HALF-YEAR FINANCIAL REPORT

30 JUNE 2017
Dear shareholders, ladies and gentlemen,

SHOP APOTHEKE EUROPE continues to grow fast also during the second quarter of the current fiscal year. Our consolidated revenues have risen by 54% during the first half of 2017 – another increase at the top end of our forecast. As of June 30, we had 2.2 million active customers – 0.7 million more than a year earlier. We confirm our forecast for the 2017 fiscal year, which projects an increase in revenues of 45 % to 55 %.

We have seen another positive development on the profit side during the first half of 2017. Profitability continued to grow in our core segment Germany with the gross margin at 21 %, up +0.5 pp from 20.5 % a year ago. In our rapidly growing international segment, we were once again able to triple our revenues to EUR 34m while the gross margin rose by +5.1 pp, from 17.0 % to 22.1 %.

We are also making progress in further developing operations and capacities: Thanks to ongoing process optimization and investments we have already made in expanding our warehouse facilities, we have significantly expanded our operations capacity. This means we are already well-positioned for the anticipated growth in our European markets in 2017 and 2018.

During our first annual shareholders’ meeting on May 16, all proposals put forth by management were approved by large majorities.

We would like to thank you for your trust and will continue to diligently pursue our strategy of European market leadership.

The Board of Management

**LETTER TO SHAREHOLDERS.**

Venlo, the Netherlands, 25 July 2017

**KEY FIGURES.**

<table>
<thead>
<tr>
<th>Performance indicators Group</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Page visits (millions)</strong></td>
<td>6.3</td>
<td>6.0</td>
<td>6.1</td>
</tr>
<tr>
<td><strong>Mobile page visits (millions)</strong></td>
<td>2.2</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Ratio mobile (in %)</strong></td>
<td>35</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td><strong>Orders (millions)</strong></td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Orders by existing clients (in %)</strong></td>
<td>71</td>
<td>71</td>
<td>74</td>
</tr>
<tr>
<td><strong>Return rate (in %)</strong></td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Active customers (millions)</strong></td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Average shopping cart (in EUR)</strong></td>
<td>52.1</td>
<td>51.8</td>
<td>52.2</td>
</tr>
</tbody>
</table>
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HIGHLIGHTS.</strong></td>
<td>5</td>
</tr>
<tr>
<td><strong>KEY FIGURES.</strong></td>
<td>6</td>
</tr>
<tr>
<td><strong>THE GROWTH STORY.</strong></td>
<td>7</td>
</tr>
<tr>
<td><strong>BUSINESS MODEL.</strong></td>
<td>8</td>
</tr>
<tr>
<td><strong>GROUP STRUCTURE AND CORPORATE GOVERNANCE PRACTICES.</strong></td>
<td>9</td>
</tr>
<tr>
<td><strong>BUSINESS DEVELOPMENT.</strong></td>
<td>10</td>
</tr>
<tr>
<td><strong>OVERALL ECONOMIC SITUATION.</strong></td>
<td>11</td>
</tr>
<tr>
<td><strong>CONSOLIDATED REVENUES AND RESULTS OF OPERATIONS.</strong></td>
<td>12</td>
</tr>
<tr>
<td><strong>SEGMENT PERFORMANCE.</strong></td>
<td>14</td>
</tr>
<tr>
<td><strong>FINANCIAL AND LIQUIDITY SITUATION.</strong></td>
<td>15</td>
</tr>
<tr>
<td><strong>RISKS AND OPPORTUNITIES.</strong></td>
<td>16</td>
</tr>
<tr>
<td><strong>GUIDANCE UPDATE.</strong></td>
<td>17</td>
</tr>
<tr>
<td><strong>OVERALL STATEMENT BY THE BOARD OF MANAGEMENT.</strong></td>
<td>18</td>
</tr>
</tbody>
</table>
NOTE.

