTIONS OUTSTANDING AT THE END OF THE YEAR.

The share options outstanding at the end of the year had a weighted average exercise price of EUR 89.55 (2021: EUR 89.17) and a weighted average remaining contractual life of 1,613 days (2021: 1,933 days).

Regarding the share option plan, a total expense of EUR 5,797 million was recognised in the 2022 result (2021: EUR 6,819 million).

SMARTPATIENT PLAN.

With the acquisition of smartpatient, the Group provided a post-combination services benefit to the former owners of smartpatient with the objective that the former owners continue their efforts in rolling-out our strategy. The smartpatient plan successively vests over a period of three years and includes a lock-up period until 31 December 2024. The fair value of the plan at grant date was EUR 29.6 million and the shares to be provided are to the undiscounted value of this amount.

During 2022, the Group recognised EUR 10.4 million (2021: EUR 13.7 million) in employee benefit expenses.

28. BUSINESS COMBINATIONS DURING THE PERIOD.

SUBSIDIARIES ACQUIRED.

During 2022, the following entities were acquired by the Shop Apotheke Group:
- The business of “First A” by 100 % of the shares of Aurora Gesundheit GmbH, including Aurora Gesundheit Services UG.
- 100 % of the shares of APS All Pharma Services Nettetal GmbH.

ACQUISITION OF FIRST A.

On 12 April 2022, the Shop Apotheke Group acquired 100 % of the shares of Aurora Gesundheit GmbH, including Aurora Gesundheit Services UG. ("First A"), a pioneering quick-commerce player in the German pharmacy market. The strategic acquisition accelerates SHOP APOTHEKE EUROPE's customer-centric platform strategy and strengthens its position as one stop shop in the pharmacy space. SAE acquired First A for a consideration of EUR 16,485,000 by way of a combination of cash paid and a contingent consideration of SAE.

The results of First A are consolidated effective from 12 April 2022 (and directly contributed to earnings per share).

Purchase consideration.

Details of the purchase consideration, are as follows:

	2022
Cash paid	5,000
Contingent consideration	11,485
Total purchase consideration	16,485

Contingent consideration.

The contingent consideration arrangement is to be paid in cash (with an option for SHOP APOTHEKE EUROPE to have a (part) payment in shares) in five subsequent tranches in the following four years after the acquisition. Each tranche payment is an earn-out based on a sales multiple with a correction for EBITDA for the respective earn-out period.

The fair value of the contingent consideration arrangement of EUR 11,485,000 was estimated calculating the discounted cash flow based upon the present value of the future expected cash flows. The estimates are based on assessment of the business plan and the corresponding expected earn-out.

Identified assets and liabilities.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Book Value	Adjustment	Fair Value
	EUR 1,000	EUR 1,000	EUR 1,000
Tangible fixed assets	28	0	28
Intangible fixed assets	125	976	1,101
Financial fixed assets	11	0	11
Deferred tax assets	0	0	0
Inventory	0	0	0
Trade and other receivables	257	0	257
Cash	125	0	125
Non-current liabilities	0	0	0
Trade and other payables	–205	0	–205
Other current liabilities	–244	0	–244
Goodwill on acquisition	0	15,705	15,705
Deferred tax liability	0	–293	–293
Total consideration	**97**	**16,388**	**16,485**

The brand name and the customer relationship – pharmacies from First A as part of the purchase price allocation are valued as follows:
– Customer relationships – pharmacies is valued at EUR 938,000 and is depreciated over a period of eight years.
– Brand name is valued at EUR 38,000 and is depreciated over a period of one year.

Deferred tax of EUR 293,000 has been provided in relation to these fair value adjustments.

The residual goodwill mainly originates from the value attributable to the significant growth expectations of First A in the future. The goodwill arising on the First A acquisition is not deductible for tax purposes.

Impact of acquisition on the results of the Group.

The amounts included in the Result after tax for 2022 amounted to EUR –4.7 million, the amounts included in the Revenue are considered non-material.

ACQUISITION OF APS.

On 20 June 2022, the Shop Apotheke Group acquired 100% of the shares of APS All Pharma GmbH ("APS"), a pharmaceutical wholesaler holding an EU wholesale distribution authorization, dedicated to the supply of pharmaceutical products for the German market. SAE acquired APS for a cash consideration of EUR 1,350,000.

The results of APS are consolidated effective from 1 July 2022 (and directly contributed to earnings per share).

Purchase consideration.

Details of the purchase consideration are as follows:

	2022
Cash paid	1,350
Contingent consideration	-
Total purchase consideration	**1,350**

Identified assets and liabilities.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Book Value	Adjustment	Fair Value
	EUR 1,000	EUR 1,000	EUR 1,000
Tangible fixed assets	102	306	408
Intangible fixed assets	0	0	0
Financial fixed assets	10	0	10
Deferred tax assets	0	0	0
Inventory	0	0	0
Trade and other receivables	5,031	0	5,031
Cash	208	0	208
Non-current liabilities	0	-226	-226
Trade and other payables	-4,642	0	-4,642
Other current liabilities	-100	-80	-180
Goodwill on acquisition	0	741	741
Deferred tax liability	0	0	0
Total consideration	**609**	**741**	**1,350**

Impact of acquisition on the results of the Group.

The amounts included in the Revenue and Result after tax for 2022 in the consolidated figures are considered non-material.

