

ANNUAL REPORT 2015

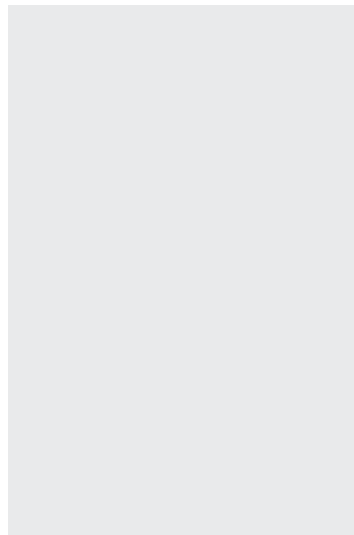


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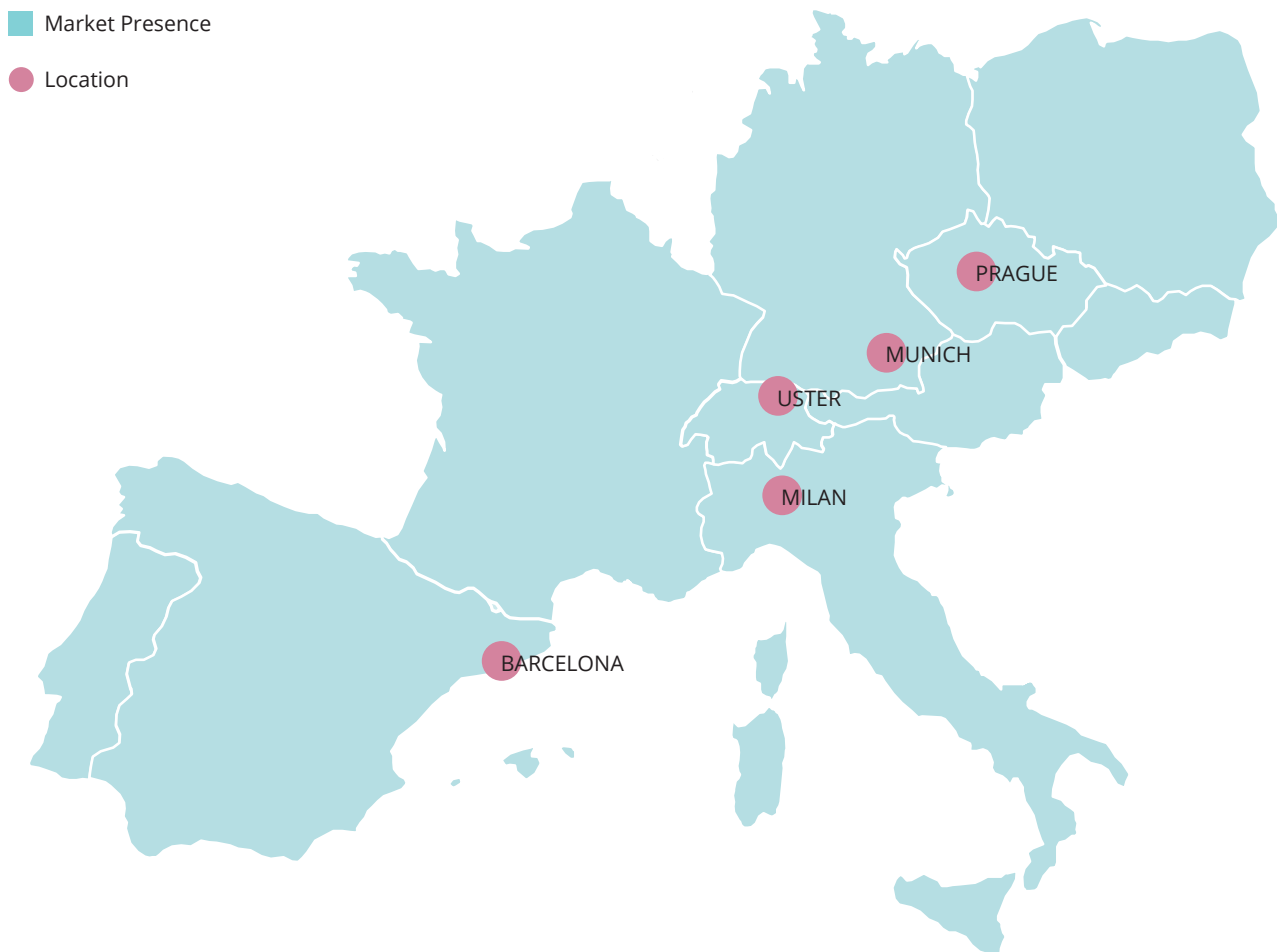
WINDELN.DE GROUP AT A GLANCE

Performance Indicators	2015	2014	Change
Site Visits	71,614,393	38,912,047	84.0%
Mobile Visit Share (in % of Site Visits)	64.36%	55.76%	8.7 pp
Mobile Orders (in % of Number of Orders)	45.30%	38.63%	6.7 pp
Active Customers	954,512	496,077	92.4%
Number of Orders	2,332,392	1,353,917	72.3%
Average Orders per Active Customer (in number of orders)	2.40	2.73	-12.1%
Share of Repeat Customer Orders (in % of Number of Orders)	81.42%	83.52%	-2.1 pp
Gross Order Intake (in EUR)	210,414,262	120,474,999	74.7%
Average Order Value (in EUR)	90.21	88.98	1.4%
Returns (in % of Net Merchandise Value)	6.5%	5.7%	0.8 pp
Marketing Cost Ratio (in % of revenues)	6.8%	5.1%	1.7 pp
Adjusted Fulfilment Cost Ratio (in % of revenues)	12.7%	11.0%	1.7 pp
Adjusted Other SG&A Expenses (in % of revenues)	15.4%	15.0%	0.4 pp
Earnings Position			
Revenues (in kEUR)	178,602	101,324	76.3%
Gross Profit (in kEUR)	47,115	23,455	100.9%
Gross Profit (as % of revenues)	26.4%	23.1%	3.2%
Operating Contribution (in kEUR)	12,328	7,136	72.8%
Operating Contribution (as % of revenues)	6.9%	7.0%	-0.1%
Adjusted EBIT (in kEUR)	-15,139	-8,087	-87.2%
Adjusted EBIT (as % of revenues)	-8.5%	-8.0%	-0.5%
Net Asset and Financial Position			
Cash flow from operating activities (in kEUR)	-22,244	-6,064	-266.8%
Cash flow from investing activities (in kEUR)	-16,271	-1,234	-1,219%
Cash and cash equivalents at the end of the period (in kEUR)	88,678	33,830	162 %
Other			
Basic earnings per share (in EUR)	-1.28	-0.49	161 %
Diluted earnings per share (in EUR)	-1.24	-0.48	158 %

PP = Percentage points

All Performance Indicators – except returns – under consideration of the consolidation of the feedo Group as of the third quarter and bebitus as of the fourth quarter in 2015

EUROPEAN MARKET PRESENCE AND LOCATIONS



windeln.ch

bebitus

windeln.de

Nakiki

feedo

pannolini.it

Short profile windeln.de

Since it was founded in 2010, windeln.de has become one of Europe's leading and fastest-growing online providers of products for babies, toddlers and children. windeln.de has already introduced its successful business model in ten European countries and also sells products to customers in China.

The Group works together with around 1,000 brand-name manufacturers to offer its customers a large selection of over 100,000 products. Products range from diapers, baby food and drugstore products through to clothes, toys and safety products such as car seats.

windeln.de customers can order the products conveniently from home and have them delivered free of charge. They also benefit from numerous content and community offerings that respond to the needs of families, e.g., midwife advice, online magazines, blogs and forums.

The strategic fulfillment network comprising six warehouses in Europe makes it possible to ensure fast delivery to all customers.

TO THE SHAREHOLDERS







Alexander Brand, Konstantin Urban, Dr. Nikolaus Weinberger

LETTER FROM THE MANAGEMENT BOARD

The financial year 2015 was a very good and year for our company. windeln.de AG was listed on the stock exchange in May, and as a result this is the first report we are publishing as a publicly listed company.

The IPO meant that it was possible to strengthen the Company's financial position further and thus to implement the international growth targets in 2015 as planned. For example, we came a huge step closer to our goal of becoming Europe's online market leader for baby and toddler products, establishing our business model in seven more European countries in 2015. In July we acquired the Feedo Group, the market leader in the eastern European region, which allowed us to add the Czech, Polish and Slovakian markets to our repertoire. Our efforts in southern Europe have included organic growth as well as takeovers. In Italy, we entered the market by founding pannolini.it S.R.L. Our webshop www.pannolini.it has been operating successfully since the middle of the year. We also entered the Spanish, Portuguese and French markets successfully by purchasing Bebitus Retail S.L. in October. We already demonstrated our expertise in acquiring and integrating companies back in 2013 when we took over Kindertraum AG in Switzerland. We focus in particular on creating and using synergies in the areas of purchasing, marketing and IT as well as on raising efficiency by means of joint fulfillment solutions. We see major growth potential in our new companies Bebitus and Feedo, and we are ensuring an efficient integration process to help support their objectives. We now have operations in ten European countries in total, and we view this as a solid basis from which to continue to reinforce and expand our position in Europe further in the future.

The business with customers in China was a strong growth driver once again. In the past year, we concentrated on optimizing logistics, which culminated mid year in the introduction of direct delivery, where deliveries are sent directly to Chinese customers without using any freight forwarder. Using this method of delivery means that our customers not only save costs but also receive their orders faster. At the end of 2015, more than 80% of the order volume from China was already being processed using direct delivery. We believe that this measure will enhance our market position in China significantly.

Looking back at the successful financial year in 2015, the main developments on the whole were as follows: Total revenue grew considerably, up by 76% to EUR 178,602k in a year-on-year comparison. The adjusted EBIT margin of -8.5% remained relatively constant compared with the prior year even though we consolidated the acquired companies bebitus and Feedo for the first time.

The two companies are just starting to develop their business and we still have much more to invest here than in our companies that are already further developed. The gross profit margin was increased from 23.1% to 26.4%, due to expanding the product range to include higher-margin products, expanding into high-margin European markets and introducing direct deliveries to China. We succeeded in winning 458 thousand new customers, which corresponds to a rise of 92% compared with 2014. In terms of orders, we continue to benefit from a large number of returning customers (81.4%). One of the ways we reward their loyalty is by constantly improving our offering, e.g., by expanding our product range, optimizing delivery methods and mobile shopping.

We would like to take this opportunity to thank our employees for their great performance in 2015. Without their motivation and dedication, we would not have had such a successful year.

We look forward with anticipation to what the coming financial year will bring and the systematic continuation of our strategy. We are confident that we can achieve clearly double-digit revenue growth and improve our profitability in 2016.

Munich, March 11, 2016

Alexander Brand

Konstantin Urban

Dr. Nikolaus Weinberger



David Reis, Dr. Edgar Lange, Nenad Marovac, Willi Schwerte, Dr. Christoph Braun, Francesco Rigamonti

REPORT OF THE SUPERVISORY BOARD

The financial year 2015 was a successful and eventful year for windeln.de. The legal form of windeln.de GmbH was changed from that of a limited liability company to a stock corporation in April 2015. The Company had its first successful public listing on May 6, 2015 and since then is quoted on the Prime Standard segment of the Frankfurt Stock Exchange. In addition, windeln.de succeeded in progressing the planned expansion into further European markets. It is now represented in ten European countries, also thanks to acquiring Feedo and bebitus. However, the operating business also developed very positively, and the financial year closed with revenue of EUR 178,602k (up 76%) and an adjusted EBIT margin of -8.5%.

Working with the management board

The supervisory board constituted for the first time after the change in legal form to a stock corporation (AG) carried out its duties actively and with the great care in the financial year 2015 and closely monitored the IPO. It also obtained regular and in-depth reports on the intended business policy, fundamental issues surrounding the financial, investment and personnel planning, the development of business as well as the profitability of the Company. Especially close monitoring and attention was given to the corresponding key performance indicators in this respect. Where actual business developments deviated from plans and targets, the reasons for this were explained in detail to and examined by the supervisory board using the documents presented. In addition, the management board agreed in particular on the Company's strategic orientation with the supervisory board. The supervisory board was directly involved in all decisions of fundamental importance. Transactions requiring the approval of the supervisory board were explained by and discussed with the management board before any resolution was passed. These discussions took place at the meetings of the plenum and its committees as well as in exchanges with the management board outside the scope of meetings. The supervisory board was consulted directly and in time on all decisions of fundamental importance to the Company. Additional audit measures, such as the inspection of records and documents and the appointment of special experts, were not necessary.

A total of twelve supervisory board meetings took place in the financial year 2015, in the months of March, April, May, August, September, November and December. The supervisory board was presented in full at each of the meetings, and a total of seven

meetings took place outside the scope of official meetings. All committee members always took part in the supervisory board meetings.

The chairperson of the supervisory board was also in regular contact with the management board outside the scope of meetings. The chairperson of the audit committee discussed audit-related topics with the auditor outside the scope of the meetings. In conclusion, the supervisory board has duly performed its duties as prescribed by law, by the articles of incorporation and bylaws, rules of procedure and the German Corporate Governance Code.

Main topics of discussion

After its constituent meeting in March 2015, the supervisory board members appointed Mr. Willi Schwerdtle as chairperson of the supervisory board and Dr. Christoph Braun as vice chairperson. The supervisory board appointed Mr. Brand, Mr. Urban and Dr. Weinberger as management board members of windeln.de AG. In addition, the supervisory board approved rules of procedure for the management board and supervisory board.

A telephone conference was held on April 21, 2015, in which the supervisory board approved the capital increase of EUR 5,400,000 from authorized capital for the IPO. The employment agreements of the three members of the management board were passed by separate resolutions outside a meeting on the same day.

In May 2015, the supervisory board approved the price of EUR 18.50 per share set by the management board as well as the corresponding Pricing Agreement with the banks accompanying the IPO in a telephone conference.

At the official meeting in May 2015, the supervisory board obtained a detailed report from the management board on the development of the IPO and the business development in the first quarter of 2015. The supervisory board also examined the expansion into Italy and the intended acquisition of Feedo Ps. Z o.o. and related companies (in the following "Feedo Group"). New technological developments were discussed in detail. Furthermore, the supervisory board approved the capital increase of EUR 197,378 from authorized capital to service the Company's stock option programs. Additionally, the supervisory board issued the annual declaration of conformity with the German Corporate Governance Code.

In July 2015, the supervisory board approved execution of the acquisition of Feedo by way of circular resolution and the related capital increase from authorized capital of EUR 153,937 to settle part of the purchase price and approved a adjustment to the capital increase performed in May to service the Company's stock option programs (SOP).

In a telephone conference in July 2015, the supervisory board examined the upcoming acquisition of Bebitus Retail S.L. (in the following "Bebitus").

At another official meeting in August 2015, the results of the second quarter were discussed in detail. The acquisition of Bebitus was discussed in detail and approved. The supervisory board also examined the requirements arising from the "Gesetz zur gleichberechtigten Teilhabe von Männern und Frauen an Führungspositionen" (law on gender equality in managerial positions) and approved target quotas of 0% for the composition of the management board and supervisory board. Even though the supervisory board would welcome a higher participation of women in the management board and supervisory board, a larger target quota is not realistic given that the employment contracts of the management board and supervisory board extend beyond the statutory implementation deadline (June 30, 2017). The supervisory board also approved the granting of stock options to certain members of management in the windeln.de Group in accordance with the terms of the Long Term Incentive Programme 2015-2017 (LTIP 2015).

At another telephone meeting in August, the supervisory board discussed further acquisition possibilities.

The official meeting in September 2015 was devoted primarily to outlook for the business development for the rest of the year and the outlook for 2016. The intention to convert windeln.de AG into an SE was discussed and acknowledged with approval.

In October 2015, the supervisory board approved execution of the acquisition of Bebitus by circular resolution.

At the official meeting in November 2015, the supervisory board dealt with the results for the third quarter. Other topics discussed included the status of business in China, including the newly introduced direct delivery option, the relocation of the warehouse from Munich to Abensberg, the rebranding from windelbar to Nakiki, and the findings from introducing the risk early warning system. The supervisory board approved the capital increase of EUR 537,410 from authorized capital to service the share option program (VSOP) as decided by the management board.

During an official meeting in December 2015, the budget for 2016 and the business plan for the windeln.de Group was discussed and passed.

Over the course of the financial year, the supervisory board obtained assurance that the management board has installed a functioning risk management system that is suitable for identifying, at an early stage, developments that could jeopardize the Company's ability to continue as a going concern. The auditors confirmed this assessment in the official meeting in December, where they also reported the results of the preliminary review of the annual financial statement 2015. The supervisory board also obtained assurance regarding the establishment of the compliance program, which ensures compliance with legislation and internal guidelines.

Composition targets

The supervisory board set itself targets for its composition based on the recommendations of the German Corporate Governance Code (the "Code"). It aims for composition that considers the special requirements of the Company and ensures that the management board monitors, supervises and advises in a competent and qualified manner. The candidates proposed for appointment to the supervisory board should be able to properly complete the tasks of a supervisory board member as a result of their knowledge, ability and expert experience. Each member also ensures that there is sufficient time for tasks to be performed.

The supervisory board issued the following key objectives for its composition:

- The members of the supervisory board may not take on positions on boards or in advisory functions at the Company's major competitors.
- The Company's international focus means that the supervisory board should contain a sufficient number of members with many years' international experience.
- The supervisory board should pay particular attention to diversity when electing candidates.
- The supervisory board should consider itself to have an appropriate number of independent members.
- It may not have more than two former members of the management board of windeln.de AG at any time.

The most important criteria for electing members to the supervisory board is their qualifications, irrespective of their age. The supervisory board therefore sees no advantages in introducing strict age limits.

These targets for the composition of the supervisory board have been met in full.

In the reporting period, there were no conflicts of interest involving management board or supervisory board members that would require immediate disclosure to the supervisory board and that would have to be reported to the shareholder meeting.

Supervisory board committees and their work

In order to carry out its tasks efficiently, the supervisory board set up an audit committee and nomination committee.

Under the rules of procedure, the audit committee is responsible for preparing negotiations and resolutions of the supervisory board in matters pertaining to the audit of the separate and consolidated financial statements and management report for the Company, the proposed resolution of the management board on the appropriation of profit as well as the proposal to the annual general meeting on the appointment of an auditor. The audit committee also deals with general questions relating to accounting,

risk management and the monitoring of the audit. In the financial year, audit committee comprised Mr. Boni, Mr. Rigamonti and Dr. Braun. Mr. Boni stepped down from the committee on April 21, 2015 and was replaced by Dr. Lange. The chairperson of the audit committee officiating in the reporting period, Dr. Lange, meets the statutory requirements in terms of his independence and knowledge of the areas of financial reporting and auditing. The audit committee convened for three meetings in the reporting period. Its meeting in May 2015 centered on the current business development, the status of the risk early warning system and the Group's insurance position.

The meeting in September 2015 focused on the management letter for the prior-year audit; other financial and legal topics were also discussed.

In November 2015, the auditor responsible from Ernst & Young GmbH was present at the supervisory board meeting and reported on the findings of the preliminary audit on the financial statements for the reporting period. In addition, the financial reporting process in the Company and the effectiveness of the group-wide internal control and risk management system and its further development were discussed. Further the status of the implementation of the compliance management system was discussed.

At each of the supervisory board meetings, the chairperson of the audit committee provided the full supervisory board with comprehensive information on the content and results of the respective committee meeting that had taken place prior to that supervisory meeting.

The supervisory board also set up a nomination committee. The nomination committee is tasked with proposing suitable candidates to the supervisory board for its election nominations for the annual general meeting. Its members in the financial year were Mr. Schwerdtle as committee chair, Dr. Braun and Mr. Reis. The nomination committee met once in the financial year, in July 2015. At its meeting, it examined in detail the remuneration structure in the entire Group, including management remuneration at the suggestion of the supervisory board.

Corporate Governance

The supervisory board and management board act in the awareness that good corporate governance is in the interest of our shareholders and the capital markets and is an important basis for the success of the Company.

In May 2015, the supervisory board together with the management board issued a declaration of conformity regarding the recommendations of the Government Commission pursuant to Sec. Sec. 161 German Stock Corporation Act (AktG) and made it permanently available on the website of windeln.de AG (<http://corporate.windeln.de>). Implementation of the German Corporate Governance Code is reported on separately in this annual report.

Audit of the separate and consolidated financial statements

The annual general meeting dated March 25, 2015 appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, as the auditor. The auditor audited the separate financial statements, prepared in accordance with HGB, and the consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRSs), each prepared by the management board as of December 31, 2015 as well as the management reports of the Company and the Group. The auditor is assured that the separate financial statements and the consolidated financial statements, in compliance with the financial reporting principles, present a true and fair view of the financial performance, financial position and cash flows of the Company and the Group. The auditor issued unqualified audit opinions on the financial statements. As part of assessing the risk management system, the auditor also found that the management board has taken the steps required by Sec. Sec. 91 (2) AktG to identify, at an early stage, developments jeopardizing the Company's ability to continue as a going concern. The audit report, the separate and consolidated financial statements prepared by the management board and the combined management report of windeln.de AG and the Group were presented in good time to the supervisory board, allowing sufficient opportunity for assessment.

In the meeting of the supervisory board on March 11, 2016, the supervisory board dealt in depth with the financial statements

documents and audit reports. When the audit committee and supervisory board were advised on the separate and consolidated financial statements, representatives of the auditor were present who reported on the significant audit findings and were available to provide additional information to the supervisory board.

The supervisory board approved the findings of the audit. According to the final conclusion of the audit by the audit committee and the supervisory board's own audit, there were no objections to the Company's separate or consolidated financial statements, the management report and the group management report. The financial statements of windeln.de AG are thus ratified.

Changes in the management board and supervisory board

The new supervisory board created during the course of the change in legal form of windeln.de GmbH to a stock corporation in March 2015 comprises Mr. Boni, Dr. Braun, Mr. Marovac, Mr. Reis, Mr. Rigamonti and Mr. Schwerdtle. Mr. Fausto Boni resigned of his own volition on April 21, 2015. In the election of his successor, which followed immediately, Dr. Edgar Lange was appointed as a member of the supervisory board by the annual general meeting on April 21, 2015.

There were no changes in the management board during the reporting period.

On behalf of the supervisory board, I would like to sincerely thank the members of the management board and all of the employees in the windeln.de Group for their huge personal dedication and their contribution to the successful conclusion of the financial year 2015.

Munich, March 11, 2016

On behalf of the supervisory board

Willi Schwerdtle, chairperson of the supervisory board

CORPORATE GOVERNANCE STATEMENT AND REPORT

windeln.de is convinced that good and transparent corporate governance that meets national and international standards is a key factor in the Company's long-term success. Corporate governance is therefore part of windeln.de's philosophy and a requirement for all operating segments. The management board and supervisory board consider themselves obliged to safeguard the existence of the Company and provide sustainable added value using a responsible and long-term corporate governance system. In this report, the management board reports – also for the supervisory board at the same time – on the management of the Company pursuant to no. 3.10 of the German Corporate Governance Code (GCGC) as well as pursuant to Sec. 289a German Commercial Code (HGB).