The figures listed in this management report were calculated using IFRS 16 financial reporting standards, which are expected to be approved (EU endorsement) by the end of 2017. This shall ensure that future reports can be easily and accurately compared to the current results. Both the effects of using IFRS 16 to compile the balance sheet and income statement as well as the effects of IFRS 16 are shown in the Consolidated Interim Financial Statements (Note 10) available as a separate document.
HIGHLIGHTS.
SHOP APOTHEKE EUROPE continues accelerated growth course while increasing profitability:

- Consolidated revenues for the first half of 2017 rose by 54% to EUR 127m.
- Consolidated gross earnings grew by 61% to EUR 27m with gross margin improving to 21.5%.
- Market leadership in Germany further extended with revenues increasing by 31% to EUR 92m.
- International revenues more than tripled to EUR 34m with gross margin rising significantly to 22.1%.
- Number of active customers increased to more than 2.2m as of the closing date (+47% compared to a year earlier).

KEY FIGURES:

- **EUR 127m (+54%)** Revenue 1st HY 2017
- **2.2m (+47%)** Active Customers
- **73%** Repeat orders
- **37m** Page visits
- **> 100,000** Available products
SHOP APOTHEKE EUROPE: THE SUCCESSFUL EUROPEAN GROWTH STORY.
Europe's leading online OTC pharmacy.
SHOP APOTHEKE EUROPE is the leading online pharmacy in continental Europe. Its business activities focus on non-prescription over-the-counter (OTC) pharmaceuticals and pharmacy-related beauty and personal care (BPC) products. In its online stores, the founder-led company offers an extensive range of around 100,000 original products fast and at attractive prices to more than 2.2 million customers. The portfolio is supplemented by comprehensive pharmaceutical consultation services. A state-of-the-art, centralized logistics infrastructure in Venlo, the Netherlands, guarantees that SHOP APOTHEKE EUROPE can significantly expand its business volume while benefitting from economies of scale. All of the company’s technological and logistics processes are already geared towards further growth thanks to investments in capacity expansion and automation.

Growth in the company’s established markets and achieving the leading position in all relevant European markets are at the core of our growth strategy. With the acquisition of FARMALINE in September 2016, SHOP APOTHEKE EUROPE has further accelerated its European roll-out.
GROUP STRUCTURE AND CORPORATE GOVERNANCE PRACTICES.

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

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

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

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

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

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

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

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

**Repeat orders (orders by active customers).**
This shows the proportion of orders placed by existing customers and is an important indicator of customer loyalty. As marketing costs for existing customers are lower than for newly acquired customers, there is a direct positive impact on segment EBITDA.

**Return rate.**
One key advantage of trading in OTC and BPC products is the negligible return rate. As returns are a significant cost factor in e-commerce, there is a direct correlation with the company’s earnings.
BUSINESS DEVELOPMENT.
OVERALL ECONOMIC SITUATION.

Germany’s Ministry of the Economy & Energy estimates that the economic outlook for the Eurozone has slightly improved in recent months. According to Statista, a web portal for studies and statistics, all EU member states except for Greece posted an increase in gross national product (GNP) during the first quarter of 2017.

Eurostat, the EU’s statistics agency, reported that the April 2017 calendar-adjusted volume of retail trade in the Eurozone increased by 2.5% compared to the same month a year ago and by 0.1% compared to the previous month.

Market research institute Sempora Consulting projects continuous growth of around 4% for the sale of OTC medications in Europe until 2020, with online sales expected to benefit from a substantially higher growth rate of around 21% across Europe this year and an average growth rate of ca. 17% until 2020. Projections for the still developing online markets in France, Italy and Spain are substantially higher, with an average growth rate of 30% projected until 2020.
CONSOLIDATED REVENUES AND RESULTS OF OPERATIONS.

Sales of pharmaceuticals, medications and pharmacy-related beauty and personal care products are in part subject to seasonal fluctuations, with demand for pharmaceuticals and medications especially high during the first and fourth quarter of the year.

Following a strong start into the year, SHOP APOTHEKE EUROPE has successfully continued its rapid growth trajectory with consolidated revenues for the first six months of the current fiscal year increasing by +54% to 126.7m compared to 82.2m during the same period last year.