ACQUISITION COSTS.

In 2022, the Group incurred acquisition related costs (related to both acquisitions) of EUR 323 thousand. These costs have been included in Administrative expenses.

CASH FLOW STATEMENT.

The total amount of consideration paid, net of cash acquired can be reconciled with the cash flow statement as follows:

	First A	APS All Pharma	Total
	EUR 1,000	EUR 1,000	EUR 1,000
Cash paid	– 5,000	– 1,350	– 6,350
Cash acquired	125	208	333
Contingent consideration paid during financial year	–	–	–
Total purchase consideration	– 4,875	– 1,142	– 6,017

29. BUSINESS COMBINATIONS COMPLETED IN PRIOR PERIODS.

SUBSIDIARIES ACQUIRED.

During 2021, the following entities were acquired by the Shop Apotheke Group:
– 100 % of the shares of smartpatient GmbH and its subsidiary smartpatient Business Services sp. z o.o.
– 100 % of the shares of MedApp Holding B.V., including MedApp Nederland B.V. and MedApp Apotheek B.V.

ACQUISITION OF SMARTPATIENT.

On 7 January 2021, the Shop Apotheke Group acquired 100 % of the shares of smartpatient GmbH ("smartpatient"), a digital medication management expert, in order to accelerate its technological and digital health capabilities. SAE acquired smartpatient for a consideration of EUR 70,545,000, by way of a combination of cash paid and a contingent consideration of SAE.

The results of smartpatient are consolidated effective from 7 January 2021 (and directly contributed to earnings per share).

Purchase consideration.

Details of the purchase consideration are as follows:

	2022
Cash paid	28,231
Total purchase consideration	28,231

In the light of the business combination transaction the total purchase price for the shares of smartpatient which SHOP APOTHEKE agreed upon with the selling shareholders amounts EUR 70.545 thousand. We have concluded – on the basis of an IFRIC decision on IFRS 3.B55 Business Combinations – that part of this purchase price should be accounted for as consideration for post-combination services – employee expenses.

Along with the acquisition a post-combination services remuneration is provided to the former owners of smartpatient which contains a service condition. Payments in the form of cash and shares under this contingent remuneration are forfeited if employment is terminated. The post-combination services remuneration amounts to EUR 43.4 million. The post-combination services remuneration successively vests in three years and is accounted for separately from the business combination in the following manner:

- The cash component amounts to EUR 13.7 million. These expenses are charged to the profit and loss on a graded vesting basis. During 2021 EUR 6.2 million and during 2022 EUR 4.8 million was expensed in the result. The remainder of the total cash amount of EUR 11.3 million is held in an escrow account (2021: EUR 12.7 million).
- The share component qualifies as a share-based payment arrangement, with a fair value of EUR 29.7 million as of 7 January 2021. During 2022, the Group recognised EUR 10.4 million (2021: EUR 13.7 million) of expenses in the result. Reference is made to Note 27 Share-based payments for more details.

The total impact of the recognition of the cash component and share component of the post-combination services – employee expenses are included in the employment expenses presented in the profit and loss statement under Administrative expenses.

As the current accounting method leads to a non-recurring one-off impact in our financial results we adjust for these expenses in the adjusted EBITDA presented.

Identified assets and liabilities.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Book Value	Adjustment	Fair Value
	EUR 1,000	EUR 1,000	EUR 1,000
Tangible fixed assets	136	1,024	1,160
Intangible fixed assets	0	11,600	11,600
Financial fixed assets	3	0	3
Deferred tax assets	0	1,543	1,543
Inventory	0	0	0
Trade and other receivables	658	0	658
Cash	1,053	0	1,053
Non-current liabilities	0	–3,329	–3,329
Trade and other payables	–601	0	–601
Other current liabilities	–379	–2,518	–2,897
Goodwill on acquisition	0	22,753	22,753
Deferred tax liability	0	–3,712	–3,712
Total consideration	**870**	**27,361**	**28,231**

The technology, the trade name and the order backlog from smartpatient are as part of the purchase price allocation being valued as follows:
- Technology is valued at EUR 10,300,000 and is depreciated over a period of seven years.
- Trade name is valued at EUR 700,000 and is depreciated over a period of four years.
- Order backlog is valued at EUR 600,000 and is depreciated over a period of one year.

Deferred tax of EUR 3,712,000 has been provided in relation to these fair value adjustments.

The residual goodwill mainly accounts for the value attributable to future new app users and the assembled workforce. The goodwill arising on the smartpatient acquisition is not deductible for tax purposes.

Impact of acquisition on the results of the Group.

Included in the Result after tax for 2021 is EUR –1.9 million attributable to the additional business generated by the smartpatient acquisition. Revenue for 2021 includes EUR 4.6 million in respect of the smartpatient business.

ACQUISITION OF MEDAPP.

On 26 March 2021 SHOP APOTHEKE EUROPE N.V., through its subsidiary SA Europa B.V., acquired the technology-driven e-pharmacy MedApp via 100 % of the shares in MedApp Holding B.V. including MedApp Nederland B.V. and MedApp Apotheek B.V., which is based in Eindhoven, The Netherlands. Through this acquisition, SHOP APOTHEKE EUROPE accelerates its technological and digital health capabilities even more rapidly. Furthermore, MedApp enables SHOP APOTHEKE EUROPE to expand into the prescription drugs business in the Dutch market.