1. Declaration by the management board and supervisory board of windeln.de AG on the Government Commission German Corporate Governance Code" pursuant to Sec. 161 German Stock Corporation Act (AktG)

windeln.de aims to confirm the trust placed in it by investors, financial markets, business partners, employees and the public and enhance corporate governance in the Group. The management board and supervisory board focused extensively on meeting the requirements of the German Corporate Governance Code (GCGC) in financial year 2015. The following declaration of conformity was issued in May 2015:

In May 2015, the management board and the supervisory board declared that windeln.de AG has acted since its going public on May 6, 2015 and will act in the future in conformity with the recommendations of the "Government Commission German Corporate Governance Code" (hereinafter the "Code") published in the German Federal Gazette (Bundesanzeiger) on September 30, 2014, in each case with the following exceptions:

- No. 4.2.1 sentence 1: According to the Code's recommendations, the management board shall have a chair or spokesperson. Given the size of the management board with three members, the supervisory board and the management board are of the opinion that the members of the management board shall operate on an equal footing without any member performing the function of chair or spokesperson.
- Nos. 4.2.4 and 4.2.5: According to the Code's recommendations, the compensation of the members of the management board shall be disclosed by name, divided into fixed and variable components as well as fringe benefits. These recommendations are not complied with because the general meeting of the Company held on April 21, 2015 resolved that the compensation of the members of the management board shall not be disclosed by name in the separate and consolidated financial statements of the Company to be prepared for the financial years 2015 up to (and including) 2019 in accordance with Secs. 286 (5), 314 (2) sentence 2, 315a (1) of the German Commercial Code (HGB). For the duration of this "opt-out" resolution, the Company will abstain from including the disclosures recommended under No. 4.2.5 (3) of the Code in the Company's compensation report.
- No. 5.4.6 (1) sentence 2: According to the Code's recommendation, exercising the chair and deputy chair positions in a supervisory board as well as the chair and membership in committees of a supervisory board shall be accounted for in the compensation. The position of chair in the supervisory board is taken into account but no additional compensation is paid for the deputy chair position or any membership in committees of the supervisory board. Given the size of the supervisory board as such and of its committees, the management board and the supervisory board take the view that the current supervisory board compensation is sufficient.
- No. 7.1.2 sentence 4: According to the Code's recommendations, interim reports shall be made publicly accessible within 45 days of the end of each reporting period. The Company currently intends to comply with this requirement starting Q1 2016. For organizational reasons, however, the Company is unable to comply with this time limit for the reporting period and will publish the interim financial reports within a period of two months following the end of the relevant reporting period.

Pursuant to Sec. 161 (2) German Stock Corporation Act (AktG), the declaration of conformity is permanently available to shareholders and all other interested parties under corporate governance on the Company's website.

2. Disclosures on corporate governance practices

The efficient structures and processes in the windeln.de Group guarantee responsible management that is geared towards adding sustainable added value and is focused on shareholder rights. Openness and transparency are always the top priorities in corporate communication. This is a key requirement in maintaining and increasing the trust placed in windeln.de by our investors, our employees and the public. As the windeln.de Group is a European online company with registered offices in Munich, the German stock corporation, co-determination and capital market law, the articles of incorporation and bylaws and the corporate governance code implemented to meet the individual needs of the Company lay the foundations for establishing the management and monitoring structure in the Group.

The social and ethical responsibility of the windeln.de Group is defined in the code of conduct, which applies to all employees of the Group. windeln.de has established a risk management system to identify, control and monitor risks and opportunities at an early stage. The continuous improvement of the instruments used in the risk management system aims to ensure that risks and opportunities (including potential compliance risks) are identified and managed in a uniform way throughout the Group. All employees of windeln.de are obliged to be aware of risks and avoid any risks that could endanger the ability of the Company to continue as a going concern. In addition, communication lines – with the option of anonymity – are in place to report any suspected breaches of compliance. The management board is responsible overall for the functioning of the risk management system, while the supervisory board is responsible for monitoring its effectiveness.

3. Working practices of the management board and supervisory board

The management structure of windeln.de primarily relates to the corporate environment. As a German stock corporation, windeln.de AG maintains a dual management and control structure. The management board is responsible for managing the Company at its own responsibility. The supervisory board advises the management board and monitors its management activities.

The management board and supervisory board work closely together in the interests of the Company. Their mutual aim is to sustainably increase its corporate value. The management board regularly reports to the supervisory board in a timely manner and in detail on issues of relevance for the Company concerning strategy, planning, the development of business, the risk position, risk management and compliance. Deviations from objectives and planning are explained to the supervisory board and its committees. The Group's strategic focus and direction is also coordinated and discussed with the supervisory board.

The management board of windeln.de AG

There are three management board members with equal rights in the management board of windeln.de AG. They each have their own management board function, which comprise the individual segments.

The windeln.de Group is managed by the management board of the parent company, windeln.de AG. All management functions are bundled here. One of the main tasks of the management board is to define the Company's strategy, responsibilities and risk management. The management board is also responsible for preparing the separate, consolidated and interim financial statements as well as for establishing and monitoring a risk management system.

All members of the management board hold joint responsibility for the management of the Company and keep each other informed of any significant events and transactions. The management board's rules of procedure govern the allocation of duties among the management board members as well as the resolution procedure. Specifically, the catalog of information and disclosure requirements are also defined as well as the matters that require the approval of the supervisory board.

The supervisory board of windeln.de AG

windeln.de AG's supervisory board is made up of the following six members, all of whom were elected by the general meeting:

Mr. Willi Schwerdtle (chair), Dr. Christoph Braun (deputy chair), Dr. Edgar Carlos Lange, Mr. Nenad Marovac, Mr. David Reis and Mr. Francesco Rigamonti.

They all have the same terms of office that end with the 2018 annual general meeting. Dr. Lange was elected as the successor of Mr. Fausto Boni in the general meeting on April 21, 2015.

The supervisory board monitors and advises the management board on the conduct of its business. It reviews the financial statements, the management report and the proposal for the appropriation of net retained profit as well as the consolidated financial statements and group management report. Taking into account the audit reports of the auditors of the financial statements, it ratifies the financial statements of windeln.de AG and approves the consolidated financial statements. The supervisory board is also responsible for appointing the members of the management board and preparing and concluding contracts of employment with members of the management board. The supervisory board discusses the development of business and planning with the management board, as well as the corporate strategy and its implementation, at regular intervals. In order to strategically evaluate the Company, the risk management and the reporting system, the management board communicates with the entire supervisory board, and not just with the chair of the supervisory board, as this would be less efficient.

The supervisory board has set its own rules of procedure. These define the tasks, obligations and internal order of the supervisory board and also include more detailed regulations on the duty of confidentiality, on dealing with conflicts of interest as well as the formation and work of the committees. The supervisory board holds at least two meetings per six-month period. Resolutions of the supervisory board may also be passed outside meetings, specifically in writing, by fax or by e-mail.

In order for the supervisory board to be able to perform its tasks in an optimal way, the supervisory board's rules of procedure provide for two standing committees. The work of the committees is regularly reported to the supervisory board.

The main task of the audit committee is to support the supervisory board in meeting its control obligation in terms of the correctness of the separate and consolidated financial statements, the work of the auditor as well as the internal control functions, especially risk management. The audit committee included Dr. Lange (chair), Mr. Rigamonti (deputy chair) and Dr. Braun in the reporting year. In his role as financial expert, the chair of the audit committee holding the post in the reporting period, Dr. Lange, meets the statutory requirements in terms of his independence and knowledge of the areas of financial reporting and auditing.

The nomination committee prepares suggestions for the nomination of supervisory board members to be presented to the general meeting; it also examines the remuneration structure of the management board and other management positions at windeln.de.

Committees of the supervisory board

Audit committee

Dr. Edgar Carlos Lange (committee chair)
Francesco Rigamonti (deputy committee chair)
Dr. Christoph Braun

Nomination committee

Willi Schwerdtle (committee chair)
Dr. Christoph Braun (deputy committee chair)
David Reis

4. Regulations in accordance with Sec. 76 (4) and Sec.

The “law on gender equality in managerial positions in the private and public sector” dated April 24, 2015 and which came into effect as of May 1, 2015 requires windeln.de AG to define targets for the female representation quota in the supervisory board and management board and in the two management levels below the management board. The targets are defined by the supervisory board for the supervisory board and management board, and by the management board for the two management levels below the management board.

The supervisory board (relating to the composition of the supervisory board and management board in accordance with Sec. 111 (5) AktG) and the management board (relating to the composition of the other management levels in accordance with Sec. 76 (4) AktG) set the following targets for the quota for female representation in the respective boards, committees and management levels with an implementation deadline by June 30, 2017:

Level	Quota
Supervisory board	0%
Management board	0%
First management level	30%
Second management level	30%

The Company is also aiming for women to join the supervisory board and management board in the medium term. However, as all members are currently appointed until beyond June 2017, an obligation to achieve a quota greater than 0% is not realistic.

The target quotas for women in the first and second management level have already been achieved.

5. Additional disclosures on corporate governance

Shareholders and general meeting

Shareholders may exercise their rights at the general meeting and exercise their voting rights there. Each share carries one vote. There are no shares with multiple voting rights or preferential voting rights or maximum voting rights. The annual general meeting, where the management board and supervisory board give account on the past financial year, is held once a year. The shareholders have the opportunity to exercise their voting rights at the general meeting in person or by a proxy of their choice or by a proxy appointed by the Company who is bound to follow instructions.

The management board presents the separate and consolidated financial statements to the general meeting. The general meeting decides on the appropriation of any net retained profit and resolves on the exoneration of the management board and supervisory board as well as the election of the auditors. Where necessary, the general meeting resolves on amendments to the Company's articles of incorporation and bylaws, elects the members of the supervisory board and resolves on other items in the agenda requiring resolutions.

Systematic risk management

Thanks to its established internal control system, the Company is able to recognize any business and financial risks at an early stage in order to be able to take corresponding countermeasures. This control system is designed in such a way that risks can be promptly monitored and it can be ensured that all business transactions are correctly accounted for and that there is always reliable data on the financial situation of the Company.

Transparency

Shareholders, financial analysts, shareholders' associations, the media and the interested public are given regular timely updates on the situation of the Company as well as on significant changes to the business. This guarantees the greatest possible level of

transparency. The objective is to further expand the trust placed by investors in the value potential of windeln.de AG. Relevant events are disclosed on an ongoing, timely and reliable basis. Insider information that directly affects the Company is published without delay by the Company in accordance with the statutory requirements. Discussions are held regularly with private and institutional investors at the general meeting and capital market events such as roadshows and conferences. In line with the principle of fair disclosure, all shareholders and key target groups are treated the same in terms of information relevant for valuation. Information on significant new circumstances are made available to the broader public without delay.

The Company's website, <http://corporate.windeln.de>, serves as a central platform for publishing current information about the Company. Financial reports, presentations from analysts and investor conferences as well as press releases and ad hoc announcements about the Company are also available there. Dates of key annual publications and events (for example, annual report, interim reports, general meeting, etc.) are released with sufficient notice. Notifications of securities transactions that must be reported by members of the management board and supervisory board of windeln.de AG as well as by related parties (directors' dealings) can also be found on the website <http://corporate.windeln.de>, which are published immediately after the corresponding notification is received pursuant to Sec. 15a German Securities Trading Act (WpHG). The same applies for voting rights announcements submitted in accordance with Sec. 21 et seq. WpHG.

Financial reporting and annual audit

Financial reporting is performed at group level in accordance with the International Financial Reporting Standards (IFRSs) and the separate financial statements in accordance with local GAAP (HGB). Reporting follows the statutory and stock exchange obligations with the separate and consolidated financial statements as well as interim reports every quarter. The annual report and internet presence are – in line with international standards – also available in English; the annual report and interim reports can be found on the Company website: <http://corporate.windeln.de>. The consolidated financial statements are prepared by the management board and audited by the auditor as well as the supervisory board. The auditor was Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, appointed by the shareholder meeting on March 25, 2015. The auditor issued a declaration of independence to prove to the supervisory board its independence. The auditor took part in the discussion about the 2015 separate and consolidated financial statements between the audit committee and the supervisory board on March 11, 2016 and reported to the supervisory board the results of the audit of the separate financial statements and management report of windeln.de AG as of December 31, 2015 (HGB) as well as the consolidated financial statements and group management report of windeln.de AG as of December 31, 2015 (IFRS). It was agreed with the auditor of windeln.de AG that the chair of the supervisory board would be informed without delay of any grounds for disqualification or any factors affecting impartiality if they arise during the audit, unless they are remedied immediately. Relationships to shareholders that qualify as related parties as defined by the underlying accounting provisions are explained in the consolidated financial statements.

Remuneration of the management board and the supervisory board

The basics of remuneration of members of the management board and supervisory board are explained in detail in the remuneration report as well as the remuneration of members of the management board according to the statutory requirements, broken down into non-performance-based (fixed salaries and fringe benefits) and performance-based components (variable annual bonus) as well as components with long-term incentives.

The remuneration of the supervisory board was defined by the general meeting, the total remuneration of the supervisory board is listed in the remuneration report.

The remuneration report is part of the notes to the consolidated financial statements and is published in the annual financial report.

Stock option plans and securities-based incentive systems

A remuneration structure was introduced for selected senior management employees for the first time in financial year 2011,

which includes a long-term, performance-based variable remuneration component in the form of virtual stock options that were converted into physical stock options during the IPO. In addition, a new long-term, performance-based variable remuneration component based on the long-term incentive program (“LTIP”) of windeln.de AG was launched in financial year 2015. The details of this can be found in the notes to the consolidated financial statements of the windeln.de AG Group.

Directors' dealings and shareholdings of members of the management board and supervisory board

Sec. 15a German Securities Trading Act (WpHG) requires key management personnel at windeln.de AG as well as closely related parties to announce any transactions with shares in windeln.de AG or related financial instruments within five working days. The transactions reported to windeln.de AG in the past financial year have been duly published and are available on the Company's website under corporate governance.

Beyond this statutory notification requirement, the ownership of shares in the Company or related financial instruments by management board and supervisory board members should be announced if it is directly or indirectly greater than 1% of the shares issued by the Company in accordance with no. 6.6 GCGC. Management board members Alexander Brand and Konstantin Urban indirectly hold 911,922 and 1,745,862 shares respectively in windeln.de AG. The other members of the supervisory board and management board of windeln.de AG directly or indirectly hold less than 1% of the shares in the Company. The aforementioned disclosures relate to the December 31, 2015 reporting date.

SHARE OF WINDELN.DE AG

Volatile capital market environment

Overall, developments on the capital markets were positive in 2015, although the year was dominated by volatile periods. The year on the markets in 2015 started with the continuation of the stock exchange rally. However, this peaked in April and then also came to an end. The following months were characterized by a highly volatile market environment and a downward movement of all known indices. These reached their low in October. News from China in particular provided for exchange rate losses on the stock exchanges. However, the uncertain economic developments in Russia and in developing countries, like Brazil, also contributed to this. Decisions or delays of interest rate increases by the European Central Bank (ECB) and the Federal Reserve System (Fed) also influenced stock market prices.

The windeln.de IPO

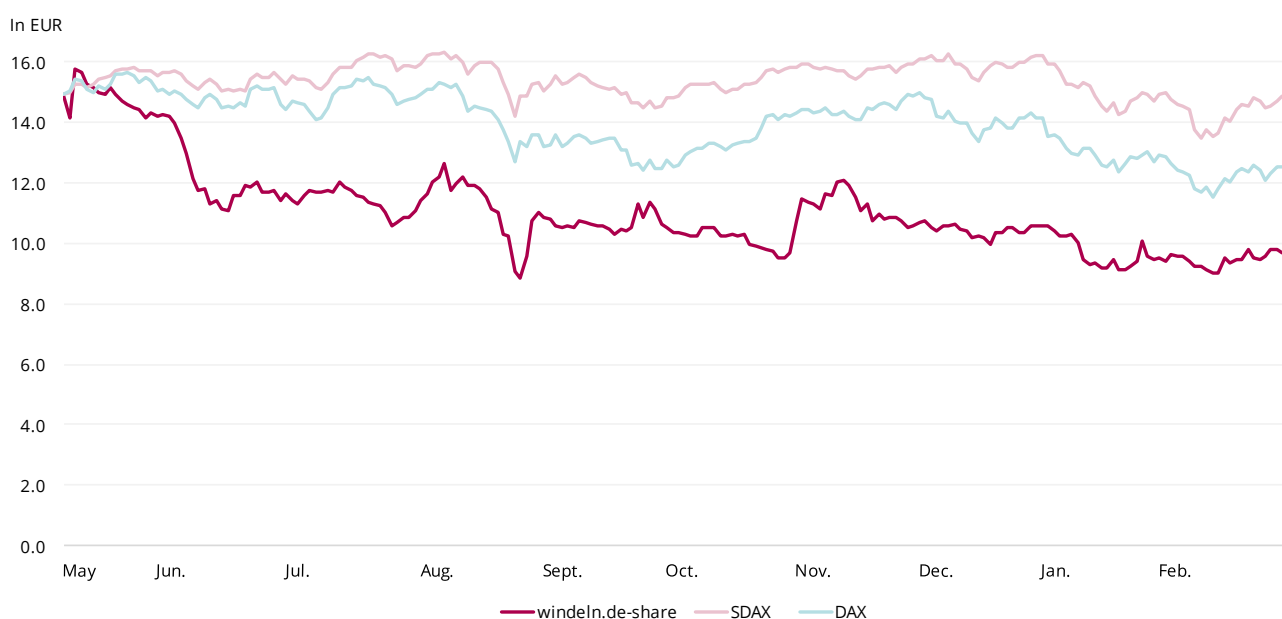
Following a successful IPO roadshow, windeln.de AG decided on an IPO price of EUR 18.50 per share on May 5, 2015. The issue price was even in the middle of the offering range between EUR 16.50 and EUR 20.50 per share certificate. The IPO was accompanied by five syndicate banks in Germany and Luxembourg, as well as a private placement with institutional investors. A total of 11,404,899 shares were placed as part of the IPO. The issue size came to a total of EUR 211m.

The windeln.de share

On the first trading day on the regulated market (Prime Standard) of the Frankfurt stock exchange, May 6, 2015, the windeln.de share closed at EUR 14, recording a fall in the share price of almost a fifth of the issue price. The management board sees the particularly high sales volume of shareholders that were relying on the price increasing immediately after the IPO. The share price was only able to marginally benefit from good quarterly results as well as from acquisitions made as part of the European expansion. In general, the share price is subject to a great deal of flexibility. Based on the positive business outlook, the management board continues to believe in the long-term positive development of the share price.

XETRA closing prices of windeln.de AG share compared to SDAX and DAX

Comparative indices indexed to windeln.de's closing price as of May 6, 2015.



WKN	WNDL11
ISIN	DE000WNDL110
Stock exchange abbreviation	WDL-DE
Trading segment	Regulated market (Prime Standard)
Type of share	No-par value bearer shares
Capital stock in EUR as of May 6, 2015	25,394,511.00
Capital stock in EUR as of December 31, 2015	25,745,826.00
Number of shares as of December 31, 2015	25,745,826
Initial listing	06.05.2015
Initial issue price	EUR 18.50
Share price as of December 31, 2015	EUR 10.60
Low for the period	EUR 8.829
High for the period	EUR 15.75

Capital measures and market capitalization

During the IPO, the capital stock of windeln.de AG was increased by EUR 5,400,000 from EUR 19,994,511 to EUR 25,394,511 upon entry in the commercial register on May 5, 2015.

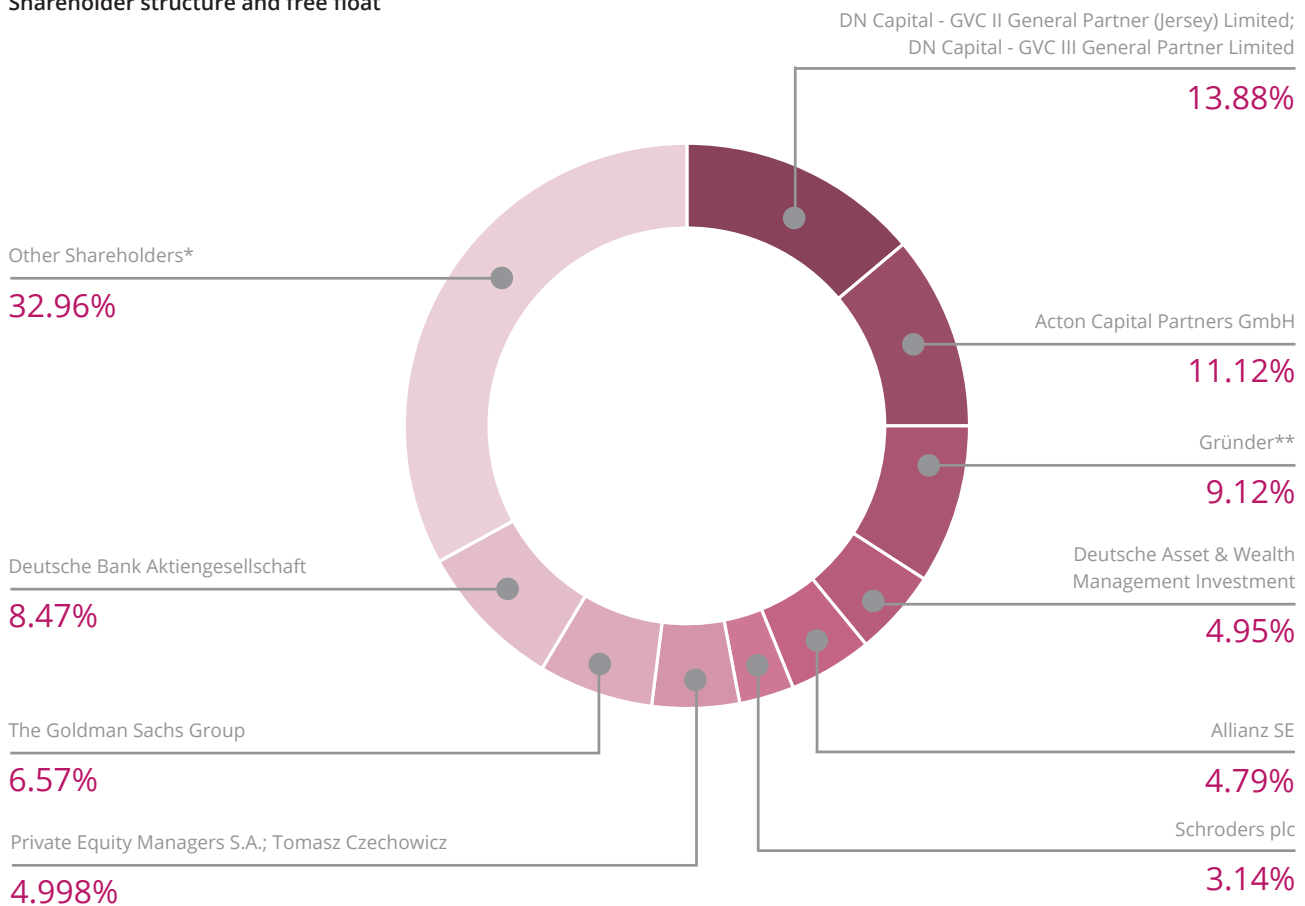
By entry in the commercial register dated July 27, 2015, the capital stock of windeln.de AG was increased by a further EUR 153,937; the issue of shares is attributable to the acquisition of the Feedo Group as part of the purchase price agreement.