As a result of the company’s successful growth initiatives, the number of active customers rose substantially, from 1.5m at the end of Q2 2016 to more than 2.2m now.

The number of orders grew in line with revenues by 55% to 2.8 million compared to the same period last year during which 1.8m orders were placed. In the first half-year of 2017, the rate of repeat orders rose to a 73% with a continuing minimal return rate of just 0.8% while the number of site visits rose significantly. Furthermore, the ratio of mobile site visits increased to 50% during the first half of 2017.
SHOP APOTHEKE EUROPE increased its half-year consolidated gross profit by 61% to EUR 27.2m (2016: EUR 16.9m). The consolidated gross margin also increased, by +1.0 pp to 21.5%, despite increased spending on new customer acquisition. This positive development is the result of an increased gross margin in the segment Germany – up +0.5 pp to 21.0% – and a substantial increase of +5.1 pp to 22.1% of the gross margin in the segment International.

During the second quarter, SHOP APOTHEKE EUROPE had a positive consolidated segment EBITDA of EUR 1.1m. The cumulated consolidated segment EBITDA for the first half of 2017 amounts to EUR -0.6m compared to EUR -0.3m during the same period last year.

First-half 2017 administrative costs before depreciations of EUR 3.8m (past year: EUR 3.1m) were reduced to 3% relative to revenues (past year: 3.8%). Selling expenses before depreciations rose at a slightly disproportionate rate relative to revenues in part due to increased marketing spending on TV advertising as well as operating costs related to the expansion of capacity in Q1. They grew by 60% from EUR 18.2m to EUR 29.1m, resulting in an EBITDA of EUR -4.4m compared to EUR -3.4m during the first half of 2016.

Including depreciations of EUR 2.7m (past year: EUR 1.5m), earnings before interest and taxes (EBIT) were EUR -7.1m (past year: EUR -4.9m). Earnings before taxes were EUR -8.0m (past year: EUR -6.2m); earnings after taxes were EUR -8.2m (past year: EUR -6.2m).
The positive development of consolidated revenues and gross profit can be attributed in particular to the significant growth in the core segments Germany and International.

**Segment Germany.**

Germany, SHOP APOTHEKE EUROPE’s core segment by revenue, posted profitable growth of 31% during the first half of 2016 compared to the corresponding time period 2016. Revenues increased to EUR 92.1m during the first six months of 2017 after EUR 70.2m a year earlier. During the same period, gross profit grew at a disproportionate rate, up 35% to EUR 19.4m from EUR 14.4m a year earlier. The corresponding gross margin increased by +0.5 pp to 21% during the reporting period compared to 20.5% a year earlier. Segment EBITDA for the first half of 2017 was EUR 2.8m after standing at EUR 1.3m a year earlier. This contributed to a +1.1 pp improvement in the segment’s EBITDA margin from 1.9% to 3%.

**Segment International.**

Thanks to the significantly higher number of orders, the International segment contributed strongly to the increase in consolidated revenues: SHOP APOTHEKE EUROPE has more than tripled segment revenues during the reporting period to EUR 34.1m compared to EUR 11.2m over the same period a year ago (+206%). Gross profit increased at an even more substantial rate during the reporting period, growing by 297% to EUR 7.5m (past year: EUR 1.9m). This was due to a significant improvement in gross margin, which increased year-on-year by +5.1 pp from 17.0% to 22.1%.

As part of the international expansion strategy, the International segment had a substantial increase in customer numbers. The significantly higher proportion of orders placed by new customers – and corresponding higher acquisition costs – contributed to a decline in segment EBITDA to EUR -3.6m during the first half of 2017 compared to EUR -2.1m a year earlier.

**Segment Germany Services.**

During the first six months of 2017, the segment Germany Services had gross revenues of EUR 3.1m compared to EUR 2.0m in the same period last year. The figure for the period under review includes revenues from intracompany services of EUR 2.7m (past year: EUR 1.1m), which are eliminated in consolidation.

Gross profit for the period under review was EUR 3.0m compared to EUR 1.7m the previous year.