Purchase consideration.

Details of the purchase consideration are as follows:

	2022
Cash paid	3,556
Total purchase consideration	3,556

In the light of the business combination transaction, the total purchase price for the shares of MedApp which SHOP APOTHEKE agreed upon with the selling shareholders amounts EUR 8,004 thousand. We have further detailed the accounting for this and have concluded – on the basis of an IFRIC decision on IFRS 3.B55 Business Combinations – that part of this purchase price should be accounted for as consideration for post-combination services – employee expenses.

Along with the acquisition a contingent consideration is provided to the former owners of MedApp which contains a service condition. Payments in the form of cash and shares under this contingent consideration are automatically forfeited if the management agreement is terminated. The contingent consideration amounts to EUR 5.7 million. The contingent consideration successively vests in three years and is accounted for separately from the business combination in the following manner:
- The cash component amounts to EUR 5.7 million. These expenses are charged to the profit and loss on a graded vesting basis. During 2022 EUR – 1.1 million (2021 EUR 2.5 million) was expensed in the result. These costs are included in the employment expenses presented in the profit and loss statement under Administrative expenses.

As the current accounting method leads to a non-recurring one-off impact in our financial results, we adjust for these expenses in the adjusted EBITDA presented.

Identified assets and liabilities.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Book Value	Adjustment	Fair Value
	EUR 1,000	EUR 1,000	EUR 1,000
Tangible fixed assets	30	58	88
Intangible fixed assets	115	3,295	3,410
Financial fixed assets	0	0	0
Deferred tax assets	0	0	0
Inventory	9	0	9
Trade and other receivables	480	0	480
Cash	53	0	53
Non-current liabilities	0	–58	–58
Trade and other payables	–362	0	–362
Other current liabilities	0	0	0
Payable to SHOP APOTHEKE	–464	0	–464
Goodwill on acquisition	0	1,253	1,253
Deferred tax liability	0	–853	–853
Total consideration	**–139**	**3,695**	**3,556**

Impact of acquisition on the results of the Group.

Included in the Result after tax for 2021 is EUR –2.7 million attributable to the additional business generated by the MedApp acquisition. Revenue for 2021 includes EUR 1.0 million in respect of the MedApp business.

SUBSIDIARIES DIVESTED

In June 2021 SHOP APOTHEKE EUROPE sold its interest in 100 % subsidiary Farmanatur Productes S.L., Sant Cugat del Vallès (Barcelona), Spain.

30. LEASES.

All operating lease contracts (except for short-term leases and leases of low value assets) have been presented as right-of-use assets and lease liabilities respectively. The operating lease contracts consist of leasing properties. Therefore only one lease category is identified.

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

	Notes	Right of Use Asset	Lease Liability
		EUR 1,000	EUR 1,000
Balance 1 January 2021		**32,082**	**34,116**
Additions		546	546
Arising on business combination		1,082	1,082
Disposal		-198	-256
Depreciation charge		-4,969	0
Interest expense	10	0	1,095
Cash out lease payments		0	-5,784
Balance 31 December 2021		**28,543**	**30,798**
Additions		6,706	6,706
Arising on business combination		306	306
Disposal		0	0
Depreciation charge		-4,959	0
Interest expense	10	0	1,124
Cash out lease payments		0	-5,461
Balance 31 December 2022		**30,596**	**33,473**

	31.12.2022	31.12.2021
	EUR 1,000	EUR 1,000
Lease liabilities non-current	27,593	26,055
Lease liabilities current	5,880	4,743
	33,473	30,798

The following table sets out the maturities (representing undiscounted cash flows) of financial lease liabilities:

	Up to 1 year	1-5 years	Over 5 years	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
As at 31 December 2021	4,338	14,047	12,560	30,945
Movements 2022	1,652	6,134	-1,400	6,386
As at 31 December 2022	**5,990**	**20,181**	**11,160**	**37,331**

31. CONTINGENT LIABILITIES.

GUARANTEES.

Guarantee obligations regarding rental contracts have been provided by the Group for EUR 336 thousand.

CREDIT FACILITY.

The Deutsche Bank EUR 15 million credit facility agreement was also secured by a EUR 15 million pledge over assets.

FISCAL UNITY.

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

For the purpose of corporate income tax, SA Europe B.V., Shop Apotheke B.V., Shop Apotheke Service B.V., RC Staff B.V. and EuroService Venlo B.V. are associated in a fiscal unity and are therefore severally liable for the corporate income tax owed of the entire fiscal unity as of October 2015 (subsequent to this date and not for the prior period).

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

For the purpose of corporate income tax, MedApp Holding B.V., MedApp Apotheek B.V. and MedApp Nederland B.V. are associated in a fiscal unity and are therefore severally liable for the corporate income tax owed of the entire fiscal unity.

ARTICLE 403 OF THE DUTCH CIVIL CODE.

As of its incorporation on 30 September 2015, Shop Apotheke Europe N.V. is liable for the Dutch Group companies SA Europe B.V., Shop-Apotheke B.V., Shop-Apotheke Service B.V., RC Staff B.V., EuroService Venlo B.V., Europa Apotheek Venlo B.V., EHSC B.V., Europa Apotheek Service Venlo B.V. and EHS Europe Health Services B.V. according to Article 403 of the Dutch Civil Code.