On August 7, 2015, another capital increase was entered in the commercial register, this time by EUR 197,378 to a total of EUR 25,745,826; this is due to the service of the employee stock option programs.

At a price of EUR 10.60, the market capitalization of windeln.de AG therefore amounted to EUR 272.9 million on 31.12.2015.



Shareholder structure and free float



As of: February 29, 2016; Total amount of shares: 26,283,236

*Free float stands at 62.69% according to the definition of Deutsche Börse.

** Aggregate shareholding of the founders

Disclaimer: The shareholder structure pictured above is based on the published voting rights announcements and company information. windeln.de AG assumes no responsibility for the correctness, completeness or currentness of the figures.

Over the course of the IPO, management signed a lock-up agreement for 360 days, which expires on June 1, 2016.

The shareholder structure takes into account the last capital increase to a total amount of 26,283,236 shares on February 4, 2016 and the resulting dilutions of the respective interests which do not require obligatory reporting.

Investor relations work

windeln.de AG and its management have focused on expanding the trust relationships with shareholders, analysts and other capital market participants since the IPO in May 2015. Excellent relationships have been created, established and deepened in the past year thanks to ongoing and lively discussions. The objective of Investor Relations work is to create transparency for investors in terms of business developments and to correspondingly communicate relevant events in a timely manner. There were numerous meetings with investors over the past year, for example, at roadshows, at industry conferences or also at individual meetings as well as a number of telephone conferences. In September, research analysts were able to get to know windeln.de better at its first capital markets day in Munich. Regular telephone conferences and webcasts are offered for shareholders, analysts and other capital market participants as part of our quarterly reporting.

Interested parties were able to ask questions and hold one-on-one discussions with the management board and the Investor Relations department.

The corporate website of windeln.de acts as an interface to offer an information platform for all interested parties. Financial reports, voting rights notifications, ad hoc announcements as well as the current version of company presentations can be found here.

GROUP MANAGEMENT REPORT
AS OF DECEMBER 31, 2015



1. FUNDAMENTAL INFORMATION ABOUT THE GROUP

1.1. Group business model

Since formation in 2010, the windeln.de Group (“windeln.de” or the “Group”) has become one of Europe’s leading and fastest-growing online retailers of products for babies, toddlers and children. The parent company, windeln.de AG, was founded in 2010 and has its registered offices in Munich. Its successful business model has already been introduced in 10 European countries.

The Group works together with around 1,000 brand-name manufacturers to be able to offer its customers a huge selection of more than 100,000 products from the windeln.de, bebitus, Feedo, windeln.ch, kindertraum.ch, toys.ch and pannolini.it brands, which they can order from the comfort of their own homes. Products range from diapers, baby food and drugstore products through to clothes, toys and safety products such as car seats. The offering is enhanced further by the Nakiki shopping club, which offers sales campaigns with discounted prices for registered members. The Group also sells baby products to customers in China on its “windeln.de” website.

windeln.de serves its customers from six warehouses (Großbeeren, near Berlin and Abensberg, Germany; Uster, Switzerland; Prague, Czech Republic; Barcelona, Spain; Milan, Italy). This fulfillment network makes it possible to serve all markets efficiently. The Group also operates a store in Grünwald, near Munich, as well as a showroom in Uster, Switzerland.

Customer needs have top priority at windeln.de. In order to give them an easy shopping experience, windeln.de offers its customers free delivery as of a minimum order value of 20 Euro, a range of community and content offerings, such as online advice forums and personal recommendations as well as free customer service.

1.1.1. International growth

a) Europe

The Group’s strong growth is also attributable to the international expansion strategy.

In the five years following its formation in 2010, windeln.de has established its business model in 10 European markets. Internationalization has been both organic and as a result of targeted acquisitions.

After the success in Germany, delivery to Chinese customers and the countries neighboring Germany followed in 2011. Kindertraum.ch AG in Switzerland was acquired in 2013. At the beginning of 2014, the Company was renamed windeln.ch AG to strengthen the uniformity of the brand. In southern Europe, the formation of pannolini.it S.R.L. opened up access to the Italian market in 2015, with the markets in Spain, Portugal and France being tapped with the purchase of Bebitus Retail S.L. The Feedo Group in eastern Europe was also acquired, covering the markets in the Czech Republic, Poland and Slovakia.

The Group offers country-specific websites as well as a local range of products in these markets so as to be able to respond to the needs of the respective regions.

There is a great deal of growth potential in the international markets – due on the one hand to the lower market share of the Group there in comparison to Germany and on the other because of the fact that the online share of the market for baby and children’s products is generally lower than in Germany.

The successful integration of new markets by creating efficient processes, leveraging synergies and ensuring an ongoing exchange is a focal point of internationalization.

b) China

windeln.de has also been active in the Chinese “cross-border e-commerce” market since 2012, where baby products are also sold to customers in China. On account of the past scandals surrounding tainted milk powder and the resulting distrust in the local market, the procurement of foreign products became increasingly significant in China. The supply of German and European products makes windeln.de an attractive choice for Chinese customers.

In order to make shopping easier for Chinese customers, the payment platform Alipay, which is used frequently in China, has been available since 2013 and a Chinese version of the “windeln.de” website since 2014. Activities in various Chinese forums and communities as well as Chinese-speaking customer service also contribute to customer loyalty and easy customer communication. It has been possible to deliver directly to China since the end of August 2015, which provides a low-cost alternative to delivery using freight forwarders. These measures have placed windeln.de in a good position in the “cross-border e-commerce” market. Around 50% of group revenue was generated by Chinese customers in 2015.

1.1.2. Product mix

With its broad and varied selection of more than 100,000 products, the Group offers its customers a comprehensive product mix to cover the many needs that families have. The range of consumables, including those needed on a daily basis, such as diapers and baby food, as well as durables such as strollers, car seats and children’s furniture makes windeln.de a central point of contact for all purchases surrounding babies and children. The continuous enhancement of the product portfolio ensures that windeln.de also remains attractive for regular customers.

The deep range of products is due to the experienced product team and the maintenance of strategically close relationships to over 1,000 manufacturers and suppliers.

The Group started to expand its own brand business in the second half of 2015, to increase its offering even further. The focus of this area is on products that are not as brand sensitive with corresponding revenue potential.

1.1.3. Fulfillment/operations

The six fulfillment centers in Großbeeren, near Berlin, Abensberg in Germany, Uster in Switzerland, Prague in the Czech Republic, Barcelona in Spain and Milan in Italy form the basis within the Group for efficiently supplying all customers in Europe and China.

Three of the locations are operated externally in cooperation with international fulfillment service providers. This has the benefit that investment costs for the construction of the centers are only incurred by fulfillment partners and that the Group’s fulfillment capacities can grow quickly and efficiently along with its rapid growth.

Thanks to operating three own locations (Uster, Abensberg and Prague), there is valuable expertise in the area of fulfillment within the Group. The Group’s own fulfillment infrastructure is highly scalable and already partially automated.

For quick and low-cost delivery to China, windeln.de has also offered the option of delivery direct to China via the fulfillment center in Großbeeren, near Berlin, since August 2015.

For delivery using freight forwarders, the Chinese customer registers with a freight forwarder in Germany that specializes in dispatching goods to China before making a purchase at windeln.de. When making the order at windeln.de, the customer then enters the (German) address of the freight forwarder, where the package will be sent. The package takes around 20 days to arrive at the customer in China.

For direct delivery, the Chinese customer enters their home address in China on the windeln.de website. The package is then sent directly to China. It arrives in less than two weeks using this method of delivery.

Approximately 80% of the order value of deliveries to China are handled via direct delivery in the meantime. This is primarily attributable to the fact that, taking delivery costs and exemption from VAT into account, the products are cheaper for the customer and have shorter delivery times.

Supply chain management is supported by internally developed, statistical model-based revenue forecasts allowing for the high rate of repurchasers. Using this model, the required purchasing volume is calculated on the basis of the daily revenue from the last six months, the replenishment time of products, marketing plans and former out-of-stock periods for all articles in stock. The precise forecasts allow the number of articles to be purchased and stored to be significantly reduced, keeping inventories low.

The Group's rate of order returns is very low compared to other online retailers. For example, the average return rate was approx. 6% in 2015 in the Group's largest shop, windeln.de. This is mainly due to baby and children's products. Products purchased for daily use, such as diapers and food, are very unlikely to be returned. The decision to purchase durables such as strollers and children's car seats is normally made before the order is placed, meaning that these also only have a very low number of returns.

windeln.de's experienced operations team continuously strives to optimize flows of goods and delivery speeds, in order to increase both customer satisfaction and cost efficiency.

The multilingual customer service team, which is aligned towards the international customer base, provides customers with expert advice and a free point of contact for matters relating to orders at windeln.de.

In order to optimally position itself on international markets, windeln.de also offers its customers international as well as various local payment methods. For example, cash on delivery has been introduced in southern Europe, as this is particularly popular in Italy. Alipay, a standard payment method in China, is offered there.

1.1.4. Technology infrastructure

As an online group focused on technology, ongoing innovation through investments in technology is a core part of windeln.de's business. windeln.de has a highly scalable, internally developed technology platform, which serves as a basis for an easy and inspiring shopping experience for customers.

The almost exclusively internal IT architecture is centralized for all business units and thus creates efficient synergies. Tailored technologies are enhanced, where necessary, by carefully selected solutions from third-party providers.

windeln.de maintains advanced systems to capture large data volumes on customers' browsing and shopping behavior. Analyzing this data makes it possible to satisfy customer requirements on an even better scale, e.g., by making personalized suggestions based on the age of their child.

The rapid development of mobile commerce offers great potential for the Group.

In the financial year 2015, around 64% of website traffic came from mobile devices, which means that mobile orders make up 45% of the total. The Group is constantly working on improving its mobile offering on websites and apps.

The internally developed "adaptive responsive" technology was introduced for the pannolini.it webshop and the Nakiki shopping club in mid-2015. This solution enables a technically seamless transition between the desktop and mobile website with an appealing design. This technology will also be rolled out to other shops on the basis of this.

A mobile shopping offering was also developed for customers in China for the first time in 2015, helping windeln.de further secure its competitive position in the Chinese market.

1.1.5. Marketing and customer acquisition

New customers are recruited through various paid and unpaid marketing channels, including keyword marketing, TV commercials, partners, referral marketing, direct navigation and social media. The focus is on online marketing, so as to gain customers where they have direct access to windeln.de.

The business model of windeln.de relies on the one-time acquisition of customers who are inspired by the wide range of products to visit and shop at windeln.de's website several times over a protracted period of time and thus become regular customers of the Group.

In general, the most effective form of marketing is to continuously improve the customer experience, as satisfied customers not only make repeat purchases at windeln.de, but also recommend the websites to friends and family members. These "word-of-mouth" recommendations are supported by the loyalty and recommendation program.

1.1.6. Employees

Qualified and motivated employees are the most important resource for the Group. Their work and commitment lay the foundations to implement the strategic objectives as well as for the long-term success of the Group. windeln.de has grown over the past few years from a start-up to an established group. With a headcount of 553 at the end of 2015, the number of employees at windeln.de rose by 62% compared to the prior year. This growth at windeln.de AG chiefly stems from the expansion in the administrative area and the new pannolini.it online shop as well as the Feedo Group and bebitus acquisitions at an international level. The Group is generally accepting of part-time work. 32% of employees were hired on a part-time basis as of the end of the year.

windeln.de is convinced that the potential that makes an expanding international Group successful can only truly be realized by covering different cultures, perspectives, opinions and experience. This can also be seen in the workforce: windeln.de employs employees from around 41 countries at its location in Germany and from 46 countries worldwide as of the end of December 2015. Women make up 62% of the Group's workforce.

The average age of employees in the Group was 31 as of the end of 2015. One of the Group's most important objectives is to continuously build on the abilities of the employees. As a result, windeln.de has set itself the task of helping its employees reach their individual career goals as well as promoting needs-based training. This also includes, for example, using corresponding content and specialist training sessions to promote junior employees to management positions. windeln.de AG approaches new candidates through cooperation with colleges and universities, the "employees recruit employees" program and other initiatives.

Two of the Group's core values are open communication as well as a pronounced team ethic.

Transparent and direct communication is brought to life with a clear feedback culture and an "open door policy". In addition to the annual employee survey on the situation at the workplace, windeln.de also established a process for employee evaluations.

The Group highlights its appreciation of employees by hosting corporate events such as visits to the Oktoberfest, Christmas parties or summer events.

Short commutes, quick decisions and flat hierarchies are also as equally important elements of the corporate culture as actively calling for processes, products and mindsets to be questioned. The Group therefore creates an environment where new ideas are fostered to ensure the Group remains successful.

In order for its employees to participate in the success of the Company to an even greater extent, windeln.de installed an employee program to issue preferential subscription rights in the course of the IPO, which was very popular. The majority of employees also participate in the Company's success with a variable salary component.

1.2. Group structure

1.2.1. Legal form

In preparation for the IPO, windeln.de AG changed its legal form from a limited liability company (GmbH) to a stock corporation (AG) in April 2015. The reorganization was effective upon entry in the commercial register of the Munich local court on April 16, 2015.

1.2.2. Management and control

The windeln.de Group is managed by the parent company, windeln.de AG, domiciled in Munich, Germany. All management functions are bundled here. The majority of the Group's revenue is generated within this Company. As a German stock corporation, windeln.de AG maintains a dual management and control structure. The management board is responsible for the Group's strategy and its management, the supervisory board advises the management board and monitors its management activities. Apart from windeln.de AG, the Group is currently made up of seven consolidated subsidiaries, some of which bear the responsibility for the local business activities (the Feedo Group and bebitus) and some of which operate as service entities. All subsidiaries are directly or indirectly controlled by windeln.de AG and are wholly owned by the Group.

1.2.3. Group segments

For the purposes of corporate management, the windeln.de Group is organized into the "Online Shop" and "Shopping Club" business units under the various business models and has the following reportable operating segments:

- The "German Shop" operating segment runs the windeln.de online shop.
- The "International Shops" operating segment comprises the windeln.ch, toys.ch, kindertraum.ch online shops, the pannolini.it online shop as well as the Feedo.pl, Feedo.cz, Feedo.sk, bebitus.com, bebitus.fr and bebitus.pt online shops.
- The "Shopping Clubs" operating segment runs the nakiki.de and nakiki.it webshops, which provide services as part of a free membership to the shopping clubs.

1.2.4. IPO

windeln.de shares have been traded on the Regulated Market in the Prime Standard segment of the Frankfurt stock exchange since May 6, 2015.

The listing was preceded by an offer for the sale of 11,404,899 no-par value ordinary bearer shares (Stückaktien) with an imputed share in the capital stock of EUR 1.00 each with dividend entitlement as of January 1, 2015. The offer comprised 5,400,000 new, no-par value bearer shares from the IPO capital increase, 4,517,304 no-par value bearer shares from certain shareholders in the Company and 1,487,595 no-par value bearer shares from certain shareholders in the Company in connection with a potential over-allotment.

Investors had the option to purchase shares from April 23, 2015 to May 5, 2015 in an offering range of EUR 16.50 to EUR 20.50. The Company set the offer price at EUR 18.50 on May 5, 2015. The offering was substantially oversubscribed at the issue price.

In the course of the IPO, windeln.de generated a cash inflow of EUR 97.2m, after deducting the transaction costs associated with the procurement of capital. The over-allotment (Greenshoe) option granted by the underwriters, which could have been utilized by June 7, 2015, was not exercised.

1.3. Strategy and competitive position of the Group

1.3.1. Strategy

The Group set itself the objective of becoming the leading purely online retailer for the needs of families in Europe and China. Against this background, the following strategies are pursued:

- Increase the market share in the total target market in Europe and China by expanding the customer base in these regions and increasing the order volume per customer.
- Expand the regional presence in other European countries through a combination of targeted acquisitions of established local entities with strong market positions and organic growth in these markets.
- Enhance the product offering with new articles in order to increase attractiveness for customers, which will simultaneously enable cross selling of durables with higher margins. In order to achieve this, the Group is concentrating on expanding the product offering for babies and toddlers in Europe with products for children and mothers. In China, the Group is planning to successively enhance the offering for customers to also include other quality German products in addition to products for babies and toddlers.

1.3.2. Our competitive advantages

Competitors of windeln.de are other online retailers that focus exclusively on the sale of products for babies, toddlers and children ("purely online retailers for baby and children's products") as well as general online retailers with a broader range of products. Certain offline retailers, e.g., traditional providers of baby products, drugstores and supermarkets, are also competition.

windeln.de stands out from the offline and online competition thanks to its numerous competitive advantages. As a purely online retailer that specializes in the needs of families, windeln.de is a leader in Europe and has built up a strong and growing business selling baby food products to customers on the enormous Chinese market.

This success is based on the following core drivers:

- Loyal customer base, which is primarily made up of mothers and also drives forward developments quickly through recommendations ("word-of-mouth")
- Broad and inspired selection of products
- Exclusive focus on baby and children's products with the associated specialist knowledge and understanding of niches
- Highly scalable IT and fulfillment infrastructure focused on future growth
- Attractive financial profile with strong sales leverage
- Economies of scale and efficiency advantages on account of size and market share
- Large level of brand awareness as a provider of "quality German products" on the Chinese market
- Strategically close and long-term relationships to manufacturers and suppliers

1.4. Management system

The most important financial performance indicators for group management are the gross profit margin, the operating contribution margin (taking into account fulfillment and marketing costs) as well as adjusted EBIT in addition to revenue.

The management board manages at group and segment level, with the same management system being used across all segments. The operating cash flow is also monitored and managed at group level.

In addition to the financial performance indicators, a range of non-financial performance indicators are still important to manage the Group:

- Number of active customers

Each customer that has submitted an order within the last year (based on the reporting date) is considered active.

Average numbers of orders per active customer

The orders submitted by active customers within the last 12 months are included in the calculation of the average number of orders.

- Average order value

As well as the number of orders, the average basket size has a direct influence on the Group's revenue. This figure is also a key indicator to measure the trust customers place in the Group.

- Regular customer ratio

The regular customer ratio is the relationship of orders made by regular customers compared to the total number of customers. This measure reveals how loyal our customers are.

The revenue contribution per customer over time (customer lifetime revenue) and the contribution margin per customer in relation to customer acquisition costs (customer lifetime value) are also considered to be key performance indicators.

The non-financial performance indicators are managed by the management board at shop level.

The management system used in the Group remains unchanged on the prior year.

1.5. Research and development

windeln.de develops in house central components of the e-commerce platforms used in the Group. This ensures that the software is aligned with the operating processes and the needs of the departments in the best possible way. In particular, the shop platform is operated as internally generated software.

Key technical developments in 2015 included direct delivery to China, the development of an adaptive responsive mobile/desktop solution for the shop system, the launch of a Chinese-speaking mobile shop, the launch of the new pannolini.it and nakiki.it shops as well as the relaunch of nakiki.de.

For the Group, software developments comprise the structured and personnel-intensive stage of implementing system improvements, enhancing components as well as expanding and customizing the functionalities of the ERP system. The teams of developers are organized into the shop, integration, product information management, customer information management, fulfillment, payment as well as back office and QA subareas.

The shop platform is also operated as internally generated software at Feedo. Key technical developments in 2015 are limited to improvements in performance and its growth-driven expansion. This included laying the foundations for the upcoming adaptive responsive mobile/desktop solution for the shop system.

The CMS system is also operated as internally generated software. Here, the focus was on enhancing multilingualism and broadening the display options for articles.

Bebitus works with outsourced service providers to develop the software platform and all of its functions.

EUR 1,017k (prior year: EUR 1,048k) was recognized in 2015 as development costs for the webshops as well as EUR 144k for the development of the new ERP system.

The Group does not perform any research activities.

2. REPORT ON ECONOMIC POSITION

2.1. Development of the economy as a whole

E-commerce developed very positively in all regions relevant for windeln.de AG over the past year.

In Germany, the internet retail segment grew at a much faster pace than the retail sector as a whole, increasing 12%.¹ The retail segment also performed positively and recorded growth of 3.1%.²

Europe also saw an increase in nominal revenue. The internet retail sector index grew by around 12% in the past year.³ The retail segment as a whole increased by 1.4% in the euro zone (November 2015 compared to November 2014).⁴

China, the largest retail market, grew by 37.2% in the internet retail segment and by 10.7% in the retail segment as a whole year on year.⁵

The Group continues to see growing market opportunities for the business model with trading in products for babies, toddlers and children as a result of the consistently positive development of online retail.

2.2. Sector-specific environment – market for products for babies, toddlers and children

2.2.1. German and European market

The overall market for products for babies, toddlers and children in Germany was estimated in 2014 to reach EUR 4.2b (for babies aged 0-3 years⁶). According to an assessment by the Group, the market for babies and children aged 0-6 years amounts to EUR 8.4b. Consumer demand in this market is dominated by low dependence on the business cycle, supported by a relatively stable birth rate as well as a high level of predictability in needs and therefore shopping behavior. The crude birth rate⁷ in Germany increased by 4.9% from 8.1 to 8.5 between 2009 and 2015⁸.

The European market for products for babies, toddlers and children is fragmented. According to Group estimates, the European market (excluding Germany) for products for babies, toddlers and children came to a total volume of EUR 28.2b (for babies aged 0-3 years) and a total volume of EUR 56.5b (for babies and children aged 0-6 years) in 2014. The European market is therefore approximately seven times bigger than the total target market in Germany⁹.

2.2.2. German and European e-commerce market

The growth of the e-commerce market for consumables for babies and other baby and toddler products is decisive for the Group. Consumers have increased their online spending for consumables for babies and other baby and toddler products from EUR 265.8m in 2011 to EUR 392.8m in 2014. The Group therefore sees medium-term growth of the online share in the total market for baby and toddler products as very likely. Euromonitor expects the online share to grow from 9.3% in 2014 to 12.7% in 2017. This increase enables the total market relevant for windeln.de to grow to EUR 4.4 b¹⁰.

1 <http://www.einzelhandel.de/index.php/presse/aktuellemeldungen/item/126180-handel-mit-staerkstem-wachstum-seit-20-jahren>

2 <http://de.statista.com/statistik/daten/studie/70190/umfrage/umsatz-im-deutschen-einzelhandel-zeitreihe/>

3 <http://de.statista.com/statistik/daten/studie/166745/umfrage/einzelhandel-umsaetze-im-internet-insgesamt-und-zu-weihnachten/>

4 Eurostat; press release dated January 7, 2016; "sales volume in retail segment down 0.3% in the euro zone"

5 <http://marketrealist.com/2016/01/led-chinese-retail-sales-strong-growth-december/>

6 Euromonitor International Ltd., Analysis of baby and toddler products retail in Germany, February 2015 (prepared on behalf of windeln.de) ("Euromonitor")

7 The crude birth rate relates to the number of live births during a given year per 1,000 inhabitants

8 Eurostat data European Commission, January 2016, crude birth rate

9 Company estimates derived from Eurostat data

10 cf. footnote 6: Euromonitor

The online channel offers a good opportunity to sell consumables for babies, as these products are similar to other product categories that are already largely sold online, such as consumer electronics, consumer equipment and fashion items (including clothes and shoes). Products for babies, toddlers and children are typically branded articles, durable and bought frequently. This offers a significant opportunity to grow the online share. Demand can also be predicted to a great extent and there is a low demand for individualization. The possibility of being able to shop at any time and any place with simple home delivery also offers a considerably more comfortable shopping experience compared to traditional offline shopping.