Adjusted for intracompany services equivalent to EUR 2.7m, gross profit for the reporting period was EUR 0.3m compared to EUR 0.6m during the first half of 2016, with segment EBITDA at EUR 0.2m (2016: EUR 0.5m).
FINANCIAL AND LIQUIDITY SITUATION.

Financial situation.
As of the reporting date, the balance sheet total was EUR 118.2m, down EUR 2.2m. The SHOP APOTHEKE EUROPE Group was debt-free as of the reporting date, with no long-term loans from or other long-term commitments to banks. The equity capital ratio stood at 72.0 % as of the reporting date.

Liquidity situation.
Cash and cash equivalents including short-term investments in securities declined by EUR 5.5m, from EUR 58.5m as of December 31, 2016 to EUR 53m at the end of the current reporting period.

Efficient management of working capital as well as reporting date-related effects linked to inventory reduction resulted in a positive operating cash flow of EUR 0.6m.

Cash outflow of EUR 4.1m is mainly due to investments in automation and capacity expansion as well as in software developed primarily in-house. In addition, EUR 3.5m were invested in short-term securities in order to cover the cost of interest, resulting in a cash flow of EUR -7.6m from investment activities.

Cash flow from financial operations included interest payments equivalent to EUR -0.9m related to the cash payment providers active for SHOP APOTHEKE EUROPE. Additional cash outflow of EUR -1.1m met payment obligations as a result of the FARMALINE acquisition. Total cash flow from financial operations amounted to EUR -1.9m.
Our evaluation of the company’s risks and opportunities has not changed substantially compared to the 2016 financial report.

The European Court of Justice’s judgment of October 19, 2016 (Rs. C-148/15) regarding fixed prices for prescription medications in Germany provides scope for additional business opportunities. The Court determined that the fixed prices which German pharmacists are required to charge do not apply to medications that are sold across EU borders. Thanks to the introduction of a bonus system in late 2016, SHOP APOTHEKE EUROPE has the opportunity to generate additional revenues beyond its core product portfolio.

There still do not appear to be any risk factors that could threaten the future of SHOP APOTHEKE EUROPE.
GUIDANCE UPDATE.

In consideration of the company’s dynamic half-year growth, the Board of Management has confirmed its forecast for the 2017 fiscal year, i.e. a 45%-55% increase in consolidated revenues. The Board expects an increase in profitability for the 2017 fiscal year due to effects of scale, improvements in efficiency and further automation. This forecast is further supported by our expectation that the profitable growth course in the company’s German core market will continue. The consolidated gross margin is expected to increase in line with projected growth. Furthermore, management expects a year-on-year improvement of the company-level EBITDA margin to around -2% to -3% (compared to -3.3% a year earlier).
OVERALL STATEMENT
BY THE BOARD OF MANAGEMENT.

The Board of Management considers the company’s development during the first two quarters of the 2017 fiscal year to be very positive. SHOP APOTHEKE EUROPE has continued on its accelerated growth course and revenue growth is at the top range of the forecast. Thanks to its rapid growth, SHOP APOTHEKE EUROPE has gained market share in all countries where it is active. The increase in gross margin, particularly in the segment International, is the result of economies of scale, process optimization, and improvements in our cost structure. At the same time, SHOP APOTHEKE EUROPE made specifically targeted investments in software, capacity expansion and automation to further boost efficiency and improve the customer experience.

In summary, the profit, revenue and financial situation show that the company is in a strong economic position as of the reporting date.

Responsibility statement from the legal representatives.
Venlo, the Netherlands, 25 July 2017

To the best of our knowledge and in accordance with the applicable reporting principles for half-year financial reporting, the half-year consolidated financial statements give a true and fair view of the company’s assets, liabilities, financial position and profitability, and the half-year management report of the group includes a fair review of the development and performance of the business including financial results, and the position of the company is described so that an accurate picture of the current situation is conveyed as well as a description of the principal opportunities and risks associated with the expected development of the group for the remainder of the fiscal year.

SHOP APOTHEKE EUROPE N.V.
The Management Board