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

ARTICLE 264 OF THE GERMAN CIVIL CODE.

SHOP APOTHEKE EUROPE N.V. is liable for the German group company Nu3 GmbH and Shop Apotheke Service GmbH according to Article 264.3 of the German Civil Code.

RENTAL COMMITMENTS BUILDINGS AND OTHER (LEASE) AGREEMENTS.

The obligations for property leases as of 31 December 2022 (except for short-term leases and leases of low value assets) have been presented as lease liabilities in the statement of financial position.

The Group has entered into contracts with external parties on obligations for the distribution centre in Sevenum amongst which the agreement with the equipment manufacturer and supplier. The invoiced contract values are included in property plant and equipment (refer to Note 13). The total outstanding contract value of the off-balance sheet commitments as of 31 December 2022 amounts to EUR 5.5 million which is mainly due in 2023.

LEGAL PROCEEDINGS.

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

32. STANDARDS ISSUED BUT NOT YET EFFECTIVE.

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

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

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

33. SUBSEQUENT EVENTS.

There have been no significant subsequent events.

34. OTHER INFORMATION.

AUDITOR'S FEES.

The Company's 2022 and 2021 financial statements were audited by Mazars Accountants N.V. The following auditor's fees were expensed in the statement of profit and loss in the reporting period:

	Year ended 31.12.2022		Year ended 31.12.2021	
	Mazars Accountants NV	Other network	Mazars Accountants NV	Other network
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Audit of the financial statements	492[1]	–*	400[2]	–
Total	492	–	400	–

APPROVAL AND SIGNING OF THE CONSOLIDATED FINANCIAL STATEMENTS.

Venlo, 6 March 2023

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

Supervisory Board Members:
Björn Söder (Chairman), Frank Köhler, Jérôme Cochet, Henriette Peucker and Jaska de Bakker

[1] This amount includes 42 k relating to the audit 2021.
[2] This amount includes 35 k relating to the audit 2020.

06

COMPANY FINANCIAL STATEMENTS.

COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2022

before appropriation of result	Notes	31.12.2022	31.12.2021
		EUR 1,000	EUR 1,000
Assets			
Financial fixed assets			
Subsidiaries	3	154,502	154,540
Current assets			
Trade and other receivables		435	2,448
Receivables from Group Companies	4	478,316	383,337
Tax receivables		1,562	1,488
Other financial assets		113,321	35,003
Cash and cash equivalents	5	856	169,302
		594,490	591,579
Total assets		748,991	746,118
Equity and liabilities			
Capital and reserves			
Issued Capital		362	361
Share premium		570,695	566,537
Legal reserves		30,988	33,249
Equity part on convertible bonds		31,698	31,698
Reserve for stock option plan		37,303	24,600
Accumulated losses		-238,770	-166,847
Net income for the year		-77,646	-74,185
Shareholders' equity	6	354,630	415,413
Provisions for subsidiaries	3	103,807	48,720
Deferred tax liabilities		7,887	9,153
Non-current liabilities			
Loans and borrowings	7	199,754	196,961
Current liabilities			
Trade and other payables		93	95
Loans and borrowings	7	1,625	0
Payables to Group Companies	8	80,582	75,301
Other liabilities	9	614	475
		82,914	75,871
Total equity and liabilities		748,991	746,118

COMPANY STATEMENT OF PROFIT AND LOSS.

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Period ended 31.12.2022	Period ended 31.12.2021
		EUR 1,000	EUR 1,000
General & Administrative Expenses		-8,302	-8,488
Total Expenses		-8,302	-8,488
Finance income		0	0
Finance expenses		-8,349	-7,422
Result before tax		-16,651	-15,910
Income tax expenses		1,266	1,413
Share of post-tax results of subsidiaries	3	-62,261	-59,688
Net result		-77,646	-74,185

NOTES TO THE COMPANY FINANCIAL STATEMENTS.

1. GENERAL.

The Company is registered at the Sevenum Chamber of Commerce under Commercial register Number 63986981. The description of the Company's activities and the Company structure, as included in the Notes to the Consolidated financial statements, also apply to the Company financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The company financial statements of SHOP APOTHEKE EUROPE N.V. are prepared in accordance with the legal requirements of Part 9, Book 2 of the Dutch Civil Code.

The company has made use of the possibility based on Article 362, paragraph 8, Part 9, Book 2 of the Dutch Civil Code to prepare company financial statements based on the accounting policies used for the Consolidated financial statements.

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

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

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

Receivables are mainly receivables on Group companies. The accounting policy on trade and other receivables is included in note 18 of the notes to the Consolidated financial statements.

3. FINANCIAL FIXED ASSETS.

Subsidiaries.