The online share of the market for products for babies, toddlers and children in Germany is still far behind the other product categories, such as consumer electronics, consumer equipment and fashion items (including clothes and shoes).

The online share of all product categories in Germany is expected to increase from 6.1% in 2013 to 11.2% in 2018. However, this remains behind¹¹ the shares in the United Kingdom and Norway. The online share in other large European markets, such as France, Spain and Italy, is even lower and will probably grow at about the same rate. The Group expects the e-commerce share and the online infrastructure to grow in size and that online offerings will be increasingly used in all parts of Europe.

2.2.3. Mobile devices

The constant rise in the use of smartphones and tablets is one of the main reasons for the increasing penetration of online facilities in Europe. Customers are provided with a comfortable option to shop at any time and any place. This is a huge advantage in the sale of products for babies and toddlers. Furthermore, online marketing via mobile devices (e.g., push notifications) offer a new opportunity to increase daily interaction with customers.

2.2.4. Cross-border e-commerce market in China

windeln.de is also active in the Chinese cross-border e-commerce market. Chinese customers here make purchases direct from foreign online dealers. The total volume is estimated to be EUR 18.4 b¹². While the population's disposable income is constantly on the rise, demand for high-quality products from abroad is also increasing. The overwhelming majority are purchases from product categories such as cosmetics and body care (56.8%) as well as products for mother and child (55.3%)¹³. The Chinese cross-border e-commerce market is expected to grow from the current CNY 128.4b (approx. EUR 18.4b) to more than CNY 372.2b (approx. EUR 53.5b) by 2017.

In 2014, the cross-border e-commerce market for products for mother and child reached a total volume of CNY 53.2b (approx. EUR 7.5b), corresponding to 41.5% of the entire cross-border e-commerce market in China¹⁴.

Growth of purchases in the cross-border e-commerce market is boosted by the following drivers:

With more than 16.9 million births in 2014 and a forecast increase to 17.9 million births in 2015¹⁵ and increasing purchasing power, the Chinese market for baby products is geared towards growth. This trend is particularly strengthened by the end of the one-child policy in China announced at the end of October 2015. This had been introduced to slow down the rapid population rise in China. The end of this policy may result in a sharp increase in births over the next few years; an increase of around 10% a year is expected in China in the next five years. This corresponds to roughly two million new births a year, which is likely to trigger additional demand for baby products. The market is also strengthened by the fact that more and more babies are fed formula instead of breast milk. Formula consumption in China increased by 110% from 346.6 thousand metric tons in 2008 to 727.8 thousand metric tons in 2014¹⁶. Rising demand for quality products from abroad is also boosted by past scandals with local formula products. The middle class in China is also expanding, with a compound annual growth rate of 7.9% GDP per capita forecast from 2014 to 2019¹⁷. These reasons are why the Group expects the market for baby products in China to keep growing considerably in the coming years.

11 eMarketer Inc., Retail sales worldwide will top USD 22 trillion this year

12 IResearch Consulting Group, 2015 China cross-border online shopper behavior report, January 2015, statistical model and online survey conducted on iClick, (prepared on behalf of the Group) ("IResearch")

13 IResearch, cf. footnote 12

14 IResearch, cf. footnote 12

15 China Population Association, China Internet Information Center, January 2015

16 Euromonitor International Ltd., Packaged Food 2015 edition

17 International Monetary Fund, October 2014

2.3. Course of business

windeln.de was again able to implement its growth targets very successfully in 2015 and generated revenue of over EUR 179m in this period (prior year: EUR 101m)

The Group's growth was consistent across all segments. The German Shop segment recorded revenue growth of 58% in 2015, the Shopping Clubs segment revenue growth of 101% and the International Shops segment revenue growth of 449%, each compared with the respective prior-year period.

The number of customers increased further in 2015. The number of customers who placed at least one order in the past 12 months came to around 955 thousand (prior year: 496 thousand). A portion of the increase also results from the first-time inclusion of the Feedo Group in the third quarter and of bebitus in the fourth quarter of 2015.

windeln.de has an enormous range of products. In addition, work to expand the product mix was successfully performed in 2015, so that customers retain interest and relevant product groups are expanded. For example, the windeln.de shop launched the new product category "children's furniture and living" in February 2015 and started a successful cooperation with the well-known organic brand Alnatura.

The Feedo Group successfully introduced the new category of strollers and car seats in the second half of 2015, further expanding its offering of durables. A growing range of local, Polish goods were on offer for the first time at the Polish shop, Feedo.pl.

Following the successful IPO at the start of May, the Group's focus in 2015 was on organic growth and growth through acquisitions in Europe.

The internally developed Italian webshop "www.pannolini.it" went live at the end of May. The launch of the "nakiki.it" shopping club followed in August, with a focus on customers in Italy. In connection with this, the Italian subsidiary Pannolini.it S.r.l. was founded in April. This is intended to serve as a service entity for the Group in the Italian market.

In order to serve the eastern European area, the Group acquired the Feedo Group, comprising Feedo Sp. z o.o. (Warsaw, Poland) with its two subsidiaries MyMedia s.r.o. (Prague, Czech Republic) and MyMedia Sp. z o.o. (Warsaw, Poland), the leading online retailer of products for babies and toddlers in the Czech Republic, Slovakia and Poland, on July 3, 2015. The Group was fully consolidated for the first time in the third quarter of 2015 and is now being systematically integrated into the windeln.de Group. MyMedia Sp. z o.o. was merged into Feedo Sp. z o.o. as of December 31, 2015.

Bebitus Retail S.L., which was acquired on October 6, 2015, was fully consolidated for the first time in the fourth quarter of the year. Bebitus is a rapidly growing purely online retailer that specializes in products for babies and toddlers. With its registered offices in Barcelona, the offering is aimed at customers in Spain, Portugal and France. Thanks to the acquisitions of both bebitus and the Feedo Group and the development of pannolini.it in Italy, the Group considers itself well positioned in southern and eastern Europe.

Against the background of the sharp increase in order volume, a new warehouse location for the nakiki shopping club was opened in Abensberg, Germany, at the end of the second quarter of 2015. The existing warehouse in Munich had reached its limits in terms of capacity. The second warehouse in Munich was closed in the fourth quarter of the year so as to realize efficiency advantages of having just one location. In connection with this, restructuring expenses of EUR 525k were incurred.

Direct delivery was introduced for customers in China at the beginning of the second half of 2015. Until then, packages were exclusively sent to China via freight forwarders. Using the new, cost-effective and quicker delivery time, already more than 80% of the order value of deliveries go to China.

In November 2015, windeln.ro labs, a service entity was founded in Romania to support the IT department with development projects.

2.4. Net assets, financial position and results of operations of the windeln.de Group

2.4.1. Results of operations

a) Consolidated income statement

kEUR	2015	2014	Change	
			Absolut in kEUR	Relativ in %
Revenue	178,602	101,324	77,278	76%
Cost of sales	-131,487	-77,869	-53,618	-69%
Gross profit	47,115	23,455	23,660	101%
Selling and distribution expenses	-53,877	-26,668	-27,209	-102%
Administrative expenses	-23,332	-8,678	-14,654	-169%
Other operating income	3,164	267	2,897	1085%
Other operating expenses	-569	-99	-470	-475%
Earnings before interest and taxes (EBIT)	-27,499	-11,723	-15,776	-135%
Financial income	17	2,223	-2,206	-99%
Financial expenses	-2,927	-85	-2,842	-3344%
Financial result	-2,910	2,138	-5,048	-236%
Earnings before tax (EBT)	-30,409	-9,585	-20,824	-217%
Income taxes	5	-242	247	102%
Loss for the period	-30,404	-9,827	-20,577	-209%

In 2015, the Group generated revenue of EUR 178,602k, corresponding to an increase of 76% compared to 2014 (EUR 101,324k). The Group significantly increased its revenue in all regions, all online shops and all product categories. The higher number of orders as well as the larger number of active customers who made at least one purchase at one of the Group's shops in the past 12 months contributed to the increase in revenue. The product range was expanded further in 2015 and, for example, the new product category "furniture" added to the windeln.de shop in the first quarter of 2015. In addition, the new pannolini.it online shop, which aims to address more customers in Italian-speaking regions, went live in May 2015. With its windeln.de online shop, the Group has been delivering directly to China since the end of August 2015 instead of exclusively via freight forwards based in Germany, as was previously the case. As a result, the average delivery time has increased from one to two days to approx. 13 days. There were consequently a considerable number of orders at the end of 2015 that will only lead to revenue in 2016. The Feedo Group (three shops) also contributed EUR 6,985k for the first time in the second half of 2015 as well as Bebitus (three shops) with EUR 4,915k for the first time to the Group's revenue growth.

The margin (gross profit as a percentage of sales) was increased by 3% in comparison to the prior-year period in 2015. The positive development of the margin is in particular attributable to the increased sales of products with a greater margin, improved purchasing conditions with suppliers as well as the introduction of direct deliveries to China.

Selling and distribution expenses increased in 2015 and are on a level with the prior year as a percentage of gross profit (114%). An additional warehouse for the nakiki online shops was rented in the second quarter of 2015. This resulted in double payment of rents for warehouses for the majority of 2015. There is, in addition, the provision of EUR 446k set up for onerous contracts for the vacant space in the old warehouse building, which led to rent payments already being mapped under selling and distribution

expenses in 2015 until the end of 2017. The two warehouses also led to shipping costs that were double in some cases in the second half of 2015, as partial deliveries were incurred from two warehouse locations.

On the other hand, the fact that improved conditions have caused transportation costs to decrease on average had the opposing effect.

Administrative expenses increased at a greater rate from 37% to 50% compared to gross profit in the first half of the year.

Firstly, personnel expenses in the administrative area rose from EUR 6,101k to EUR 15,501k, primarily on account of the increased average headcount. For example, additional employees were hired in the IT management, finance, legal, strategy and expansion departments, in order to drive forward ongoing and planned projects such as the IPO, acquisitions and further (organic) internationalization measures (e.g., in Italy). Stock options were also issued to more members of management and the management board in 2015, some of which had already been vested in the past. A greater expense from cash-settled share-based compensation was also recorded as a result of the increased business value of windeln.de AG in the first quarter of 2015. Portions of the purchase price for business combinations are also planned as share-based compensation. In this context, EUR 717k was reported as personnel expenses in connection with the acquisition of windeln.ch AG in 2014 while a total of EUR 5,661k was reported in connection with the acquisitions of windeln.ch AG, the Feedo Group and Bebitus Retail S.L. in 2015.

Secondly, the increase in administrative expenses is attributable to costs relating to the IPO, primarily caused by legal, consulting and audit fees. EUR 1,683k was included under administrative expenses for this in 2015.

Incidental acquisition costs totaling EUR 682k were also incurred in connection with the two acquisitions of the Feedo Group and Bebitus Retail S.L.

Other operating income and expenses increased by EUR 2,897k and EUR 470k respectively in 2015 compared to the prior-year period. Other operating income includes cost allocations of EUR 2,297k to investors from internal and external costs in connection with the IPO. Higher exchange rate gains (total of EUR 450k in 2015) and exchange rate losses (total of EUR 504k in 2015) also contributed to the increase. The group entities perform an increasing number of transactions in a currency different to their respective functional currencies. A higher volume of receivables in Swiss francs was recorded at windeln.de AG. The purchasing volume from suppliers outside the euro zone especially in connection with the nakiki shopping club also grew at windeln.de AG.

Earnings before interest and taxes (EBIT) deteriorated by 135% in 2015 from EUR -11,723k to EUR -27,499k. EBIT as a percentage of revenue decreased from -50% to -58% in the same period.

The financial result deteriorated from income of EUR 2,138k in 2014 to an expense of EUR 2,910k in 2015. In 2014, the measurement of a derivative (contingent purchase price reimbursement in connection with the acquisition of windeln.ch AG) at fair value resulted in income of EUR 2,211k. However, this derivative was derecognized in full in 2015 as there was no claim for reimbursement. Furthermore, the measurement of other derivatives (contingent consideration in connection with the acquisitions of the Feedo Group and Bebitus Retail S.L.) at fair value resulted in expenses totaling EUR 682k.

The tax result increased from a tax expense of EUR 242k in 2014 to tax income of EUR 5k in 2015. Deferred tax assets at windeln.de AG were released in the prior year as the Company is not allowed to recognize deferred tax assets because it has no history of income.

The loss for the period deteriorated from EUR -9,827k in 2014 to EUR -30,404k in 2015. This is primarily associated with the higher percentage increase in administrative expenses and the negative financial result in 2015 compared to a positive financial result in 2014.

b) Other consolidated financial information

For the purposes of managing the Group, earnings before interest and taxes (EBIT) are adjusted for expenses in connection with share-based compensation as well as expenses and income in connection with the IPO, with acquisitions and integrations of new subsidiaries and expenses in connection with the expansion of the Group as well as for expenses for reorganization and restructuring measures.

kEUR	2015	2014	Change	
			Absolut in kEUR	Relativ in %
Earnings before interest and taxes (EBIT)	-27,499	-11,723	-15,776	-135%
adjusted for costs in connection with the IPO	430	-217	647	298%
thereof expenses	-1,684	-217	-1,467	676%
thereof income	2,114	-	2,114	
adjusted for costs of acquisition, integration and expansion	-1,426	-	-1,426	
adjusted for share-based compensation	-10,727	-3,419	-7,308	-214%
thereof cost of sales	-5	-	-5	
thereof selling and distribution expenses	-607	-275	-332	-121%
thereof administrative expenses	-10,115	-3,144	-6,971	-222%
adjusted for costs of reorganization	-525	-	-525	
adjusted for costs of restructuring under corporate law	-112	-	-112	
Adjusted EBIT	-15,139	-8,087	-7,052	-87%

	2015	2014	Change	
			Absolut in kEUR	Relativ in %
Gross profit (as % of revenue)	26.4%	23.1%		3.2%
Adjusted EBIT (in kEUR)	-15,139	-8,087	-7,052	-87.2%
Adjusted EBIT (as % of revenue)	-8.5%	-8.0%		-0.5%
Adjusted EBIT as a percentage of gross profit	-32,13%	-34,48%		2.3%

Adjusted EBIT deteriorated from EUR -8,087k in 2014 to EUR -15,139k in 2015, which was also caused by the acquisitions of the Feedo Group and Bebitus Retail S.L., the creation of the pannolini.it shop as well as by unadjusted costs in connection with the relocation of a warehouse location in the second half of 2015. However, adjusted EBIT as a percentage of revenue remained virtually on a level in the same period. Adjusted EBIT as a percentage of gross profit improved slightly in 2015 compared to 2014.

c) Segment results of operations

kEUR	2015	2014	Change	
			Absolut in kEUR	Relativ in %
Revenue	178,602	101,324	77,278	76%
German Shop	140,255	88,768	51,487	58%
International Shops	20,739	3,776	16,963	449%
Shopping Clubs	17,608	8,780	8,828	101%
EBIT	-27,499	-11,723	-15,776	-135%
German Shop contribution	4,755	1,793	2,962	165%
International Shops contribution	-11,551	-1,850	-9,701	-524%
Shopping Clubs contribution	-6,659	-2,753	-3,906	-142%
Adjusted EBIT	-15,139	-8,087	-7,052	-87%
German Shop contribution	5,630	1,916	3,714	194%
International Shops contribution	-5,392	-1,660	-3,732	-225%
Shopping Clubs contribution	-5,810	-2,601	-3,209	-123%

The Group's growth was consistent across all segments. The German Shop segment recorded revenue growth of 58% in 2015, the International Shops segment revenue growth of 449% and the Shopping Clubs segment revenue growth of 101%, each compared with the respective prior-year period. The International Shops segment includes revenue from the newly acquired Feedo Group of EUR 6,985k as well as from the newly acquired Bebitus Retail S.L. of EUR 4,915k for the first time in 2015.

In order to assess the operating performance of the segments, the Group also considers EBIT and the EBIT margin before expenses in connection with share-based compensation as well as expenses and income that are considered to be non-recurring or extraordinary in connection with the IPO, acquisitions and integrations of new subsidiaries and with the expansion strategy of the Group as well as in connection with reorganization and internal restructuring measures. The calculated indicators are referred to as adjusted EBIT and adjusted EBIT margin.

The adjusted EBIT margin for the German Shop and International Shops segments developed positively. For example, the German Shop segment recorded an adjusted EBIT margin of 4% in 2015 compared to 2% in the corresponding prior-year period. The adjusted EBIT margin of the International Shops segment improved from -44% to -26% in the same period. The adjusted EBIT margin for the Shopping Clubs segment amounts to -32 % and is nearly unchanged compared to the respective prior-year period. Amongst others, this effect is related to the strong revenue increase and the conditioned expenses for marketing and personnel. Besides that, there were additional expenses in relation to the warehouse move, e.g. temporarily double costs for two warehouses as well as increased partial shipments.

d) Regional results of operations

kEUR	2015	2014	Veränderung	
			absolut kEUR	relativ in %
Umsatzerlöse	178,602	101,324	77,278	76%
DACH-Region	71,791	44,040	27,751	63%
China	91,147	55,666	35,481	64%
Sonstige /restliches Europa	15,664	1,618	14,046	868%

The Group significantly increased its revenue in all regions. The GSA region generated revenue growth of 63% in 2015, China recorded an increase of 64% and revenue in the "Other/rest of Europe" region increased by 868% – each compared with the corresponding 2014 prior-year period. Growth in the "Other/rest of Europe" region is primarily attributable to the acquisition of Feedo which was completed in the third quarter of 2015 and the resulting successful expansion into eastern Europe as well as the acquisition of Bebitus which was completed in the fourth quarter of 2015 and the resulting successful expansion into southwestern Europe. Revenue growth in China in 2015 was negatively influenced by the successful introduction of direct deliveries to China and the resulting accruals of orders from 2015 to 2016.

2.4.2. Financial position

kEUR	2015	2014	Change	
			Absolut in kEUR	Relativ in %
Loss for the period	-30,404	-9,827	-20,577	-209%
Net cash flow from operating activities	-22,244	-6,064	-16,180	-267%
Net cash flow from investing activities	-16,271	-1,234	-15,037	-1,219%
Net cash flow from financing activities	93,356	40,861	52,495	128%
Cash and cash equivalents at the beginning of the period	33,830	267	33,563	12,570%
Change in cash and cash equivalents	54,841	33,563	21,278	63%
Changes in cash and cash equivalents due to exchange rates and changes in valuation	7	-	7	
Cash and cash equivalents at the end of the period	88,678	33,830	54,848	162%

The Group generated a negative cash flow from operating activities in 2015 of EUR 22,244k, partly on account of the negative contribution to earnings by the rapidly growing International Shops and Shopping Clubs segments. Inventories as of December 31, 2015 were also up significantly on the prior-year level, for more information see the comments on net assets.

The cash outflow from investing activities in 2015 came to EUR 16,271k (prior-year period: cash outflow of EUR 1,234k). The cash outflow was primarily attributable to the acquisitions of the Feedo Group and Bebitus Retail S.L. and the cash-settled portions of the purchase prices (EUR 13,149k, of which EUR 8,050k relates to the Feedo Group and EUR 5,099k to Bebitus Retail S.L.) as well as to increased investments in the webshops.

At EUR 93,356k, the cash flow from financing activities was clearly positive in 2015. This is attributable to proceeds in connection with the IPO in May 2015. The cash flow from financing activities was also positive in the prior-year period (EUR 40,861k) thanks to two financing rounds.

The equity ratio rose from 61% as of December 31, 2014 to 72% as of December 31, 2015. This is primarily due to the capital increases in connection with the IPO (EUR 99,824k). In addition, obligations from stock options issued as a result of the program modifications performed in the first quarter of 2015 as well as the newly issued equity-settled share-based payment commitments in 2015 are reported as portions of purchase prices for the acquisitions of the Feedo Group and Bebitus Retail S.L., which are classified as share-based compensation, under the share premium as of December 31, 2015 (EUR 15,896k). The opposite effect is exerted by the negative total comprehensive income from 2015 of EUR 30,404k recorded in equity as of December 31, 2015. In addition, costs of EUR 5,005k in connection with procuring equity were deducted from equity in 2015.

Three new credit line agreements were concluded within the Group in 2015, so as to guarantee a greater range of financing beyond equity financing.

On March 18, 2015, windeln.de AG entered into a secured borrowing base credit framework agreement with Commerzbank for EUR 5m. The credit framework agreement is secured by inventories and an assignment of receivables (blanket assignment). It also includes standard covenants, for example, the Group has to adhere to specific liquidity ratios. The loan agreement ends on March 18, 2016.

On March 20, 2015, windeln.de AG entered into a secured revolving cash credit line agreement with Deutsche Bank for EUR 5m. The revolving cash credit line agreement is concluded for an unlimited period and is secured by inventories and an assignment of receivables (blanket assignment).

On April 9, 2015, windeln.de AG entered into a secured framework credit agreement with DZ BANK AG (Deutsche Zentral-Genossenschaftsbank) for EUR 4m. The framework credit agreement is secured by inventories and an assignment of receivables (blanket assignment) and includes standard covenants, for example, the Group has to adhere to specific monthly liquidity ratios. The agreement ends on March 31, 2016.

None of these credit lines were utilized as of December 31, 2015.

2.4.3. Net assets

Assets	kEUR	31.12.2015	31.12.2014	Change	
				Absolut in kEUR	Relativ in %
NON-CURRENT ASSETS					
Intangible assets		32,428	4,043	28,385	702%
Fixed assets		1,334	480	854	178%
Other financial assets		33	0	33	
Other non-financial assets		289	-	289	
Deferred tax assets		2	-	2	
Total non-current assets		34,086	4,523	29,563	654%
CURRENT ASSETS					
Inventories		27,099	10,754	16,345	152%
Prepayments		1,670	285	1,385	486%
Trade receivables		2,469	1,725	744	43%
Income tax receivables		5	-	5	
Other financial assets		2,725	3,939	-1,214	-31%
Other non-financial assets		2,727	1,988	739	37%
Cash and cash equivalents		88,678	33,830	54,848	162 %
Total current assets		125,373	52,521	72,852	139%
TOTAL ASSETS		159,459	57,044	102,415	180%

Equity and liabilities	kEUR	31.12.2015	31.12.2014	Change	
				Absolut in kEUR	Relativ in %
EQUITY					
Issued capital		25,746	163	25,583	15,695%
Share premium		154,046	68,911	85,135	124%
Accumulated loss		-64,892	-34,488	-30,404	88%
Cumulated other comprehensive income		-22	35	-57	-163%
Total equity		114,878	34,621	80,257	232%
NON-CURRENT LIABILITIES					
Defined benefit obligations and other accrued employee benefits		201	6,406	-6,205	-97%
Other provisions		221	-	221	
Financial liabilities		73	85	-12	-14%
Other financial liabilities		3,542	-	3,542	
Deferred tax liabilities		6,171	322	5,849	1,816%
Total non-current liabilities		10,208	6,813	3,395	50%
CURRENT LIABILITIES					
Other provisions		2,221	1,246	975	78%
Financial liabilities		41	1,532	-1,491	-97%
Trade payables		18,137	8,830	9,307	105%
Deferred revenue		4,352	1,985	2,367	119%
Income tax payables		9	5	4	80%
Other financial liabilities		6,028	1,629	4,399	270%
Other non-financial liabilities		3,585	383	3,202	836%
Total current liabilities		34,373	15,610	18,763	120%
TOTAL EQUITY AND LIABILITIES		159,459	57,044	102,415	180%

Non-current assets increased to a total of EUR 34,086k as of December 31, 2015 (December 31, 2014: EUR 4,523k).