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

	Provisions for subsidiaries	Provisions for subsidiaries	Total
	EUR 1,000	EUR 1,000	EUR 1,000
Balance, 1 January 2021	157,040	-5,256	151,784
Result for the year	-45,964	–	-45,964
Addition to provision negative equity	43,464	-43,464	–
Balance, 31 December 2021	154,540	-48,720	105,820
Result for the year	-62,082	–	-62,082
Share of other changes in equity	–	6.957	6,957
Addition to provision negative equity	62,044	-62,044	–
Balance, 31 December 2022	154,502	-103,807	50,695

4. RECEIVABLES FROM GROUP COMPANIES.

	31.12.2022	31.12.2021
	EUR 1,000	EUR 1,000
SA Europe BV	162,498	130,974
Euroservice Venlo B.V.	276,880	226,534
Europa Apotheek B.V.	20,006	0
Shop Apotheke B.V.	18,619	4,248
Europa Apotheek Service B.V.	0	21,240
MedApp Holding B.V.	313	313
RC Staff B.V.	0	30
Balance 31 December	**478,316**	**383,337**

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

5. CASH AND CASH EQUIVALENTS.

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

6. SHAREHOLDER'S EQUITY.

The share capital of the Group as at 31 December 2022 amounts to EUR 364.0 thousand (31 December 2021: EUR 361.9 thousand) divided into 18,199,281 shares (31 December 2021: 18,095,121) each with a nominal value of EUR 0.02 all of which have been issued and fully paid.

Additional information is given in the Consolidated statement of changes in shareholder's equity and in note 21 to the Consolidated financial statements.

Legal reserves.

Based on Dutch law, a legal reserve needs to be established for capitalized costs of development of software. The legal reserve cannot be used for dividend distribution and is therefore restricted in usage. Movements during 2022 relate to the net balance of capitalization and amortization of software development.

	Legal reserves
	EUR 1,000
Balance, 1 January 2021	12,527
Changes	20,724
Balance, 31 December 2021	**33,249**
Changes	–2,261
Balance, 31 December 2022	**30,988**

8. LOANS AND BORROWINGS.

	31.12.2022	31.12.2021
	EUR 1,000	EUR 1,000
Convertible bond	191,629	185,586
Amounts due to banks	8,125	11,375
Balance 31 December	199,754	196,961

CONVERTIBLE BOND.

In January 2021, the Company issued 2,250 0.0% convertible bonds with an aggregate principal amount of EUR 225.0 M. Each bond entitles the holder to convert to ordinary shares at a conversion price of EUR 233.83. Given the zero coupon no interest is due on these Bonds.

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

The short-term liability portion of the convertible bond amounts EUR nil (31 December 2021: EUR nil).

AMOUNT DUE TO BANKS.

In February 2021, the Company obtained a EUR 13 M loan at a credit institution. This loan is secured by a pledge over the logistics automation in the Sevenum logistics centre.

The loan has a duration of 6 years, ending on 31 December 2026, repayment is done quarterly for the amount of EUR 406,250 starting at 31 March 2021.

The annually interest amounts to 3-month EURIBOR + 2.95% of the principal amount.

8. PAYABLES TO GROUP COMPANIES.

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

	31.12.2022	31.12.2021
	EUR 1,000	EUR 1,000
Shop Apotheke Service B.V.	53,292	47,230
Shop Apotheke Service GmbH	24.363	24,124
Nu3 GmbH	2,820	2,769
Europa Apotheek Venlo B.V.	107	1,179
Balance 31 December	80,582	75,302

9. PERSONNEL.

The number of employees employed by Shop Apotheke Europe NV at 31 December 2022 was 0 (31 December 2021: 0).

10. COMMITMENTS AND CONTINGENCIES.

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

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

Credit facility.

The Deutsche Bank EUR 15 m credit facility agreement was in addition secured by a EUR 15 m pledge over assets.

11. RELATED PARTY TRANSACTIONS.

In the annual report 2022 no related parties with outstanding balances are presented since outstanding balances to related parties do not exist as at 31 December 2022.

Compensation of key management personnel.

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

Loans to key management personnel.

The Group has not provided any loans to its key management in 2022.

Loans from related parties.

As in 2021, no loans from related parties were obtained in 2022.

12. AUDITOR'S FEES.

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

13. EVENTS AFTER THE BALANCE SHEET DATE.

No subsequent events occurred.

14. APPROPRIATION OF RESULT FOR THE PERIOD 1 JANUARY 2022–31 DECEMBER 2022.

The board of directors proposes that the loss for the period 1 January 2022 – 31 December 2022 amounting to EUR – 77,646 thousand should be deducted from the other reserves.

15. SIGNING OF THE FINANCIAL STATEMENTS.

Sevenum, 6 March 2023

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

Signed Supervisory Board members:
Björn Söder (Chairman), Jérôme Cochet, Frank Köhler, Henriette Peucker, Jaska de Bakker

OTHER INFORMATION.

Statutory rules concerning appropriation of result.

According to the articles of the Company's statutory regulations the appropriation of the result for the year is at the disposal of the general meeting.

Independent auditor's report.

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

07

INDEPENDENT AUDITOR'S REPORT.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2022 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the 2022 financial statements of Shop Apotheke Europe N.V. based in Sevenum, The Netherlands. The financial statements comprise the consolidated and company financial statements.

In our opinion:
- the accompanying consolidated financial statements give a true and fair view of the financial position of Shop Apotheke Europe N.V. as at 31 December 2022 and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of Shop Apotheke Europe N.V. as at 31 December 2022 and of its result for 2022 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 2022;
2. the following statements for 2022: the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of shareholders' equity and the consolidated statement of cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
1. the company balance sheet as at 31 December 2022;
2. the company statement of profit and loss for 2022; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Shop Apotheke Europe N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

INFORMATION IN SUPPORT OF OUR OPINION

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

MATERIALITY

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 16.8 million. The materiality is based on 1.4% of revenues. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 505 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

SCOPE OF THE GROUP AUDIT

Shop Apotheke Europe N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Shop Apotheke Europe N.V.

Considering our ultimate responsibility for the group audit, we are responsible for the direction, supervision and performance of the group audit. In this context we have determined the nature and extent of the audit procedures for components of the group. Determining factors are the significance and risk-profile of the group entities or activities. We have:
- performed audit procedures ourselves at group entities located in The Netherlands; and
- performed review procedures or specific audit procedures at other entities.

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

AUDIT RESPONSE TO THE RISKS OF FRAUD AND NON-COMPLIANCE WITH LAWS AND REGULATIONS

Audit response to the risks of fraud

We refer to the Combined Management Report for management's risk assessment and the Report of the supervisory board in which the supervisory board reflects on this risk assessment.

We identified fraud risk factors with respect to financial reporting fraud, misappropriation of assets and corruption. We evaluated if those factors may indicate a risk of material misstatement in the financial statements due to fraud. We have identified management override of controls and revenue recognition as most significant fraud risks. As a result of the listed status of Shop Apotheke Europe N.V., its objective is to meet certain market and shareholder expectations. As a result, there might be excessive pressure to override internal controls in order to meet these expectations.

In this context, we paid attention to:
- The appropriateness of journal entries and other adjustments made in the preparation of the financial statements;
- Potential biases in estimates, such as the estimates used in the purchase price allocation and the impairment analysis;
- Consistent and appropriate application of revenue recognition accounting;
- Significant transactions, if any, outside the normal course of business.

Our response to the identified and assessed fraud risks

We performed the following specific procedures:
- we evaluated the design and implementation of relevant internal controls in the sales, financial statement and consolidation process, such as segregation of duties and systems of authorisations;
- we used data analytics to identify and assess high risk journal entries;
- we made enquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- we selected journal entries and other adjustments made during the year, at the end of the reporting period and post-closing entries;
- we examined the underlying audit documentation of the selected journal entries;
- for significant transactions such as the completion of the purchase price allocation for the acquisitions in 2022, we evaluated the related management judgment and assumptions;
- we reviewed the accounting estimates for potential biases and evaluated whether the circumstance causing the bias, if any, represent a risk of material misstatement due to fraud;
- we performed substantive audit procedures on the revenue during the year and more specific those transactions in the period immediately before and after year-end.

In addition we also performed the following more general procedures:
- We considered available information and made enquiries of relevant executives, directors including legal, the audit committee and supervisory board;
- We inspected and verified the availability to employees of the entity's code of conduct for employees and suppliers and whistleblowing policy;
- We assessed other positions held by management and key employees and paid special attention to procedures and governance/compliance in view of possible conflicts of interest;
- We evaluated whether the selection and application of accounting policies by the entity, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting;
- We incorporated elements of unpredictability in our audit, including using different sampling methods and performing audit procedures at a different location.

NON-COMPLIANCE WITH LAWS AND REGULATIONS

We have obtained an understanding of the relevant laws and regulations. We have identified the following laws and regulations that have an indirect effect on the financial statements: anti-bribery and corruption, competition and data privacy laws and regulation.

We had enquiries with management and the audit committee if the entity is compliant with laws and regulations which directly or indirectly have a material impact on the financial statements. We also inspected relevant correspondence with regulatory authorities.

We also inspected lawyers' letters and remained alert to indications of (suspected) non-compliance throughout the audit, held enquiries with legal counsel, and obtained a written representation from management that all known instances of (suspected) non-compliance with laws and regulations were disclosed to us.

Our observation

The aforementioned audit procedures have been performed in the context of the audit of the financial statements. Consequently, they are not planned and performed as a specific investigation regarding fraud and non-compliance with laws and regulations. Our audit procedures have not led to any findings.

OUR AUDIT RESPONSE RELATED TO GOING CONCERN

As disclosed in section "Basis of preparation" in Note 3 to the consolidated financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months after the preparation of the financial statements.

We discussed and evaluated the assessment with management exercising professional judgment and maintaining professional skepticism. We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all 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.

Based on our procedures performed, we concur with management position on Shop Apotheke Europe N.V.'s ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

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

Business combinations

In 2022, Shop Apotheke Europe N.V. has acquired Aurora Gesundheit GmbH, including Aurora Gesundheit and APS All Pharma Services Nettetal GmbH businesses. The company prepared purchase price allocation reports for these acquisitions, by which the total consideration is allocated to the assets and liabilities of the acquired companies. The acquisitions and the purchase price allocations are disclosed in Note 28 to the consolidated financial statements. Given the significance of the total purchase consideration, the management estimates that are required to prepare the purchase price allocations and the complex accounting (including disclosure of information) of the contingentconsideration, we consider the business combinations to be a key audit matter.

In our audit of the accounting of the acquisitions, we assessed the share purchase agreements and verified the payments of the share purchase prices to the sellers and the contingent considerations to be paid. An important element of our audit relates to the identification of the acquired assets (e.g. valuation of customer relationships) and liabilities. We tested this identification based on our understanding of the business of the acquired companies and the explanations and plans of the companies that supported the acquisitions. Subsequently, we tested the fair values of the acquired assets and liabilities based on common valuation models. We involved our valuation specialists in the audit of the fair values. Furthermore, we assessed the appropriateness of the disclosures in the financial statements regarding the acquisitions.