The increase chiefly stems from the acquisitions of the Feedo Group and Bebitus Retail S.L. Domains of EUR 25,483k, customer lists of EUR 78k as well as two instances of goodwill totaling EUR 1,458k were recognized under intangible assets as part of the purchase price allocation. Additional development costs for the webshops and for a new product management system were also recognized. These exceeded amortization, depreciation and write-downs in the same period. Costs to launch new ERP software were also recognized. The software is still under development as of December 31, 2015, meaning that amortization could not start in 2015. There were new investments in the area of fixed assets, primarily attributable to the relocation of the main administrative building as well as the new warehouse for the nakiki.de and nakiki.it shopping clubs. The long-term component of the prepayment for share-based remuneration to the two founders of Feedo is reported under other non-financial assets.

Current assets amounted to EUR 125,373k as of December 31, 2015, following EUR 52,521k as of year-end 2014, corresponding to an increase of 139%.

This largely relates to the sharp increase of EUR 54,848k in cash and cash equivalents caused by the proceeds in connection with the IPO of windeln.de AG.

Inventories more than doubled, increasing by EUR 16,345k. Management adjusted inventories to the constant growth of the Group to ensure an even quicker inventory availability. The larger range of products also contributed to the increase in inventories compared to the prior year. For example, furniture was added as a new product category in the windeln.de shop in the first quarter of 2015. Container goods have been increasingly purchased since 2015 in order to achieve better supplier conditions with this larger volume. More prebuys were also made in the Shopping Clubs segment. The acquisitions of the Feedo Group and Bebitus Retail S.L. also contributed to the increase in inventories (December 31, 2015: EUR 4,725k).

Initial prepayments to start building up the Group's own brand were made at the end of 2015.

Receivables increased by 43% on account of the greater business volume compared to the prior year.

Current financial assets decreased by EUR 1,214k. There was a contingent purchase price reimbursement in connection with the acquisition of windeln.ch AG totaling EUR 2,211k as of December 31, 2014, which was reported in the statement of financial position. There were no longer any such claims for reimbursement as of December 31, 2015. This effect is countered by the higher year-on-year receivables from supplier bonuses based on purchase volumes as of December 31, 2015, due on the one hand to the increased purchase volumes by windeln.de AG and on the other to the newly acquired entities.

Current non-financial assets increased by EUR 739k. The increase is particularly due to the higher business volume and the associated increase in VAT receivables, claims from returns as well as prepaid expenses partly incurred in connection with insurance for the IPO. There was a prepayment for share-based compensation in connection with the acquisition of windeln.ch AG of EUR 717k as of December 31, 2014. This no longer existed as of the end of 2015. Instead, there is now a prepayment for share-based remuneration to the two founders of Feedo (EUR 192k).

At EUR 114,878k, equity as of December 31, 2015 was considerably up on the level as of December 31, 2014 (EUR 34,621k), for more information see the comments on the financial position.

Non-current liabilities as of December 31, 2015 increased by EUR 3,395k compared to December 31, 2014.

The long-term component of the contingent consideration in connection with the acquisitions of the Feedo Group and Bebitus Retail S.L. of EUR 3,421k is reported under financial liabilities for the first time as of December 31, 2015. The increase in deferred tax liabilities is also due to the acquisitions of the Feedo Group and Bebitus Retail S.L. and the domains and customer lists accounted for in the context of the purchase price allocations.

The fact that the obligations from share-based payments were reclassified to the share premium in the first quarter of 2015 had the opposite effect. This stems from the modification of the former cash-settled share-based payment agreements into the option to settle them with equity instruments. The obligations were recognized under non-current liabilities as of December 31, 2014 as cash-settled share-based payment arrangements (EUR 6,349k).

Current liabilities increased by EUR 18,763k as of December 31, 2015 compared to the end of 2014.

This can largely be attributed to the EUR 9,307k increase in trade payables caused by the increase in inventories.

Prepayments received rose by EUR 2,367k on account of the increased business volume.

The short-term component of the contingent consideration in connection with the acquisitions of the Feedo Group and Bebitus Retail S.L. of EUR 3,435k is reported under other financial obligations for the first time as of December 31, 2015.

Other non-financial obligations include liabilities to employees in connection with the stock options exercised in 2015 but not yet settled as of December 31, 2015 of EUR 527k. Short-term employee benefits of EUR 2,271k in connection with the acquisition of Bebitus Retail S.L. are also included here.

The opposite effect is achieved by the fact that none of the overdraft facilities have been utilized as of December 31, 2015 (December 31, 2014: EUR 1,505k).

Overall, total equity and liabilities as of December 31, 2015 came to EUR 159,459k and were therefore significantly above the figure as of December 31, 2014 (EUR 57,044k).

2.4.4. Overall statement

2015 was a positive year in general for the windeln.de Group, as revenue increased considerably and the adjusted EBIT margin was maintained at -8% despite the international expansion measures.

2.5. Non-financial performance indicators

	2015	2014
Page views	71,614,393	38,912,047
Share of mobile page views (as % of page views)	64.36%	55.67%
Orders on mobile devices (as % of orders)	45.30%	38.63%
Active customers	954,512	496,077
Number of orders	2,332,392	1,353,917
Average numbers of orders per active customer (in number of orders)	2.40	2.73
Regular customer ratio (as% of orders in the past 12 months)	81.42%	83.52%
Gross order value (in EUR)	210,414,262	120,474,999
Average order value (in EUR)	90.21	88.98
Return rate (as% of net value of goods)	6.48%	5.70%
Marketing cost ratio (as % of revenue)	6.8%	5.1%
Adjusted fulfillment cost ratio (as % of revenue) ¹⁸	12.7%	11.0%
Adjusted other SG&A costs (as % of revenue)	15.4%	15.0%

In a prior-year comparison, the most important non-financial performance indicators – also taking into account the first-time consolidation of the Feedo Group in the third quarter and of bebitus in the fourth quarter of 2015 – developed positively.

For example, the number of active customers increased from 496 thousand as of December 31, 2014 to 955 thousand as of December 31, 2015. The number of orders recorded a dramatic increase of 72% compared to the prior-year period, reaching a volume of 2,332 thousand orders in 2015 (prior-year period: 1,353 thousand). The increased number of customers as well as the higher number of orders were buoyed by the significantly higher traffic on the website. The number of page views rose by 84% from 38,912 thousand as of December 31, 2014 to 71,614 thousand in comparison to the prior-year period.

¹⁸ Adjusted in 2015 by the vacancy costs of a warehouse.

3. SUBSEQUENT EVENTS

Capital increase

By resolution dated November 20, 2015, the capital stock of windeln.de AG was increased from authorized capital 2015 by EUR 537,410 to EUR 26,283,236 by issuing new no-par value bearer shares against cash contributions. The capital increase will first take effect upon entry in the commercial register on February 4, 2016 after the end of the reporting period. After partial utilization, authorized capital 2015 amounts to EUR 11,808,530.

Extension of credit lines

In January 2016, the secured borrowing base credit framework agreement with Commerzbank AG for EUR 5m was extended by another year and therefore has a term until March 15, 2017.

In February 2016, the secured credit framework agreement with DZ BANK AG for EUR 4m was extended by another year and therefore has a term until March 31, 2017.

Formation of new subsidiary Cunina GmbH i.Gr.

Another subsidiary, Cunina GmbH i.Gr., was founded in the first quarter of 2016. The entity aims to expand the Group's own brand business.

Restructuring of Swiss warehouse

In January 2016, the management board decided to close parts of the Group's own warehouse in Switzerland so as to realize efficiency advantages from one central warehouse. In connection with this, a vacancy provision will be recognized in the first quarter of 2016 pursuant to IAS 37.

Review of seller guarantees

As a result of a review of the seller guarantees issued that started in January 2016, the management board is currently holding talks with the sellers of the Feedo Group that may result in changes to the agreed purchase price.

4. OUTLOOK

The positive developments in internet trade are also expected to progress further in the future. Online retail in Germany is expected to reach a total market volume of EUR 46.3b in 2016 (compared to EUR 41.7b in 2015)¹⁹.

The total market for products for babies and toddlers (both bricks and mortar and online) for 2015 comes to EUR 4.3b. The online share of this is 10.3%, which represents a market of EUR 439.6m that is relevant for the Group²⁰. If one turns to look at countries outside Germany, this market potential for online retail is significantly higher, as a lower starting level is assumed for the online share than in Germany.

The Group aims to achieve further growth in the German-speaking region. In this region and other European countries, the Group forecasts a slightly lower growth rate for 2016 than in the past. In the medium term, however, it expects growth rates to be above the growth rate anticipated for the market for baby products in Germany (26.7% between 2014 and 2017²¹). This growth will be achieved by an increasing number of customers, orders and an increasing average order value.

The expansion of the business should be possible both geographically and by broadening the product categories. Using the proceeds from the IPO, windeln.de is implementing its expansion strategy in Europe on the one hand by targeted acquisitions of local entities in other countries; on the other, by organic growth within these markets.

¹⁹ German Retail Federation: Development of e-commerce revenue in recent years, February 2016.
²⁰ cf. footnote 6: Euromonitor
²¹ cf. footnote 6: Euromonitor

The Company expects further organic growth in China.

The Group will expand its offering and add new products in the aforementioned markets in order to further increase attractiveness for customers and to expand the share of products with a greater margin.

The plan in the medium term is to keep the focus on profitable revenue growth, in particular by:

- Decreasing the cost of sales as a percentage of revenue – supported on the one hand by the strong relationships with suppliers which makes it possible to negotiate more attractive purchasing conditions; on the other hand, by continually improving the pricing algorithms and, finally, by increasing the sale of products with a greater margin by expanding the product categories, especially in the foreign markets.
- Minimizing fulfillment costs as a percentage of revenue by increasing efficiency further and achieving economies of scale.
- Attractive marketing costs as a percentage of revenue by having a large share of regular customers and increasing the “share of wallet” of new and regular customers.
- Lower costs for selling and administrative expenses as a percentage of revenue by enhancing core processes, economies of scale and synergies from acquisitions.

Revenue growth, which includes the continuous improvement of the gross profit margin, continued in the financial year 2015 compared to the prior year. This provides a strong basis for further business development and for achieving the 2016 objectives with clearly double-digit revenue growth and an improvement in the adjusted EBIT margin compared to 2015.

5. OPPORTUNITIES AND RISK REPORT

The risk management system of the windeln.de Group is used to identify and evaluate opportunities and risks at the earliest possible date. The objective of the risk management system is to proactively manage risks and thereby limit economic losses as well as to recognize and utilize opportunities using improved corporate decision-making.

5.1. Risk management process

5.1.1. Organization and responsibility

- The risk management process is based on a lean organizational structure with clear roles and responsibilities.
- Pursuant to Sec. 91 (2) German Stock Corporations Act (AktG) the management board of windeln.de AG installed a group-wide risk management system. The management board sets the Company's risk strategy and approves the corresponding risk management structures and processes.
- The supervisory board also ensures the effectiveness of the risk management system in place as part of its role to supervise the management board.
- The management board is also supported by the risk management committee. This is made up of the heads of the individual business divisions and functions and is responsible for enhancing and adapting the risk management system.
- Risks and opportunities are also identified and evaluated locally in each business unit by the heads of the individual business divisions and functions. Nevertheless, each employee is obliged to report any potential risks to the respective head of division.
- The identified risks and opportunities are reviewed as to whether they are still up-to-date on a quarterly basis and the risk management officer in the group controlling division is notified. The risk management officer prepares a risk portfolio of the individual risks, which is then submitted to the risk management committee and the management board. The risk management officer is also responsible for central coordination of the risk management process and helps the heads of division evaluate risks.
- The installation and adequacy of the risk early warning system is checked by external auditors. No material findings were made in this respect.

5.1.2. Instruments

- The risk policy applicable across the Group, which was defined by the management board of windeln.de AG and is available to all employees of the Group, serves as a guideline for dealing with risks and opportunities within the Group and thus forms the frame for risk management. In addition to information about the individual steps of the risk management process, the guideline also includes information about responsibilities and tasks in risk management. The contents of the guideline are reviewed regularly and changed as necessary to guarantee it remains up-to-date on account of the rapidly changing environment.
- A catalog with various risk categories serves to give as comprehensive and complete an overview as possible to identify all risks.
- A standardized report file is used so as to guarantee consistent capture and evaluation of the individual risks and opportunities. Furthermore, this file defines corresponding countermeasures the use of which will help reduce the individual risks.
- The opportunities and risks in each area are reviewed as to whether they are still up-to-date on a quarterly basis and newly identified opportunities and risks are added to the report file. Risks are quantified using a rolling evaluation for the following 36 months from the time of remeasurement, although the given period for assessing the extent of damage and the probability of occurrence is 12 months.
- The identified risks are subsequently reported to the management board in full. However, new risks with a certain extent of damage are reported directly to the management board using a standard file as an ad hoc report.
- An annual workshop is also held with the risk management officer and the responsible heads of division, in order to perform together an in-depth evaluation of whether all captured risks are up-to-date and to identify any risks that have not yet been recognized.

5.2. Overview of risks

Any event that may negatively influence the Group's ability to achieve its operational or strategic objectives is classified as a risk. By contrast, any opportunity is anything that represents a positive deviation from the planned operational and strategic objectives.

Differentiation is made between event and planning risks so as to be able to appropriately capture and measure the risks of the windeln.de Group. Event risks are stated with both their extent of damage and their probability of occurrence, as this type of risk generally relates to non-recurring risks with a low probability of occurrence. On the other hand, planning risks result from extremely volatile items of corporate planning and therefore have a high probability of occurrence. As a result of this, the focus when evaluating these risks is exclusively on their extent of damage. The strong volatility may however also mean that a planning risk results in a positive deviation from the target and therefore represents an opportunity for the Group.

Risks are broken down using the following classes in the risk matrix:

Classes for probability of occurrence

Class	Probability of occurrence	Description
1	0% - 4.9%	Occurrence possible once in 100 to 20 years
2	5% - 19.9%	Occurrence possible once in 20 to 5 years
3	20% - 29.9%	Occurrence possible once in 5 to 3 years
4	30% - 49.9%	Occurrence possible once in 3 to 2 years
5	50% - 100%	Occurrence possible at least once in 2 years

The extent of damage describes the worst-case scenario each risk could have on the Group's earnings before interest and taxes.

Classes for extent of damage

Class	Extent of damage	Description
1	EUR 0.05m - EUR 0.5m	low impact
2	> EUR 0.5m - EUR 1.0m	medium impact
3	>EUR 1.0m - EUR 2.0m	high impact
4	> EUR 2.0m	critical impact

The following overview of event risks is based on the aforementioned classes:

Overview of all material event risks

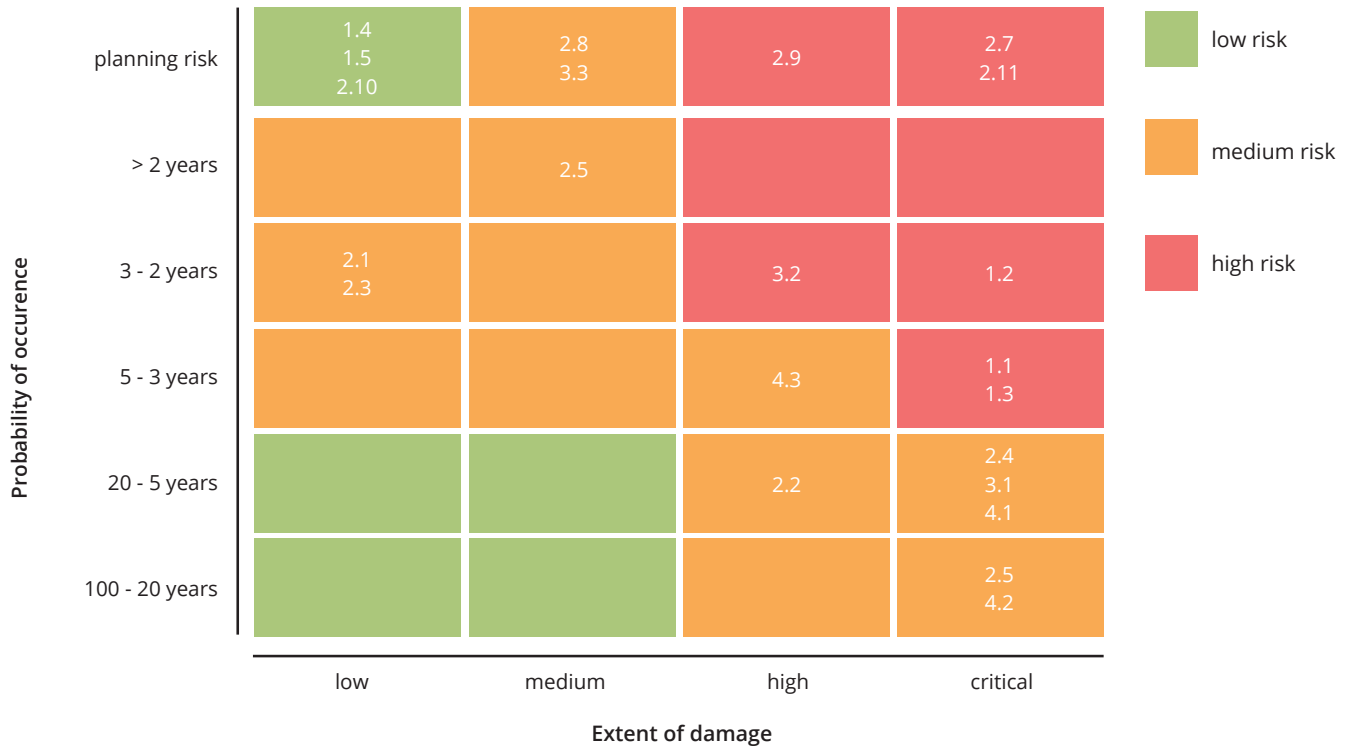
	Extent of damage	Probability of occurrence
1. Strategic risks		
1.1 Macroeconomic risks	critical	every 5 - 3 years
1.2 Competitive risks	critical	every 3 - 2 years
1.3 Risks resulting from expansion activities	critical	every 5 - 3 years
2. Operating risks		
2.1 Supplier risks	low	every 3 - 2 years
2.2 IT risks	high	every 20 - 5 years
2.3 Personnel-related risks	low	every 3 - 2 years
2.4 Demand risks	critical	every 20 - 5 years
2.5 Risks from internal processes	medium	at least once every 2 years
2.6 Environmental risks	critical	every 100 - 20 years
3. Financial risks		
3.1 Loss of value risks	critical	every 20 - 5 years
3.2 Tax risks	high	every 3 - 2 years
4. Legal and regulatory risks		
4.1 Legal risks	critical	every 20 - 5 years
4.2 Risks from the IPO	critical	every 100 - 20 years
4.3 Product quality risks	high	every 5 - 3 years

The numbering from the overview of event risks is used in the following because certain risk categories include both event and planning risks. The following overview shows a break down of all major planning risks:

Overview of all material planning risks

1. Strategic risks	Extent of damage
1.4 Competitive risks	low
1.5 Risks resulting from expansion activities	low
2. Operating risks	
2.7 Supplier risks	critical
2.8 IT risks	medium
2.9 Personnel-related risks	high
2.10 Demand risks	low
2.11 Inventory risks	critical
3. Financial risks	
3.3 Risks based on provisions	medium

The following risk matrix is the result of the aforementioned classes for probability of occurrence and extent of damage:



5.3. Overall assessment of the risk and opportunities situation in the Group

The Group sees significant risks, in particular with regard to the development of the competitive situation as well as in relation to risks associated with the expansion of the business. However, entering additional international markets also offers enormous growth potential for the windeln.de Group, meaning that the Group also sees a great opportunity for its expansion strategy. Furthermore, there are certain operating risks that are closely linked to the business model of the windeln.de Group and that can therefore only be reduced to a limited extent. These risks (inventory risks, supplier risks and IT risks) may however also result in huge opportunities for the Group. The high level of investment in information technology may contribute to a huge improvement in the financial position. There is great cost-saving potential in the bundling of the Group's central operating units, which is making good progress.

From the Group's perspective, there are not any risks at an individual level or overall level that would jeopardize the existence of the windeln.de Group.

5.3.1. Strategic risks

a) Macroeconomic risks

The Group's development greatly depends on the general economic situation in Europe and the People's Republic of China. A period of economic recession could negatively impact purchasing behavior in several product categories and result in revenue losses and increased inventories. In particular, a collapse of the Chinese economy could bring with it negative consequences on account of the great significance of the Chinese sales market for windeln.de AG. However, it is assumed that demand for products for babies and toddlers will continue, even in the event of a recession.

Furthermore, new laws for exports of baby food could impair the business in China. As possible changes in law are unpredictable and because of the concurrent strong importance of the Chinese revenues for the Group, the risk is estimated as high.

The economic success of the windeln.de Group also depends on the ongoing growth of e-commerce in general and the flash sales model in particular. Nevertheless, the annual increase of the repurchase rate as well as the constant winning of new customers in the individual markets indicate that the trend towards e-commerce will also continue in challenging economic times.

b) Competitive risks

The Group is exposed to fierce competition. New competitors in the market may cause a decline in the price level as well as higher costs on the purchasing side and for online marketing. These would have a negative effect on revenue and, even more so, margins. However, the e-commerce market is expected to grow further, enabling the Group to expand its market position even if the competition increases. The risk of a deviation from the planned marketing costs is therefore deemed to be low. The Group does however see a high risk of revenue decreasing unexpectedly following a competitor entering the market. This primarily relates to windeln.de's business in China.

c) Risks resulting from expansion activities

As a result of the international expansion of the business, the windeln.de Group is subject to various local statutory, regulatory, tax and cultural standards that the Group could potentially not meet. The Group counters this risk with corresponding legal advice.

Acquisitions of third-party entities are associated with considerable additional costs. Each acquisition involves the risk that the acquired entity cannot offer the anticipated advantages or that the integration of the entity into the Group can potentially take longer than expected. windeln.de AG counters this risk with careful due diligence. This risk is also reduced by the fact that a trust account is set up when an entity is purchased, which serves to hedge against compensation obligations and portions of the purchase price are only paid based on performance. In addition, employees from group headquarters are positioned on site after the entity has been acquired to drive forward the successful integration of the entity. This risk is classified as critical because of

the high costs associated with an acquisition. The probability of occurrence is medium. By contrast, the extent of damage of the corresponding planning risk is low. At the same time, the expansion into new markets where the e-commerce market for products for babies and toddlers has yet to be fully tapped also provides the Group with an excellent opportunity for growth.

5.3.2. Opportunities and risks from operations

a) Supplier risks

As the Group is dependent on a limited number of suppliers of baby food and diapers, it is subject to the risk that suppliers default or deliver low-quality goods. This would have a negative effect on sales as well as revenue. The success of the shopping club is also particularly dependent on the Company being able to purchase goods from the individual suppliers at financially viable conditions. This represents both a risk as well as an opportunity. If the Group is able to purchase goods from its suppliers at particularly favorable conditions, this would have a positive influence on the business result. The Group attempts to minimize the aforementioned risk by establishing long-term and strong business relationships with reliable and well-established suppliers and by performing quality controls on goods on an ongoing basis. The default risk of a supplier is considered to be medium. The risk of generating lower margins on account of poor supplier conditions is considerably higher for the Group. However, this risk also contains a great opportunity. The potential to centralize purchasing provides the Group with the option of improving its margins by negotiating favorable supplier conditions.

b) IT risks

If the Group is no longer able to operate, maintain, integrate and scale the mobile and network infrastructure and other technology, this could have a substantial negative impact on the business as well as on the financial performance and position. In particular, the stability and availability of online platforms as well as IT security with regard to customer data but also confidential corporate data could have negative consequences for the business. The continuous functionality of internal technical systems and databases also plays a significant role in this risk. The Group reduces this risk by investing in different systems and processes. Overall, the Group sees a medium risk in this area in terms of event and planning risks.

c) Personnel-related risks

The Group depends on key employees in management. Losing one of these employees would have correspondingly negative effects on the economic success. The Group counters this risk by installing remuneration models with a long-term focus. There is also the risk that it is potentially not possible to hire sufficient qualified employees. This results in a medium to high risk.

d) Demand risks

It is only possible to plan demand to a limited extent, particularly in the newly entered markets in southern and eastern Europe. For this reason, a situation may arise that demand in these markets is lower than expected and that this has a negative influence on the revenue planned for the international shops. Under some circumstances, it may be necessary to counter lower demand with price discounts, resulting in lower margins. Lower demand could therefore also impact earnings and liquidity in addition to excess stocks in inventories. This risk is reduced by the fact that planning is performed by the local teams in the markets. Furthermore, the Group is supported by establishing close cooperation with its suppliers to better serve the market and to set the focus on products with higher margins. Products are also subject to a very low level of seasonal fluctuation, meaning that it is comparatively easy to predict sales throughout the Group. The Group considers the overall planning risk to be low. This risk may also result in an opportunity if demand in the markets is significantly higher than it expects and products with better margins are increasingly sold in these markets.

With regard to the business activities on the Chinese market, windeln.de AG is exposed to the risk that strong currency fluctuations could decrease the purchasing power of Chinese customers and negatively impact the revenue and margins generated in China. On account of the major significance of this market, the Group deems this risk to be medium.

e) Risks from internal processes

The Group is faced with the challenge of implementing and enhancing internal control systems and processes on account of the fast growth it is experiencing. The risk resulting from the control systems and processes that have yet to be expanded is considered by the Group to be medium.

f) Environmental risks

The Group's own warehouse and the warehouse locations managed by contractual partners are exposed to the danger of being destroyed by catastrophes such as fire or natural disasters. In addition to the loss of inventories and potential harm to employees, this would also lead to a substantial interruption of business activities. Although the impact would be critical if this risk were to occur, the precautionary measures taken mean that the probability of occurrence is extremely low and the risk can therefore be classified as medium.

g) Inventory risks

In terms of inventories, the Group sees the main risk relating to the possibility that insufficient impairments on inventories were recorded. The majority of the goods are subject to a low level of seasonal fluctuations. Nevertheless, it may still be necessary to record an unexpected impairment loss on certain goods in the future. However, this risk also includes an opportunity in the event that the impairments were set too high. The considerable growth of the warehouse area could also result in insufficient goods for flash sales, meaning that certain deals could not be held or could only be held to a limited extent. The Group is however able to significantly reduce this risk for the shopping club thanks to the move to a new warehouse in December. Overall, the Group sees this as a high risk on account of the larger inventories.

5.3.3. Financial risks

a) Loss of value risks

The loss of value risk relates to a potential impairment of goodwill, the domains and the internally developed software. Under some circumstances, the carrying amounts of these assets may potentially have to be reduced to their measurement amount. Even though the extent of damage of this risk is critical, it has a low probability of occurrence and can therefore be classified as a medium risk.

b) Tax risks

As an international company, the Group is subject to various tax regulations. The risk also relates to delivery of products to other countries and the corresponding country-specific VAT calculation using the local VAT rates. If this is calculated incorrectly, additional late payment penalties and fines may be issued. On account of the increasing international activities, the Group deems this risk as high.

c) Risks based on provisions

There is also a risk that provisions have been recognized to too low an extent, as underlying assumptions for the calculation of provisions were incorrect. It may even be necessary to adjust the amount of a provision on account of new developments and changes to the estimates and that this influences the Group's financial performance. At the same time, the Group sees an opportunity in this risk, as the provisions could potentially not be needed to their full amount recognized and their reversal could lead to future income. The windeln.de Group considers the overall risk to be medium.

5.3.4. Legal and organizational risks

a) Legal risks

The Group is exposed to various national and international legislation and requirements at various levels as a result of the international expansion and the IPO in 2015. This primarily relates to consumer protection law and competition law. In order to meet all requirements and obligations, individuals have been made responsible and corresponding processes have been established to monitor all relevant developments in the Group. Legal risks are estimated overall as medium.

b) Risks from the IPO

The Group is subject to various risks in direct connection with the IPO. As a result of this, windeln.de AG took out the corresponding insurance during the IPO. This risk is classified as medium on account of the critical extent of damage but the very low probability of occurrence.

c) Product quality risks

Risks relating to product quality result on the one hand from the sale of products as a retailer and on the other from the sale of windeln.de AG's own brands. Inadequate quality would not only result in extensive costs from a recall operation, but would also damage customers' trust in the quality of goods in the long term. The windeln.de Group aims to mitigate the risk by performing constant quality controls and carefully selecting suppliers. In its function as a trader, the Group also has corresponding insurance for claims. Overall, the risk is classified as medium.

6. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM IN TERMS OF THE GROUP FINANCIAL REPORTING PROCESS

The objective of the internal control system and the risk management system in terms of the group financial reporting process is to identify, evaluate and control any risks that could influence the correct preparation of the consolidated financial statements. As a core component of the group financial reporting process, the internal control system comprises preventive, monitoring and detective security and control measures that ensure a proper financial reporting process in group accounting and operating functions.

The Group sets itself apart through its clear organizational structure. There are coordinated planning, reporting and early warning systems and processes throughout the Group that enable overarching analysis and management of risk factors of relevance to the results of operations and going concern risks. The functions throughout the group financial reporting process are distinctly allocated.

The IFRS consolidated financial statements and group management report are prepared centrally using a uniform reporting format at the group headquarters in Munich. Since 2015, standard software that is protected from unauthorized access has been implemented across the Group. The methods provided by the system to limit access rights are used to map the various responsibilities. The group headquarters defines binding reporting calendars and issues uniform reporting structures that generally serve to safeguard completeness and comparability. There is a standardized group chart of accounts which aims to ensure that the same issues are presented consistently. Currency translation, the consolidation of income and expenses and the elimination of intercompany balances are performed automatically. Any offsetting differences are automatically posted in the system, but checked manually and adjusted if necessary. The automatic validation processes in place and the additional analytical plausibility checks, which are performed regularly, guarantee the correctness and completeness of the consolidated financial statements of windeln.de AG. Corporate issues are analyzed, assessed and recorded for accounting purposes by the local finance teams as well as by employees in group accounting department and therefore included in external financial reporting. External accounting specialists are consulted if necessary. The exercise of accounting and measurement options is coordinated by the local finance

entities with the group accounting in order to ensure a uniform and proper financial reporting in accordance with IFRSs throughout the Group. The allocation of sufficient personnel and material resources to group accounting form the basis for the efficiency of the divisions and personnel working on the financial reporting.

A group-wide risk management system that corresponds to the legal requirements is in place and is reviewed on an ongoing bases in terms of its functionality and adapted to current developments if necessary. Its purpose is to identify and evaluate risks at an early stage, and communicate them appropriately. This ensures that users of the report receive relevant and reliable information without delay.

The review mechanisms clearly defined within the areas assigned to group accounting as well as the inspection by the internal controlling division and the risk management system's early recognition of risk aim to ensure error-free group financial reporting.

The Group places a strong emphasis on employing highly qualified and experienced employees in the key accounting and risk management positions. The lingua franca of the Group is English, to ensure there are no translation or communication difficulties between entities in different countries.

On account of the small size and low level of complexity, the Group has not had a separate internal audit department to date and makes use of internal employees for review purposes. The plan is to use external service providers on a case-by-case basis in the future.

The supervisory board concerns itself with material accounting, risk management, audit engagement and audit focus questions, among other things.

There were no changes to the financial reporting internal control system or risk management system between the end of the reporting period and the date of preparing the group management report.

7. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

7.1. Risks from the use of financial instruments

The Group is exposed to various financial risks (the market price risk, comprising currency and interest rate risk, the credit risk and the liquidity risk) on account of its business activities.

The Group's risk management system focuses on the unpredictability of developments on financial markets and aims at minimizing potential adverse effects on the financial position of the Group.

7.1.1. Market risk

Market risk describes the risk that the market price may be subject to fluctuations. Changes to the market price may have a corresponding effect on the fair value or future cash flow of a financial instrument. Market risks include interest rate, currency and other price risks.

a) Currency risk

The Group's international activities expose it to foreign currency risks. The risk mainly relates to revenue generated in foreign currency as well as goods purchased in foreign currency. For example, if a devaluation is performed on the functional currency, the acquisition cost for goods purchased in foreign currency increase, and the revenue translated into the functional currency generally also increases at the same time. The two effects counterbalance each other, meaning that there is only a currency risk if goods are purchased in one currency and sold in another. The Group attempts to mitigate this risk through natural hedging, whereby products are purchased in the local currency and then resold to customers in the same currency. This is particularly relevant for

the business activities in Switzerland, which are primarily operated by windeln.de AG. In addition, local entities currently make purchases in other foreign currencies, albeit for immaterial amounts. The Group uses regular analyses to monitor the volume of these purchases. At the same time however, an appreciation of the functional currency can also lead to improved earnings, meaning that the risk also represents an opportunity. Sales to our Chinese customers are solely made in euros and are therefore not exposed to any currency risk.

On account of exchange rate fluctuations when translating the local separate financial statements into the group currency, a currency risk can also arise if there are changes to items in the statement of financial position and income statement of a subsidiary. The changes caused by currency fluctuations are presented in equity. Six subsidiaries currently expose the Group to this risk, which is however considered to be low as a result of the size of the entities and the stability of the currencies concerned in comparison to the euro.

b) Interest rate risk

Interest rate fluctuations may have a negative or positive impact on the business result, equity and the future cash flows. Interest rate risks from financial instruments can be incurred particularly in connection with borrowings.

7.1.2. Credit risk

Credit risk, otherwise known as default risk, is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The credit risk comprises the total of trade receivables, other financial assets and cash and cash equivalents.

The risk is particularly relevant in terms of a potential default of trade receivables. For this reason, credit limits are established for all customers based on internal rating criteria. All outstanding receivables are monitored on a regular basis and are subject to a three-tier dunning procedure. In light of the age structure of the trade receivables, specific bad debt allowances are recognized to reduce the risk. Overdue and unsuccessfully dunned receivables are sold at a fixed rate and the remaining uncollectible amount fully derecognized with an effect on income.

In addition, there is a default risk for cash and cash equivalents if banks can no longer meet their obligations. The Group minimizes this risk by working exclusively with banks with good credit ratings.

7.1.3. Liquidity risk

Liquidity risk is the risk that the Group will potentially not be able to settle its financial liabilities when they fall due. An efficient liquidity management system is therefore used to guarantee that the Group is solvent at all times. The Group monitors the risk of liquidity bottlenecks continuously using liquidity planning prepared at group level.

Overdraft facilities are used to cover liquidity in case of a high short-term need for liquidity. As of the reporting date, windeln.de AG has an unused credit line of EUR 14m at three independent banks. There are therefore no liquidity risks for the Group at present.

8. TAKEOVER-RELATED DISCLOSURES PURSUANT TO SECS. 289 (4) AND 315 (4) GERMAN COMMERCIAL CODE (HGB)²²

8.1. Composition of issued capital

The Company's capital stock came to EUR 25,745,826 as of December 31, 2015. The capital stock is divided into 25,745,826 no-par value bearer shares with an imputed share in the capital stock of EUR 1.00 per share. The shares are fully paid in. All shares have the same rights and duties attached. The rights and duties enjoyed by the shareholders are detailed individually in the provisions of the AktG, in particular, Secs. 12, 53a et seq., 118 et seq. and 186 AktG.

Another capital increase of EUR 537,410 by issuing 537,410 no-par value bearer shares was resolved on December 31, 2015 but has not yet been entered into the commercial register.

8.2. Restrictions relating to the voting rights or the transfer of shares

The Company's shares have been traded on the Frankfurt Stock Exchange since May 6, 2015.

Under lock-up agreements, existing shareholders ABrand Management UG (haftungsbeschränkt) and Gut Vermögensverwaltungs GmbH have undertaken that without the prior written consent of Goldman Sachs International, Merrill Lynch International and Deutsche Bank AG (together: joint global coordinators) in the period of 360 days after the first trading day of the shares in the Company on the Frankfurt stock exchange, they may not:

- (1) offer, pledge, allocate, distribute, sell, contractually oblige themselves to sell shares in the Company, sell a purchase option or a purchase agreement relating to these, buy a put option relating to these, grant an option or a right to their sale, transfer them to another person or sell them in any other way, be it directly or indirectly
- (2) directly or indirectly initiate or approve an announcement or implementation to increase the Company's capital stock or directly or indirectly place shares in the Company
- (3) directly or indirectly present a proposed resolution to increase the Company's capital at the shareholder meeting of the Company or vote to propose such an increase
- (4) directly or indirectly announce, perform or propose the issue of financial instruments that represent options that are convertible into shares in the Company or warrants or approve these, or
- (5) perform transactions or take measures that are economically similar to the points listed above, especially a swap agreement or another agreement where all or part of the economic risk of the owner of shares in the Company is transferred to another party, regardless of whether this transaction is completed for shares in the Company, cash or another manner of remuneration.

Exceptions to points (2) and (3) above are those described in the documents published for the purpose of the IPO.

The lock-up limitations described above do not apply to (i) the offer, sale and transfer of shares in the Company as part of a takeover bid for the Company pursuant to the German Securities Purchase and Takeover Act (WpÜG), (ii) the over-the-counter transfer of shares in the Company through existing shareholders of Company to entities affiliated with them, (iii) the distribution of shares in the Company by these shareholders to their own shareholders or partners through distributions of non-cash assets as long as the recipient takes over the obligations of the existing shareholders for the remaining period of the lock-up agreement and this is confirmed in writing to the joint global coordinators.

²² Tatbestände der §§ 289 Abs. 4, 315 Abs. 4 HGB, die bei windeln.de nicht erfüllt sind, werden nicht erwähnt

8.3. Participations in the capital, which exceed 10% of the voting rights

As of the end of the financial year 2015, there were the following direct and indirect participations in the capital of windeln.de AG that exceeded the threshold of 10% of the voting rights:

Direct investments

Acton GmbH & Co Heureka KG	Munich	Germany
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Indirect investments

DN Capital (UK) LLP	London	UK
DN CAPITAL - GLOBAL VENTURE CAPITAL II LP	St, Helier	Jersey, Channel Islands
DN CAPITAL - GLOBAL VENTURE CAPITAL III LP	St, Helier	Jersey, Channel Islands
DN CAPITAL - GVC GPLP	St, Helier	Jersey, Channel Islands
DN CAPITAL - GVC II GENERAL PARTNER (JERSEY) LIMITED	St, Helier	Jersey, Channel Islands
DN CAPITAL - GVC III GENERAL PARTNER LIMITED	St, Helier	Jersey, Channel Islands
DN CAPITAL - GVC III GP LP	St, Helier	Jersey, Channel Islands
Acton Capital Partners GmbH	München	Germany

8.4. Statutory regulations and provisions of the articles of incorporation and bylaws concerning the appointment and removal from office of management board members, and concerning modifications to the articles of incorporation and bylaws

The supervisory board appoints the members of the management board on the basis of Secs. 84 and 85 AktG, Sec. 6 (3) of the articles of incorporation and bylaws for a term of office of maximum five years. In accordance with Art. 6 (1) of the articles of incorporation and bylaws, the management board comprises one or more persons, otherwise the supervisory board determines the number of members of the management board.

The general meeting adopts resolutions on changes to the articles of incorporation and bylaws. The amendments to the articles of incorporation and bylaws are made pursuant to Secs. 179 and 133 AktG. According to Sec. 10 (4) of the articles of incorporation and bylaws, the supervisory board is entitled to make changes and additions to the articles of incorporation and bylaws that only relate to the wording. Pursuant to Sec. 4 (2) and (3) of the articles of incorporation and bylaws, the supervisory board is also entitled to change and rewrite Sec. 4 of the articles of incorporation and bylaws (capital stock) as necessary depending on the utilization of authorized or contingent capital.

8.5. Authority of the management board to issue shares or acquire treasury shares

8.5.1. Repurchase of treasury shares

By resolution of the general meeting on April 21, 2015, the management board was authorized, subject to the approval of the supervisory board, to acquire treasury shares for any permissible purpose up until April 20, 2020 in a scope of up to 10% of the capital stock existing either as of the date on which the resolution is passed or as of the date on which the authorization is exercised, whichever is lower. The shares acquired may not at any time amount to more than 10% of capital stock when taken together with other treasury shares held by the Company or allocable to the Company in accordance with Secs. 71d, 71e AktG. The authorizations can be granted once or several times, in whole or in partial amounts, in pursuit of one or several objectives by the Company, but also by group entities or by third parties on behalf of the Company or group entities. Among other things, the purchase of treasury shares is permissible for the following purposes: for withdrawal purposes, to offer to third parties in the course of business combinations or acquisitions and to be used as a component of variable remuneration and/or in connection

with share-based payment or stock option programs of the Company or entities affiliated to it. This authorization has not yet been exercised. The management board was also authorized, subject to the approval of the supervisory board, to use certain derivatives to acquire windeln.de shares by April 20, 2020. All acquisitions of shares using these derivatives are limited to shares representing no more than 5% of the capital stock existing as of the date on which the resolution is passed by the general meeting (i.e., as of April 21, 2015), although the 10% limit of the aforementioned authorization to purchase treasury shares applies to acquisitions of shares using derivatives. The term of a derivative has to be defined that the shares are not acquired using the derivative after April 20, 2020.

8.5.2. Authorized capital 2015

The management board is authorized, subject to the approval of the supervisory board, to raise the capital stock once or several times up until May 3, 2020 by up to a total of EUR 12,345,940.00 by issuing new no-par value bearer shares in return for cash or non-cash contributions and, subject to the approval of the supervisory board, to preclude the shareholders' subscription rights under certain conditions and within defined limits (authorized capital 2015). A capital increase of EUR 537,410 from authorized capital 2015 was resolved in November. As of December 31, 2015, this has not yet been entered in the commercial register.

8.5.3. Conditional capital 2015/I

By resolution of the general meeting dated April 21, 2015, the management board was authorized, subject to the approval of the supervisory board, to issue by April 20, 2020 once or several times bearer convertible bonds and/or options, profit participation rights and/or bonds or a combination of these instruments with a total nominal amount of up to EUR 300,000,000 and grant the owners and creditors of these bonds with options and conversion rights on (also with conversion or option obligation) into new bearer shares in the Company with an imputed share in the capital stock of up to EUR 7,997,804 in accordance with the conditions of the bonds. Among other things, the management board was also authorized, subject to the approval of the supervisory board, to preclude the shareholders' subscription rights to bonds with convertible or warrant bonds into shares in windeln.de AG under certain conditions and within defined limits. The capital stock was contingently increased accordingly by up to EUR 7,997,804 (conditional capital 2015/I). This authorization to issue bonds has not yet been exercised.

8.5.4. Conditional capital 2015/II

The Company's capital stock has been increased contingently by up to EUR 1,999,451 by the issue of up to 1,999,451 new shares (contingent capital 2015/II). The contingent capital increase will only be conducted to a limited extent and serves exclusively to fulfill options that are issued on account of the general meeting dated April 21, 2015 that authorized the granting of stock options to members of the management board and employees of the Company in accordance with the long-term incentive program 2015.

8.6. Significant agreements of the Company that are subject to a change of control

The significant agreements of the Company that are subject to a condition of a change of control relate to agreements concerning credit lines of the Company. In the event of a change of control, these agreements provide – as is customary – for the lender to have the right to terminate the agreement and accelerate the repayment and/or for the factor to have the right to terminate or renegotiate the terms of the agreement.

8.6.1. Company compensation agreements that have been entered into with management board members or employees for the event of a change of control following a takeover bid

The supervisory board and/or management board are entitled under the Long-Term Incentive Programme (LTIP) granted to certain members of the management board and of management to demand the pro rata reversal of the outstanding options earned in accordance with the change of control event of the share purchased by the purchaser in return for a payment by the Company. In

relation to the stock options not yet earned as of the date of the change of control, the supervisory board is authorized at its own discretion to grant different performance-based remuneration of the same economic value in return for reversal of the stock options of the LTIP (including share appreciation rights, phantom stocks or other stock options).

9. CORPORATE GOVERNANCE STATEMENT

The corporate governance statement pursuant to Sec. 289a HGB is available on the Company's website (<https://corporate.windeln.de>) in the Investor Relations tab. It is also part of the corporate governance report, which is part of the annual report.



FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KEUR	Notes	December 31, 2015	December 31, 2014
NON-CURRENT ASSETS			
Intangible assets	8.1	32,428	4,043
Fixed assets	8.2	1,334	480
Other financial assets	8.3	33	0
Other non-financial assets	8.3	289	-
Deferred tax assets	8.17	2	-
Total non-current assets		34,086	4,523
CURRENT ASSETS			
Inventories	8.4	27,099	10,754
Prepayments	8.5	1,670	285
Trade receivables	8.6	2,469	1,725
Income tax receivables	8.17	5	-
Other financial assets	8.7	2,725	3,939
Other non-financial assets	8.7	2,727	1,988
Cash and cash equivalents	8.8	88,678	33,830
Total current assets		125,373	52,521
TOTAL ASSETS		159,459	57,044
Equity and liabilities			
KEUR	Notes	December 31, 2015	December 31, 2014
EQUITY			
Issued capital	8.9	25,746	163
Share premium	8.9	154,046	68,911
Accumulated loss		-64,892	-34,488
Cumulated other comprehensive income		-22	35
Total equity		114,878	34,621
NON-CURRENT LIABILITIES			
Defined benefit obligations and other accrued employee benefits	8.10	201	6,406
Other Provisions	8.11	221	-
Financial liabilities	8.12	73	85
Other financial liabilities	8.13	3,542	-
Deferred tax liabilities	8.17	6,171	322
Total non-current liabilities		10,208	6,813
CURRENT LIABILITIES			
Other Provisions	8.11	2,221	1,246
Financial liabilities	8.12	41	1,532
Trade payables	8.14	18,137	8,830
Deferred revenue	8.15	4,352	1,985
Income tax payables	8.17	9	5
Other financial liabilities	8.16	6,028	1,629
Other non-financial liabilities	8.16	3,585	383
Total current liabilities		34,373	15,610
TOTAL EQUITY AND LIABILITIES		159,459	57,044

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

kEUR	Notes	2015	2014
Revenues	9.1	178,602	101,324
Cost of sales	9.2	-131,487	-77,869
Gross profit		47,115	23,455
Selling and distribution expenses	9.3	-53,877	-26,668
Administrative expenses	9.4	-23,332	-8,678
Other operating income	9.5	3,164	267
Other operating expenses	9.5	-569	-99
Earnings before interest and taxes (EBIT)		-27,499	-11,723
Financial income	9.6	17	2,223
Financial expenses	9.6	-2,927	-85
Financial result		-2,910	2,138
Earnings before taxes (EBT)		-30,409	-9,585
Income taxes	8.17	5	-242
PROFIT OR LOSS FOR THE PERIOD		-30,404	-9,827
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains/losses from remeasurement of defined benefit pension plans	8.10	-48	14
Deferred taxes relating to items that will not be reclassified	8.17	10	-3
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	3.4	-19	33
OTHER COMPREHENSIVE INCOME/LOSS, NET OF TAX		-57	44
TOTAL COMPREHENSIVE INCOME, net of tax		-30,461	-9,783
Basic earnings per share (in EUR)		-1.28	-0.49
Diluted earnings per share (in EUR)		-1.24	-0.48

CONSOLIDATED STATEMENT OF CASH FLOWS

kEUR	Notes	31.12.2015	31.12.2014
Profit or loss for the period	8.1	-30,404	-9,827
Amortisation (+) / write-up (-) of intangible assets	8.2	699	594
Depreciation (+) / write-up (-) of fixed assets	8.11	384	191
Increase (+)/decrease (-) in other provisions	8.10	1,190	371
Non-cash expenses (+) from employee benefits		7,679	3,413
Other non-cash expenses (+) / income (-) items	8.4	-	26
Increase (-) / decrease (+) in inventories	8.5	-13,891	-3,494
Increase (-) / decrease (+) in prepayments	8.6	-1,386	-268
Increase (-) / decrease (+) in trade receivables	8.3, 8.7	-505	-554
Increase (-) / decrease (+) in other assets	8.14	1,392	-2,240
Increase (+) / decrease (-) in trade payables	8.15	5,452	3,456
Increase (+) / decrease (-) in deferred revenue	8.13, 8.16	2,245	1,191
Increase (+) / decrease (-) in other liabilities	8.1	4,886	763
Gain (-) / loss (+) from disposal of intangible assets	8.2	44	-
Gain (-) / loss (+) from disposal of fixed assets	9.6	1	-
Interest expenses (+) / income (-)	8.17	1	73
Income tax expenses (+) / income (-)	8.17	-26	242
Income tax paid (-) / received (+)		-5	-1
Net cash flows from / used in operating activities	8.1	-22,244	-6,064
Purchase (-) of intangible assets	8.2	-1,817	-1,090
Purchase (-) of fixed assets	6	-1,136	-149
Additions (-) to group structure less acquired cash and cash equivalents	9.6	-13,333	-
Interest received (+)		15	5
Net cash flows from / used in investing activities	8.9	-16,271	-1,234
Proceeds (+) from issue of shares	8.9	100,032	41,632
Transaction cost (-) on issue of shares	8.12	-5,135	-272
Repayment (-) of finance-lease liabilities	8.12	-38	-21
Proceeds (+) from financial liabilities	8.12	29	1,520
Repayment (-) of financial liabilities	9.6	-1,505	-1,920
Interest paid (-)		-27	-78
Net cash flows from / used in financing activities	8.8	93,356	40,861
Cash and cash equivalents at the beginning of the period		33,830	267
Net increase / decrease in cash and cash equivalents		54,841	33,563
Change in cash and cash equivalents due to foreign exchange rates	8.8	7	-
Cash and cash equivalents at the end of the period		88,678	33,830

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

kEUR	Notes	Issued capital	Share premium	Accumulated loss	Actuarial gains/losses from remeasurement of defined benefit pension plans	Exchange differences on translation of foreign operations	Other comprehensive income	Total Equity
As at January 1, 2015		163	68,911	-34,488	10	25	35	34,621
Total comprehensive income for the period				-30,404	-38	-19	-57	-30,461
Issue of share capital	8.9	351	99,823					100,174
Capital increases out of reserves	8.9	25,232	-25,232					-
Contributions in kind	6		1,077					1,077
Transaction costs	8.9		-5,005					-5,005
Share-based payments	8.10		14,472					14,472
As at December 31, 2015		25,746	154,046	-64,892	-28	6	-22	114,878
As at January 1, 2014		124	27,587	-24,661	-1	-8	-9	3,041
Total comprehensive income for the period				-9,827	11	33	44	-9,783
Issue of share capital	8.9	39	41,593					41,632
Capital increases out of reserves								-
Contributions in kind								-
Transaction costs	8.9		-269					-269
Share-based payments								-
As at December 31, 2014		163	68,911	-34,488	10	25	35	34,621

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2015

1. Corporate information

windeln.de AG (the "Company") is a stock corporation under German law whose shares have been publicly traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange since May 6, 2015. The Company is entered in the commercial register at Munich local court under HRB 218000. The registered offices of the Company are located at Hofmannstr. 51 in 81379 Munich, Germany.

The Company was founded under the name Urban-Brand GmbH with effect as of February 1, 2010 and was renamed windeln.de GmbH effective October 21, 2013. By resolution dated March 25, 2015 effective April 16, 2015, the Company was reorganized from a limited liability company (windeln.de GmbH) to a stock corporation (windeln.de AG).

windeln.de AG is the parent of the windeln.de Group ("windeln.de" or the "Group").

windeln.de AG and its subsidiaries are online retailers for baby and toddler products with operations in Germany and other European countries. Business activities are transacted through the internet as well as via two shops in Germany and Switzerland.

2. General

windeln.de AG is a parent company as defined by Sec. 290 German Commercial Code (HGB). Due to the issue of equity securities on the capital market, windeln.de AG is obliged pursuant to Sec. 315a (1) HGB in conjunction with Article 4 of the Regulation of the European Parliament of July 19, 2002 to prepare the Company's consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU. These consolidated financial statements for the financial year 2015 were prepared in accordance with the IFRSs and Interpretations of the IFRS IC as well as the supplementary provisions of Sec. 315a (1) HGB.

The consolidated financial statements take into account all IFRSs endorsed as of the end of the reporting period and whose adoption is mandatory in the European Union. Compliance with the standards and interpretations gives a true and fair view of the financial performance and position of windeln.de.

The management board prepared the consolidated financial statements on March 11, 2016 and thus approved them for publication as defined by IAS 10. The consolidated financial statements and the group management report are submitted to and published in the Bundesanzeiger (German Federal Gazette). The Company's Supervisory Board has the authority to amend the consolidated financial statements.

3. Summary of significant accounting policies

3.1 Basis of presentation

The consolidated financial statements are generally prepared on the basis of accounting for assets and liabilities at amortized cost, with certain financial assets and financial liabilities measured at fair value through profit or loss. The assets and liabilities are accounted for using the disclosure and measurement rules in the relevant IAS or IFRS, which are explained in detail in the following paragraphs in this section.

The statement of comprehensive income was prepared using the function of expense method and is presented in two related statements.

The statement of financial position is classified based on the maturities of assets and liabilities. Assets that are sold, used in normal

operations or settled within twelve months are classified as current. Liabilities are current if they have to be settled within twelve months of the end of the reporting period. Assets and liabilities with a maturity of more than one year are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities pursuant to IAS 1.56.

The consolidated financial statements are prepared in euro (EUR), which is both the functional currency and the reporting currency of windeln.de AG. Unless otherwise indicated, all values in the notes to the consolidated financial statements are rounded to the nearest thousand euro (EUR k) in accordance with commercial practice. As a result, the tables in the notes to the consolidated financial statements may contain rounding differences.

Apart from abbreviated financial years due to the date of founding of the respective entity, the financial year corresponds to a calendar year for all group entities.

The preparation of consolidated financial statements in accordance with IFRSs requires the use of estimates. Furthermore, the application of uniform accounting and valuation policies demands the use of judgment on the part of management. Areas that involve a greater degree of judgment or higher complexity or areas where assumptions and estimates are of different significance for the consolidated financial statements are listed and explained in "Significant accounting judgments and estimates".

3.2 New accounting standards issued by the IASB

Pursuant to Regulation (EC) No. 1606/2002, the financial reporting standards issued by the IASB and endorsed by the European Commission for adoption in the European Union are the basis for IFRS accounting. The new or revised IFRSs published by the IASB are subject to mandatory application in the EU only after a corresponding decision has been made by the Commission in the endorsement procedure.

The following standards and interpretations issued by the IASB have not yet been adopted because they have not yet been endorsed by the EU and/or are not yet subject to mandatory application.

Standard	Effective date	Expected impact on consolidated financial statements
Amendments to IFRS 11, Acquisitions of Interests in Joint Operations	January 1, 2016	No impact
Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation	January 1, 2016	No significant impact
Amendments to IAS 16 and IAS 41, Agriculture: Bearer Plants	January 1, 2016	No impact
IFRS 15 Revenue from Contracts with Customers	January 1, 2018	No significant impact on the financial performance and position; the new standard provides for extensive new disclosures in the notes.
Amendments to IAS 27, Separate Financial Statements (Equity Method)	January 1, 2016	No impact
Amendments to IFRS 10 and IAS 28, Sale of Assets by an Investor or Contribution to their Associate or Joint Venture	Deferred to a date yet to be set by the IASB	No impact
Annual Improvements to IFRSs (2012 to 2014 Cycle)	January 1, 2016	No impact
IFRS 9 Financial Instruments	January 1, 2018	No significant impact

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	January 1, 2016	No impact
Amendments to IAS 1: Disclosure Initiative	January 1, 2016	No significant impact
IFRS 16 Leases	January 1, 2019	The application of the new standard will lead to an extension of the statement of financial position. The precise extent of the effects is currently being determined.

No standards and interpretations issued by the IASB were early adopted voluntarily before the effective date. The Company does not intend to early adopt any standards in the future.

3.3 Consolidation principles

The financial statements of the entities included in the consolidated financial statements (parent and eight subsidiaries) were prepared on the basis of the parent's uniform accounting policies. No joint ventures or associates are included. The group parent, windeln.de AG, controls all of the subsidiaries included in the consolidated financial statements, as it holds the majority of the voting rights.

All intra-group transactions, balances and unrealized gains and losses resulting from intra-group transactions are eliminated in full. Intercompany receivables and liabilities are offset. Offsetting differences are recognized in profit or loss if they arose in the reporting period. Intercompany income and expenses are offset as part of the consolidation of intercompany profits. Intercompany profits and losses are eliminated. Acquisition accounting of subsidiaries is performed in accordance with IFRS 10 in conjunction with IFRS 3 by offsetting the carrying amount of the investment against the remeasured equity of the subsidiary on the acquisition date (remeasurement method).

Business combinations are accounted for using the purchase method. The consideration transferred in an acquisition (cost of an acquisition) corresponds to the total fair value of the assets given up, equity instruments issued and liabilities assumed as of the acquisition date, including the fair value of assets or liabilities from contingent consideration arrangements. Identifiable assets, liabilities and contingent liabilities in the course of a business combination are measured initially at their acquisition-date fair values. Acquisition-related costs are expensed as incurred. Goodwill is initially measured at cost, being the excess of the total consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference ("negative goodwill") is recognized directly as a profit in profit or loss.

Contingent purchase price components are included in the determination of the purchase price at their fair value recognized on acquisition. Contingent purchase price components can be equity instruments or financial liabilities or assets. Subsequent changes in the fair value of a contingent consideration classified as an asset or a liability are measured in accordance with IAS 39 or IAS 37, and any resulting profit or loss is recognized in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity.

A gain or loss from the removal of subsidiaries from the basis of consolidation is reported in the statement of comprehensive income.

3.4 Currency translation

The group entities each prepare their financial statements in the currency of the primary economic environment in which the respective entity operates (functional currency). Transactions in foreign currencies are initially translated to the functional currency using the respective spot rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated to the functional currency as of the end of each reporting period using the respective spot rate. The related translation differences are recognized in profit or loss. In addition, non-monetary items measured at fair value are translated using the spot rate on the date of measurement at fair value.

For the purpose of preparing the consolidated financial statements, the assets and liabilities of subsidiaries whose functional currency is not the euro are translated to euro at the spot rate prevailing as of the end of the reporting period. Items in the statement of comprehensive income are translated to euro using the average rate for the respective financial year. The equity of the subsidiaries is translated at the corresponding historical rates. The currency differences resulting from currency translation are reported as an adjustment item from the translation of foreign currency financial statements within accumulated income and expenses directly in equity.

The exchange rates of the main currencies relevant for currency translation developed as follows (equivalent amount for EUR 1):

Country	Currency 1 EUR =	Average rate		Closing rate	
		2015	2014	31.12.2015	31.12.2014
Switzerland	CHF	1.0678	1.2146	1.0835	1.2024
Poland	PLN	4.1841	4.1843	4.2639	4.2732
Czech Republic	CZK	27.2778	27.5359	27.0230	27.7350
USA	USD	1.1094	1.3285	1.0887	1.2141

3.5 Intangible assets

Software licenses

Purchased software licenses are capitalized based on the costs incurred to acquire the software and prepare it for its intended use. These are amortized on a straight-line basis over an estimated useful life of three years. The residual values, economic useful lives and amortization methods are reviewed at the end of each reporting period and adjusted prospectively if necessary. Pursuant to IAS 36, an impairment loss is recognized on the carrying amount of an asset as soon as the estimated recoverable amount of the asset falls below the carrying amount. A reversal of impairment loss to amortized cost takes place if the reason for the impairment loss no longer exists.

Internally developed software

With the exception of capitalizable development costs, the cost of internally generated intangible assets is reflected in the income statement in the period in which the expenditure is incurred. Development costs for an individual project are recognized as an intangible asset if, and only if, the following criteria pursuant to IAS 38 are met:

- The newly developed software can be clearly identified
- Completion of the software product is technically feasible
- Management intends to complete and use the software product

- It can be demonstrated that the software product will generate probable future economic benefits
- Adequate technical, financial and other resources are available to complete the development and to use the software product
- The expenditure attributable to the software product during its development can be measured reliably

The costs directly attributable to the software product include the personnel expenses for employees involved in development, an appropriate portion of the corresponding overheads as well as costs for any external resources used.

Subsequent cost is only recognized in the cost of the asset or as a separate asset if it is probable that future economic benefits resulting from these will flow to the Group and the cost of the asset can be reliably measured.

Development costs that have already been expensed are not recognized in a subsequent period.

Capitalized software development costs are amortized on a straight-line basis over its estimated useful life (generally three years). Amortization begins when development is complete and the asset is available for use. The residual values, economic useful lives and amortization methods are reviewed at the end of each reporting period and adjusted prospectively if necessary. Pursuant to IAS 36, an impairment loss is recognized on the carrying amount of an asset as soon as the estimated recoverable amount of the asset falls below the carrying amount. A reversal of impairment loss to amortized cost takes place if the reason for the impairment loss no longer exists.

Development projects that have not yet been completed and the software from which is not yet in use are reviewed for impairment as of the end of the reporting period.

Research costs are expensed in the period in which they are incurred.

Domains

These are purchased intangible assets with an indefinite useful life that are not amortized. The useful life of each individual domain is reviewed annually to determine whether the assessment of the indefinite useful life continues to be supportable. If not, the change in assessment of the useful life from indefinite to finite is made on a prospective basis.

Each individual domain or cash-generating unit is tested at least once a year for impairment. Pursuant to IAS 36, an impairment loss is recognized on the carrying amount of a domain as soon as the estimated recoverable amount of the asset falls below its carrying amount. A reversal of impairment loss to amortized cost takes place if the reason for the impairment loss no longer exists.

Intangible assets acquired in business combinations

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

The Group has currently capitalized several customer bases, which are amortized on a straight-line basis over the expected useful life of three to five years.

The Group has also acquired several domains in the course of acquisitions and recognized these at their respective fair value on the acquisition date. These are intangible assets with an indefinite useful life. See above under "Domains" for details on subsequent measurement.

Goodwill

Goodwill is not amortized systematically, but is subject to an impairment test pursuant to the rules in IAS 36 (impairment-only approach).

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. It is allocated to those CGUs or groups of CGUs according to the identified business segment which is expected to benefit from the combination out of which the goodwill arose. Each unit or group of units to which the goodwill has been thus allocated represents the lowest level in the Group at which goodwill can be monitored for internal management purposes.

Goodwill is monitored at the level of the business segment.

Impairment testing of goodwill takes place once a year (as of 30 November in 2015). Impairment testing is also carried out ad hoc if there are indications of potential impairment. The carrying amount of the goodwill is compared with its recoverable amount, i.e., with the higher of the two amounts of fair value less costs to sell and value in use. An impairment loss is expensed immediately and is not reversed in subsequent periods.

3.6 Fixed assets

All fixed assets are stated at cost, net of any accumulated depreciation and/or accumulated impairment losses. The cost of fixed assets includes all expenses directly attributable to the acquisition that were incurred in making the asset ready for use. Purchase price reductions such as rebates, bonuses and trade discounts are deducted from the purchase price.

All non-capitalizable subsequent costs as well as maintenance and repair costs are recognized in income in the period incurred. Cost does not contain any borrowing costs, as no capitalizable borrowing costs pursuant to IAS 23 were incurred.

Prepayments for fixed assets not yet delivered or not yet accepted are recognized under fixed assets.

Fixed assets are depreciated to the residual value on a straight-line basis over the expected economic useful life. The following useful lives are expected:

- Furniture and fixtures 3 to 7 years
- Technical equipment 10 years

The residual values, economic useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted prospectively if necessary. Pursuant to IAS 36, an impairment loss is recognized on the carrying amount of an asset as soon as the estimated recoverable amount of the asset falls below the carrying amount. A reversal of impairment loss to amortized cost takes place if the reason for the impairment loss no longer exists.

An item of fixed assets is derecognized either upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses from the disposals of fixed assets are calculated as the difference between the net realizable values and the residual values of fixed assets and are recognized in other operating income and other operating expenses in the period in which the asset is derecognized.

3.7 Financial assets including trade receivables

Definition of a financial instrument

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.

Initial recognition and measurement

Financial assets as defined by IAS 39 are broken down into the following categories, with the classification depending on the purpose for which the financial assets were acquired:

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or classified by management as financial assets at fair value through profit or loss from the outset. A financial asset is classified under this category if it was principally purchased with the intention to resell it in the short term or if the financial asset was designated accordingly by management. Derivatives are also allocable to this category if they are not designated as a hedging instrument in effective hedging relationships. Assets in this category are reported as current assets if they are expected to be realized within twelve months. All other assets are classified as non-current.

As of December 31, 2015, there were no financial assets in the "held for trading" category. As of December 31, 2014, there was one financial asset in the "held for trading" category in the form of a contingent refund from an acquisition. In 2014 and in 2015, management did not make use of the option to classify financial assets as financial assets at fair value through profit or loss upon initial recognition.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are reported under current assets provided that they do not mature in more than twelve months from the end of the reporting period. Otherwise they are reported as non-current assets. The Group's loans and receivables are presented in the statement of financial position under "Trade receivables" and "Other current financial assets". Trade receivables comprise amounts due from merchandise sold in the ordinary course of business.

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed terms to maturity which group management intends and is able to hold until maturity.

In the financial years 2014 and 2015, there were no financial assets in this category.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which were either classified under this category or were not classified to any of the other categories presented. They are reported under non-current assets unless management plans to sell them within twelve months of the end of the reporting period and the asset does not mature within this period. Available-for-sale financial assets are reported in the statement of financial position under "Other financial assets".

Management determines the classification of its financial assets upon initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Financial assets initially recorded at fair value through profit or loss are reported at fair value, and the related transaction costs are reported in profit or loss.

All purchases or sales of financial assets that require delivery of the assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

Subsequent measurement of the financial assets depends on the classification.

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in financial income or financial expenses in the income statement.

- Loans and receivables

After initial recognition, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in financial income in the income statement. The losses from impairment are recognized in profit or loss.

Due to their short-term nature, the carrying amounts of trade receivables generally correspond to their market values, taking account of impairment losses.

- Held-to-maturity investments

After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in financial income in the income statement. Impairment losses are recognized in the income statement in financial expenses.

- Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value after initial recognition. Unrealized gains or losses resulting from fair value measurement are recognized as other comprehensive income in the reserve for available-for-sale financial assets in the statement of comprehensive income.

Exchange differences from monetary assets denominated in foreign currency and classified as held for sale are recognized in profit or loss, while exchange differences from non-monetary assets in this category are recognized in other comprehensive income. When such an asset is derecognized, the cumulative gain or loss is reclassified to the financial result. If an asset is impaired, the cumulative loss is reclassified from the reserve for available-for-sale financial assets to financial expenses in the income statement.

Management evaluates whether the Group's ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so in the foreseeable future significantly changes, management may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and management has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the "held to maturity" category is permitted only when management has the ability and intention to hold the financial asset accordingly.

Impairment of financial assets

The carrying amounts of financial assets not measured at fair value through profit or loss are reviewed at the end of each reporting period to determine whether there is any objective evidence of impairment. For example, objective evidence can include significant financial difficulty on the part of the debtor, breach of contract such as default or delinquency in interest or principal payments, increased probability that the debtor will enter bankruptcy or other financial reorganization, the disappearance of an active market for the financial asset as well as significant changes in the technological, economic or legal environment. In the case of equity instruments categorized as available for sale, objective evidence of impairment would be a significant or prolonged decline in fair value. A decline of at least 20% of cost is considered "significant", while "prolonged" is defined as a period lasting more than six months.

- Financial assets measured at amortized cost

The amount of the impairment loss on a financial asset measured at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective

interest rate. The impairment loss is recorded as an expense. If the impairment loss decreases in subsequent periods objectively as a result of events that have occurred after the date of recognition of the impairment loss, the impairment loss is reversed accordingly through profit or loss. The reversal of the impairment loss is made to no higher than amortized cost.

Impairment losses are recognized on trade receivables on the basis of portfolio-based allowances. Historical default risk is determined based on the manner in which payment is made and based on maturity. Impairment losses are recognized in profit or loss.

- Available-for-sale financial assets

If the decrease in fair value of an available-for-sale financial asset was recognized directly in other comprehensive income (reported as a cumulative figure in equity) in the past, these impairment losses are derecognized from equity as soon as there is objective evidence of impairment. The amount of the impairment loss corresponds to the difference between the acquisition costs (less any amounts repaid or amortized) and the current fair value reduced by any impairment losses recognized on the financial asset in profit and loss at an earlier date. Impairment losses recognized on equity instruments in profit and loss at an earlier date are not reversed through profit or loss. Any increase in the fair value after recognition of an impairment loss is recognized in other comprehensive income. Reversals of impairment losses on debt instruments that have objectively occurred after the date of recognition of the impairment loss are recognized in profit or loss.

Derecognition of financial assets

Financial assets are derecognized if the rights to cash flows from the financial assets have expired or if the right to receive the cash flows has been transferred to third parties and the Group has substantially transferred all risks and rewards incidental to ownership. When a financial asset is derecognized in full, the difference between the carrying amount and the total of the consideration received or receivable and all cumulative gains or losses recognized in other comprehensive income and accumulated in equity must be recognized in profit or loss.

Receivables and any related impairment losses are derecognized if they are deemed uncollectible. If a derecognized receivable is later deemed collectible again due to an event that occurred after derecognition, the corresponding amount is recognized directly in other operating income.