Observation
We believe that management's assessment of the purchase price allocation and the corresponding accounting policies including the disclosures on key information of the acquisitions are appropriate.

Valuation of Goodwill

As at 31 December 2022 goodwill amounts to EUR 169.6 million. Under EU-IFRS it is required to perform impairment tests annually on the material cash generated units (CGU's).

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

Our audit procedures included amongst others the assessment of the proper allocation of the goodwill to the cash generating units, the comparison of the assumptions used in previous year compared to the outcome in the current year (so called 'backtesting'), the reasonability of the assumptions used by management, the reliability of the data used, its volatility in the sensitivity analysis and if the key elements are disclosed properly in Note 14 and Note 15 to the consolidated financial statements.

We have used the work of our internal valuation specialists to assist us in verifying the assumptions and methodologies used by Shop Apotheke Europe N.V.

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

Observation
We believe that management's assessment of the recoverability of goodwill and the disclosures on key uncertainties and scenarios assumed in management impairment testing are appropriate.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

The other information consists of:
- Combined Management Report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code and articles 2:135b and 2:145 paragraph 2 of the Dutch Civil Code; and
- other information included in the sections: Our Company, the Shop Apotheke Europe Share, Remuneration report, and the Report of the supervisory board.

Based on the following procedures performed, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the Combined Management Report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and articles 2:135b and 2:145 paragraph 2 of the Dutch Civil Code.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS AND ESEF

ENGAGEMENT

We were engaged by the supervisory board as auditor of Shop Apotheke Europe N.V. on 29 May 2019 for the audit of the year 2019 and have operated as statutory auditor ever since that financial year.

NO PROHIBITED NON-AUDIT SERVICES

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

EUROPEAN SINGLE ELECTRONIC FORMAT (ESEF)

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

In our opinion, the annual report prepared in XHTML format, including the (partly) marked-up consolidated financial statements as included in the reporting package by Shop Apotheke Europe N.V., complies in all material respects with the RTS on ESEF.

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

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting).

Our examination included among others:
- obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package;
- identifying and assessing the risks that the annual report does not comply in all material respects with the RTs on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF;
  - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included among others:
- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We 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 the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 6 March 2023

Mazars Accountants N.V.

Original signed by: M. Hoogstad MSc RA

GLOSSARY.

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

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

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

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

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

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

BPC products
Beauty and personal care products.

CAGR
Compound annual growth rate

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

EBIT
Earnings Before Interest and Tax.

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

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

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

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

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

NPS
Net promoter score used for measuring customer satisfaction.

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

OTC products or medications
Products or medicines sold to a customer without a prescription from a healthcare professional, as compared to prescription- only medicines, which may be sold only to customers possessing a valid prescription.

Pharmacy-related products
Products that are almost exclusively distributed through pharmacies.

Private labels
By private labels we mean the brands owned by SHOP APOTHEKE EUROPE or its subsidiaries.

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

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

Rx revenues
Sales related to prescriptions.

Sales
Gross revenues minus value added taxes and discounts.

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

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

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

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

GRI INDEX INCLUDING SDG REPORTING AND UN GC COP.

SAE Material Topic	GRI Indicator	Page in the report	SDG Target	UN Global Compact 10 Principles
GENERAL DISCLOSURES				
The organization and its reporting practices				
2-1	Organizational details	49		
2-2	Entities included in the organization's sustainability reporting	49	16.6	
2-3	Reporting period, frequency, and contact point	35, 49	16.6	
2-4	Restatements of information	49	16.6	
Activities and workers				
2-6	Activities, value chain and other business relationships	52,55	9.6, 16.6, 8.7	1, 2, 4, 5, 10
2-7	Employees	85	9.6, 16.6, 8.7	1, 2, 4, 5
2-8	Workers who are not employees	–	9.6, 16.6, 8.7	1, 2, 4, 5
Governance				
2-9	Governance structure and composition	50	9.6, 16.6	1, 3, 10
2-10	Nomination and selection of the highest governance body	50	9.6, 16.6	3
2-11	Chair of the highest governance body	50	9.6, 16.6	
2-12	Role of the highest governance body in overseeing the management of impacts	55	9.6, 16.6	3
2-13	Delegation of responsibility for managing impacts	55	9.6, 16.6	3
2-14	Role of the highest governance body in sustainability reporting	49, 55	9.6, 16.6	3
2-15	Conflicts of interest	51	9.6, 16.6	2, 10
2-16	Communication of critical concerns	52	9.6, 16.6	1, 10, 3
2-17	Collective knowledge of the highest governance body	55	9.6, 16.6	3, 10
2-18	Evaluation of the performance of the highest governance body	31	9.6, 16.6	2, 3, 10
2-19	Remuneration policies	34	9.6, 16.6	
2-20	Process to determine remuneration	34	9.6, 16.6	
2-21	Annual total compensation ratio	87	9.6, 16.6	
Strategy, policies and practices				
2-22	Statement on sustainable development strategy	55	9.6, 16.6	1, 2, 7, 8, 9
2-23	Policy commitments	89	9.6, 16.6	1, 2, 10
2-24	Embedding policy commitments	51	9.6, 16.6	2, 10
2-25	Processes to remediate negative impacts	51, 55	9.6, 16.6	2, 10
2-26	Mechanisms for seeking advice and raising concerns	91	9.6, 16.6	3
2-27	Compliance with laws and regulations	52	9.6, 16.6	1, 2, 4, 5, 10
2-28	Membership associations	51	9.6, 16.6, 13.a	
Stakeholder Engagement				
2-29	Approach to stakeholder engagement	70	9.6, 16.6, 8.7	
2-30	Collective bargaining agreements	89	9.6, 16.6, 8.7	3
3	Material Topics	72		
3-1	Process to determine material topics	70	9.6, 16.6	
3-2	List of material topics	72	9.6, 16.6	
3-3	Management of material topics	72	9.6, 16.6	

SAE Material Topic	GRI Indicator	Page in the report	SDG Target	UN Global Compact 10 Principles
TOPIC SPECIFIC DISCLOSURES				
Planetary Care				
Climate Protection				
305-1	Direct (Scope 1) GHG emissions	74	8.4, 12.2, 11.6, 13a	7, 8, 9
305-2	Energy indirect (Scope 2) GHG emissions	74	8.4, 12.2, 11.6, 13a	7, 8, 9
305-3	Other indirect (Scope 3) GHG emissions	74	8.4, 12.2, 11.6, 13a	7, 8, 9
305-4	Reduction of GHG emissions	75	8.4, 12.2, 11.6, 13a	7, 8, 9
Circular Packing				
301-1	Materials used by weight or volume	78	8.4, 12.2	
301-2	Recycled input materials used	78	8.4, 12.2	
Sustainable Products				
301-3	Reclaimed products and their packaging materials	78	12.2, 11.6, 12.5	7, 8, 9
Green Workplace				
302-1	Energy consumption within the organization	79	8.4; 12.2; 11.6; 13a	7, 8, 9
302-3	Energy intensity	79	8.4; 12.2; 11.6; 13a	7, 8, 9
306-1	Waste generation and significant waste-related impacts	81	11.6, 12.5, 12.2	7, 8, 9
306-2	Management of significant waste-related impacts	81	11.6, 12.5, 12.2	7, 8, 9
306-3	Waste generated	80	11.6, 12.5, 12.2	7, 8, 9
Patient Care				
Partnerships for healthier lives			3.8, 9.6.	
Digital Medication Management			3.8, 9.6.	
Pharmaceutical Quality				
416-1	Assessment of the health and safety impacts of product and service categories	83	3.8., 6.9., 16.9.	1
Data Privacy & Security				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	84	16.6, 9.6	
Employee Care				
Healthy Workplace				
403-1	Occupational health and safety management system	86	8.8	
403-2	Hazard identification, risk assessment and incident investigation	85, 86	8.8, 16.6	1, 2, 4, 5
403-3	Occupational health services	86, 87	8.8	
403-4	Worker participation, consultation, and communication on occupational health and safety	85, 86, 87	8.8	6
403-5	Worker training on occupational health and safety	85,86	8.8, 4.7	
403-6	Promotion of worker health	86,87	8.8	
403-8	Workers covered by an occupational health and safety management system	85	8.8, 16.6	

GRI INDEX INCLUDING SDG REPORTING AND UN GC COP.

SAE Material Topic	GRI Indicator	Page in the report	SDG Target	UN Global Compact 10 Principles
Equal Opportunities				
405-1	Diversity of governance bodies and employees	87	4.4, 4.7, 5.5	6
Education & Development				
404-1	Average hours of training per year per employee	88		
404-3	Percentage of employees receiving regular performance and career development reviews	88	4.4, 4.7, 5.5	6

GRI INDICATOR REPORTING REQUIREMENTS.

Disclosure of the reporting requirement SHOP APOTHEKE EUROPE can not comply with

Omitted GRI indicator	Reason for omission	Required explanation	Material topic
2–7 Employees	Information unavailable/ incomplete	Most information is provided, but a few detailed items on the split between permanent and temporary workers as well as non-guaranteed hours employees are not yet available. During 2023 SHOP APOTHEKE EUROPE intends to define a company-wide approach to in order to be able to collect the data.	General disclosures
2–8 Workers who are not employees	Information unavailable/ incomplete	The company lacks a common definition of the various types of relationships which could occur for workers who are not employees and whose work is controlled by the organization across all regions and entities, especially with regard to the newly acquired entities. During 2023 SHOP APOTHEKE EUROPE intends to define a company-wide approach in order to be able to collect the data.	General disclosures
404-3 Percentage of employees receiving regular performance and career development reviews	Information unavailable/ incomplete	The company did not account investments in employee training in hours, yet. It would be possible to disclose the total amount in € spend. However, this could not be broken down to gender and employee category. For 2023 the company developed a comprehensive program to steer the employees' training and development.	Education & Development
404-1 Average hours of training	Information unavailable/ incomplete	In 2023 the company is implementing a new HR-software being combined with a comprehensive program for employees' feedback and career development. For 2022 the data is not yet available.	Education & Development
405-1 Diversity of governance bodies and employees	Information unavailable/ incomplete	The company is implementing a new HR system being able to report on the indicator from 2023 onwards. In 2022 no information is yet available.	Equal Opportunities

FINANCIAL CALENDAR. EVENTS.

26 April 2023
Annual General Meeting

2 May 2023
Q1/2023 Earnings release

1 August 2023
H1/2023 Earnings release

31 October 2023
Q3/2023 Earnings release

IMPRINT.

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

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

Responsible health authority:
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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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