The Group sells to various service providers substandard trade receivables and trade receivables from the "purchase on account" payment method. Financial assets sold in this way are derecognized from the consolidated statement of financial position on the date of sale provided that substantially all risks and rewards have been transferred to the purchaser. If substantially all risks and rewards are neither transferred nor retained, the financial assets are derecognized from the consolidated statement of financial position on the date of sale only if it is certain that the purchaser has obtained power of disposal over the financial assets. If substantially all risks and rewards remain within the Group, the financial assets continue to be reported in the statement of financial position as collateral for any liability recognized.

3.8 Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the date on which the contract is entered into. Subsequent measurement is also at fair value as of the end of each reporting period. The method used to recognize gains and losses depends on whether the derivative financial instrument was designated as a hedging instrument and, if so, on the nature of the hedged item. The Group designates certain derivative financial instruments either as

- a fair value hedge to hedge the fair value of a recognized asset, liability or fixed commitment not shown in the statement of financial position
- a cash flow hedge to hedge certain risks of fluctuations in cash flows attributable to a recognized asset or liability or to an expected and highly probable forecast transaction, or
- a net investment hedge to hedge a net investment in a foreign operation.

As of December 31, 2015, the Group recognized one contingent consideration each from the acquisitions of Feedo Sp. z o.o. and of Bebitus Retail S.L. as derivatives in other financial liabilities. Reference is made to notes 6 and 7 for further details. In the financial year 2014, the Group recognized a derivative in other financial assets from the contingent refund from the acquisition of windeln.ch AG. Reference is made to note 7 for further details.

3.9 Inventories and prepayments

Purchased merchandise reported as inventories are measured at the lower of cost and net realizable value in accordance with IAS 2. The costs of purchase are calculated using the average purchase costs and comprise the acquisition cost plus any directly attributable incidental purchase costs incurred less purchase price reductions; they do not contain any borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Appropriate allowance is made for inventory risks associated with slow-moving stocks, reduced salability or similar matters. If the reasons for impairment losses recognized in earlier periods no longer exist, reversals of the impairment losses are recognized up to the amount of the original cost.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and other highly liquid current financial assets with an original term to maturity of no more than three months. They are measured at nominal value. Utilized overdraft facilities are reported as liabilities to banks under "Current financial liabilities" in the statement of financial position.

3.11 Financial liabilities including trade payables

Initial recognition and measurement

Financial liabilities generally give rise to an entitlement to the receipt of cash or another financial asset and are classified as follows pursuant to IAS 39:

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated upon initial recognition as of fair value through profit or loss. A financial liability is allocated to this category if it was entered into with the basic intention to settle the liability in the short term. Derivatives are also allocable to this category if they are not designated as a hedging instrument in hedging relationships pursuant to IAS 39. Liabilities in this category are reported as current liabilities if they are expected to be settled within twelve months. All other liabilities are classified as non-current.

As of December 31, 2015, there are two derivatives classified as held for trading, namely from the contingent considerations from the acquisition of Feedo Sp. z o.o. and of Bebitus Retail S-L. In 2014 the Group did not classify any non-derivative financial liabilities as held for trading. Management has so far not made any use of the option to allocate financial liabilities to this category upon initial recognition.

- Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include trade payables, liabilities to banks and other financial liabilities not held for trading. Trade payables are payment obligations for goods and services acquired in the ordinary course of business. Other financial liabilities are classified as current liabilities if the payment obligation falls due within one year. Otherwise they are recognized under non-current liabilities. The Group's financial liabilities measured at amortized cost are reported in "Trade payables", "Financial liabilities" and "Other financial liabilities" in the statement of financial position.

Management determines the classification of its financial liabilities upon initial recognition.

All financial liabilities are recognized initially at fair value less, in the case of liabilities to banks, transaction costs directly attributable to the acquisition.

IAS 32 states that equity only exists from the perspective of the entity if there is no obligation to repay the capital or to supply other financial assets in its place. A repayment obligation from company assets can exist if a shareholder has a right to termination and at the same time exercising this right would give rise to a severance entitlement against the entity.

Subsequent measurement

Subsequent measurement of the financial liabilities depends on the classification.

- Financial liabilities at fair value through profit or loss

After initial recognition, financial liabilities in this category are measured at their fair value until they are derecognized. Gains and losses from changes in fair value are recognized in profit or loss in the period recorded. Gains and losses contain both realized gains and losses resulting from the sale of the financial liabilities and unrealized gains and losses resulting from rolling forward the financial liabilities at amortized cost.

- Financial liabilities measured at amortized cost

After initial recognition, current trade payables as well as other current financial liabilities are reported at their repayment amount or settlement amount for convenience. Non-current financial liabilities as well as liabilities to banks are reported at amortized cost in accordance with the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The EIR amortization is included in financial expenses in the income statement.

Derecognition

A financial liability is derecognized when the corresponding obligation by the Group has been settled, revoked or has expired. The difference between the carrying amount of the derecognized financial obligation and the consideration received or receivable is reported in profit or loss.

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a current legal right and intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.12 Provisions

According to IAS 37, provisions should be recognized if all of the following criteria are met:

- The Group has a present legal or constructive obligation
- The obligation is the result of a past event
- It is probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation
- A reliable estimate can be made of the amount of the provision

Provisions are not recognized for future operating losses.

A best estimate is made of the amount of the provisions taking into consideration all the discernible risks arising from the obligation. This refers to the amount that is most likely needed to settle the liability. Non-current provisions with a term of more than one year are discounted to the end of the reporting period. A pre-tax discount rate is used that reflects current market assessments of the time value of money and risks specific to the given obligation. Increases in provisions purely relating to additions to reflect the passage of time are posted to the statement of comprehensive income as financial expenses.

If there are a number of similar obligations, the likelihood of an outflow of resources is estimated for the group of obligations. Provisions are recognized even if the likelihood of an outflow of resources in connection with an individual obligation contained in this group is small.

3.13 Employee benefits

Bonus plans

For bonus payments after the end of the reporting period for the prior reporting period, a provision is recognized in the consolidated financial statements and the corresponding expense is reported under personnel expenses. The amount of the provision is calculated individually for each employee for whom either a contractual obligation to pay a bonus exists or for whom a constructive obligation exists based on past company practice.

Share-based payment

Selected executives and members of the management board and/or of local management receive share-based payment for their work in the form of equity or cash. Pursuant to IFRS 2, equity-settled share-based payment transactions are measured once at the fair value on the grant date, while cash-settled share-based payment transactions are measured at the fair value at the end of the reporting period. The Group uses the Monte Carlo simulation for this purpose. The fair value is recognized in profit or loss over the period in which the service is provided by the eligible persons, referred to as the vesting period, by recognizing a corresponding item in the share premium for equity-settled share-based payment transactions and by recognizing a corresponding liability for cash-settled share-based payment transactions. In the case of cash-settled share-based payment transactions, the liability is remeasured at the end of each reporting period and at the date of settlement until the liability is settled with changes in fair value recognized in the income statement.

In addition, shares with contingent return obligations were issued as part of acquisitions (windeln.ch AG and Feedo Sp. z o.o.) that fall within the scope of IFRS 2. Parts of contingent considerations in connection with acquisitions (Feedo Sp. z o.o. and Bebitus Retail S.L.) also fall within the scope of IFRS 2 and/or IAS 19. See notes 6 and 7 for further details.

Pension obligations

The actuarial valuation of the pension obligation for the company pension plan is carried out using the projected unit credit method prescribed in IAS 19, where an actuarial valuation is performed at the end of each reporting period. As part of the projected unit credit method, the known pensions and vested benefits acquired as of the end of the reporting period as well as any future anticipated increases in salaries and pensions are taken into account. These assumptions may change and are subject to an estimate, as the future development is not foreseeable. Actuarial gains or losses resulting at the end of the year between the pension obligations calculated in this manner and the plan assets are recognized directly in other comprehensive income. It is not permissible to recognize the actuarial gains and losses reported in other comprehensive income in profit or loss in subsequent periods. The difference between the expected net interest and the actual result must also be reported in other comprehensive income. The interest component of the addition to the provision (interest on the liability and on the plan assets at the interest rate) contained in the pension cost is shown net (net interest) in profit or loss in the financial result. The pension provision (net pension obligation) in the statement of financial position is calculated as the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if necessary taking into account the rules on the maximum value of surplus plan assets in excess of the obligation (referred to as the asset ceiling).

Termination benefits

Termination benefits are employee benefits payable as a result of either a group entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognizes severance payments if it is demonstrably obliged to terminate the employment of current employees in accordance with a detailed formal plan that cannot be withdrawn or if it demonstrably must make severance payments upon employees voluntarily terminating employment. Benefits that fall due more than 12 months after the end of the reporting period are discounted to their present value.

3.14 Income taxes and deferred tax

The tax expense for the period comprises current and deferred taxes. Taxes are recognized in the statement of comprehensive income unless they relate to items recognized directly in equity or in other comprehensive income, in which case the taxes are recognized in equity or in other comprehensive income.

The current tax expense is calculated using the tax laws of the countries in which the subsidiaries operate and generate taxable income effective as of the end of the reporting period. Management regularly reviews the tax declarations, above all as regards matters open to interpretation and, where appropriate, recognizes provisions based on the amounts that are expected to be payable to the tax authorities.

Deferred tax is measured using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax is recognized for all temporary differences between the tax base of the assets and liabilities and their carrying amounts in the IFRS financial statements as well as for unused tax losses (liability method).

If, however, deferred tax arises from the initial recognition of an asset or liability as part of a transaction other than a business combination, which as of the date of the transaction has no effect on the accounting or taxable profit or loss, a deferred tax item is not recognized on the date of initial recognition or subsequently. In addition, no deferred tax liabilities are reported upon initial recognition of goodwill. Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries are recognized unless the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are only recognized on temporary differences or unused tax losses if there is reasonable assurance that they will be realized in the near future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off the recognized amounts and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority and either relate to the same taxable entity or different taxable entities which intend to settle on a net basis.

Interest on arrears and/or late payment penalties on delayed income tax payments or income tax backpayments that are not deductible are reported in the tax result.

3.15 Recognition of revenue and expenses

Revenue and other operating income are recognized when the goods or services are delivered in accordance with the provisions of IAS 18, provided that it is likely that economic benefits will flow to the Group and the amount can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment

and excluding taxes or duty. Revenue is recorded net of sales deductions.

Revenue from the sale of goods is recognized when the goods have been delivered and the risks and rewards of ownership of the goods have been transferred to the buyer. The revenue from the sale of goods is reported net, i.e., after deducting VAT, returns, discounts, customer bonuses and rebates.

Revenue from the rendering of services is recognized over the period in which the services are rendered. For the Group's services, this mainly involves parcel inserts and marketing campaigns and/or online advertising (using banners) for which consideration is paid.

Expected returns

Customers are generally granted a 14 to 30-day right of return for sales transactions. The expected return of goods after the end of the reporting period is shown on a gross basis in the statement of comprehensive income, with revenue reduced by the amount of expected returned revenue estimated on the basis of historical return rates. The outflow of goods recognized in profit or loss upon dispatch of the goods is corrected by the estimated amount of returns. A right to recover from the customer possession of the goods delivered is recognized in other current non-financial assets, and a refund obligation to the customer for the amount of the purchase price is recognized in other current financial liabilities.

Loyalty points program

windeln.de AG offers its own stand-alone family loyalty program in the shops it operates that allows customers to collect loyalty points each time they shop or each time they make a successful referral. The loyalty points collected can be used to obtain rebates on future purchases. The consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points is calculated based on the rebates granted when redeeming the loyalty points, taking historical redemption rates into account. The fair value of the points issued is deferred, thus reducing revenue, and recognized as revenue when the points are redeemed.

Savings plan

windeln.de AG gives its customers the option of purchasing a "Pampers savings plan" for a fixed amount in order to get a certain discount (percentage of the normal sales price) on future purchases of Pampers nappies and/or, depending on the version, of Pampers wet wipes, fashion and toys over a contractually agreed period of 12 or 24 months. The income generated from the sale of the savings plan is deferred over the validity period of the individual savings plans.

Management has analyzed its business relationships to determine if the Group is acting as a principal or an agent. Management has concluded that the Group is acting as a principal in all of its revenue arrangements.

Operating expenses are recognized in profit or loss when a service is used or when the costs are incurred.

Using the effective interest method, interest is recognized as an income or expense in the period in which it is incurred.

3.16 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. It requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified as a finance lease if all risks and rewards incidental to ownership are transferred to the lessee. All other leases are classified as operating leases.

Leased assets constituting purchases of assets with long-term financing are classified as finance leases. They are recognized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding liability is recorded as a lease liability under financial liabilities in the statement of financial position.

There are currently finance leases in place for various technical devices such as printers, photocopiers and video conferencing systems. None of those leases are considered individually significant.

Assets leased under operating leases are not recognized. Instead, the lease payments are expensed on a straight-line basis over the term of the lease. In the Group, significant operating leases pertain to rented business premises and fulfillment properties.

3.17 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.

When measuring fair value, it is assumed that the transaction in the course of which the asset is sold or the liability is transferred is taking place either on the principal market for the asset or the liability or on the most advantageous market for the asset or the liability (if no principal market exists). The Group must have access to the principal market or the most advantageous market.

The fair value of an asset or liability is measured based on the assumptions that market participants would make when setting the price for the asset or liability. It is assumed here that the market participants are acting in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. In the process, observable market inputs are to be preferred to non-observable inputs.

All assets and liabilities measured at fair value or presented in the financial statements are classified on the basis of the following fair value hierarchy.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability.

For assets or liabilities that are recorded in the financial statements on a recurring basis at Group level, it is determined whether reclassification has taken place between the levels of the hierarchy by examining the classification at the end of each reporting period (based on the input parameters of the lowest level that is material to fair value measurement on the whole).

For financial instruments traded in an active market, the fair value is determined based on the market price at the end of the reporting period. A market is an active market if quoted prices on exchange markets, dealer markets, brokered markets, from an industry group, a price calculation service or a supervisory authority are available easily and on an ongoing basis and these prices represent current and regularly occurring market transactions made on an arm's length basis. For assets held by the Group, the appropriate quoted market price corresponds to the bid price offered by the purchaser.

The fair value of financial instruments not traded on an active market is determined using a valuation technique. Fair value is thus estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs. If all data needed for fair value are observable, the instrument is classified as Level 2. If significant data is/are not based on observable market data, the instrument is classified as Level 3.

Specific valuation techniques used to measure financial instruments include among others net present value models based on market data applicable on the reporting date.

3.18 Accounting for transaction costs in equity transactions

Pursuant to IAS 32.37, the directly attributable costs in connection with acquiring equity must be accounted for as a deduction

from the additional equity (reduction of the share premium), taking any tax effects into account (IAS 12.61A(b)). If the transaction costs incurred are tax deductible and thus reduce the assessment base, the transaction costs to be taken into account in equity are reduced by the tax saving, and a corresponding tax receivable must be recognized if requirements of IAS 12 are met. Pursuant to IAS 32.37, only external costs that are directly attributable to the equity transaction and that otherwise would have been avoided must be recognized directly in equity. Indirect costs, for example internal administrative expenses and pro rata personnel expenses, do not fall under directly attributable transaction costs and are thus expensed as incurred.

3.19 Significant events after the end of the reporting period

Transactions announced after the end of the reporting period but which took place in substance prior to the end of the reporting period are taken into account in the consolidated financial statements. Significant transactions that took place in substance after the end of the reporting period are explained.

4. Significant accounting judgments and estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The assumptions and estimates are based on premises that reflect the respective knowledge available at the time. The anticipated future business development was assessed by reference to the circumstances prevailing at the time of preparing the consolidated financial statements and the realistically assumed future development of the environment.

Uncertainty about these assumptions and estimates and the development of the framework conditions, which cannot be influenced by management, could result in outcomes that require adjustments to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are described below.

4.1 Accounting for acquisitions

Acquisition accounting for a business combination involves reporting all identifiable assets, liabilities and contingent liabilities at fair value at the acquisition date. One of the key estimates relates to determining the respective fair values of those assets and liabilities as well as of contingent considerations at the acquisition date.

If intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, either an independent report from an external valuation expert is used or the fair value is calculated internally using appropriate valuation techniques, which are usually based on the forecast of total expected future cash flows. These valuations are closely linked to assumptions made by management with regard to how the values of the respective assets will develop as well as to the assumed changes in the discount rate applicable.

Reference is made to note 6 for further information.

4.2 Goodwill

Goodwill is reported in the consolidated statement of financial position as a result of acquisitions. The Group assesses at least once a year whether the reported goodwill is impaired. To do this, the recoverable amount of the respective cash-generating unit must be calculated. The recoverable amount is the higher of fair value less costs to sell and value in use. Determining the value in use involves making adjustments and estimates regarding the forecast and discounting of future cash flows. The cash flow forecast on the basis of these estimates is influenced by factors such as the successful integration of acquired entities, volatility

on the capital markets, interest rate developments, fluctuations in exchange rates and the expected economic development. The discounted cash flows are based on five-year forecasts that in turn are based on financial plans. The cash flows forecast takes into account past experience and is based on the management board's best estimate of future developments. Cash flows outside of the planning period are extrapolated using individual growth rates. The most important assumptions underlying the determination of fair value less costs to sell and value in use are the estimated growth rates, weighted average cost of capital and tax rates. These estimates and the underlying method can have a material impact on the respective values and ultimately on the amount of a possible goodwill impairment. Although management presumes that the assumptions used to calculate the recoverable amount are appropriate, any unforeseeable changes in these assumptions could lead to an impairment loss that could have a material negative impact on the financial performance and position.

The Group assessed the goodwill reported as a result of the acquisitions and did not find any need for impairment losses. Reference is made to note 8.1 for further information.

4.3 Assets

Fixed assets and intangible assets

At the end of each reporting period, the Group must assess whether there is an indication that the carrying amount of an item of fixed assets or an intangible asset could be impaired. In such a case, and annually if it is assumed that the asset has an indefinite useful life, the recoverable amount of the asset in question is estimated. The recoverable amount is the higher of fair value less costs to sell and value in use. To determine the value in use, the discounted future cash flows of the asset in question must be determined. Estimating the discounted future cash flows involves key assumptions such as in particular assumptions concerning the future selling prices and selling volumes, the costs and the discount rates. Although management assumes that the estimates of the relevant expected useful lives, the assumptions concerning the economic framework conditions and the development of the online mail order trade as well as the estimate of the discounted future cash flows are appropriate, a change in the assumptions or circumstances could necessitate a change in the analysis. This could result in additional impairment losses or reversals of impairment losses in the future if the trends identified by management reverse or the assumptions and estimates prove incorrect.

Reference is made to notes 8.1 and 8.2 for further information.

Inventories

Management assesses the recoverability of inventories at the end of each reporting period. Among other things, this involves assumptions regarding the future realizable selling price and the necessary selling and distribution expenses.

Reference is made to note 8.4 for further information.

Trade receivables

The portfolio-based allowance for trade receivables is calculated using historical default risk on the basis of the method of payment used and on past due items.

Reference is made to note 8.6 for further information.

4.4 Provisions

Provisions are determined on the basis of estimates to a large extent. As a result, it can be necessary to adjust the amount of a provision on account of new developments and changes to the estimates. Changes in estimates and assumptions over time can have a material impact on future earnings. It is possible that the Group may incur further expenses in addition to the provisions recognized which may have a material impact on the financial performance and position of the Group. Reference is made to note

8.11 for further information on provisions.

Loyalty points program

The obligations from the loyalty points program are measured based on various estimates and assumptions. Pursuant to IFRIC 13 “Customer Loyalty Programmes”, loyalty points issued and not yet redeemed are recognized at fair value. The fair value of a loyalty point is calculated based on the selling prices of the respective bonus products. Loyalty points likely to expire are not deferred. The estimate of loyalty points likely to expire is based on the redemption rates observed to date, taking into account the current rules for taking part in loyalty points programs. The assumptions and methods used to estimate the loyalty points program are presented in note 8.11.

Provision for vacant space

One key discretionary decision is whether to recognize a provision pursuant to IAS 37.66 for an onerous contract in relation to vacant leased properties. The calculation involves making assumptions on potential subleases in particular. The assumptions and methods used to estimate the provision for vacant space are presented in note 8.11.

4.5 Returns

To estimate the expected returns after the end of the reporting period, the revenue recorded in the period of the right of return was calculated and measured taking into account the historical return rates.

Reference is made to note 9.1 for further information.

4.6 Employee benefits

Share-based payment

The Group measures the cost of equity-settled or cash-settled share-based payment to executives and management board members and/or local management at fair value on the grant date in the case of equity-settled share-based payment transactions and at fair value at the end of the reporting period in the case of cash-settled share-based payment transactions. To estimate fair value for share-based payment obligations, the most appropriate valuation method must be determined. The valuation method chosen depends on the conditions of granting. This estimate also requires determination of the most appropriate inputs to the valuation model, including in particular the expected life of the stock option, volatility and risk-free interest rate and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment obligations are presented in note 8.10.

4.7 Deferred taxes

Deferred tax assets are recognized for all unused tax losses to the extent that it is more probable than not that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Reference is made to note 8.17 for further information on deferred taxes.

4.8 Fair value measurement and valuation techniques

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. As far as possible, the Group uses observable market data to determine the fair value of assets and liabilities. If Level 1 inputs are not available, the fair values

in Levels 2 and 3 are determined using generally accepted valuation techniques.

For a description of the key input factors and valuation techniques for contingent consideration as well as for the corresponding sensitivities, see notes 6 and 7.

Reference is made to note 10.4 for further information on the fair value hierarchy.

5. Segment reporting

An operating segment as defined by IFRS 8 is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

For the purposes of corporate management, the windeln.de Group is organized into the "Online Shop" and "Shopping Club" business models distinguished by the management board and in business units by geographical region and has, in accordance with the rules in IFRS 8, the following reportable operating segments:

- The "German Shop" operating segment runs the windeln.de online shop.
- The "International Shops" operating segment comprises the windeln.ch, toys.ch, kindertraum.ch international online shops, the pannolini.it online shop as well as the feedo.pl, feedo.cz, feedo.sk, bebitus.com, bebitus.fr and bebitus.pt online shops.
- The "Shopping Clubs" operating segment runs the nakiki.de and nakiki.it platforms, which provide their services as part of free membership to shopping clubs.

Compared to the prior year, the name and composition of the reportable operating segments have changed in the 2015 reporting period. In this regard, the "windeln.de" operating segment was renamed "German Shop". The "windeln.ch" operating segment was renamed "International Shops," as it no longer relates only to the Swiss shops: the new pannolini.it shop, and the newly acquired Feedo Group and Bebitus Retail S.L. shops have also been integrated into this segment since 2015. Furthermore, the "windelbar" operating segment was renamed "Shopping Clubs," in part because the Shopping Club was renamed nakiki in 2015, and in part because another new shopping club, nakiki.it, went live in 2015. The segment information for the prior year was adjusted accordingly.

The management board monitors the revenue and modified operating results for the purpose of making decisions about resource allocation and determining the performance of the units. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The financial result, tax result, rents for office buildings and some amortization, depreciation and write-downs are managed uniformly within the Group and are not allocated to the individual operating segments. The KPI "EBIT contribution" per operating segment comprises the gross profit on sales less the allocated selling and administrative expenses as well as pro rata other income and other expenses. Furthermore, the Personnel, IT and Finance departments as well as the management team provide services for the Group as a whole (shared services). These expenses are reported under Corporate instead of passing them on at individual segment level. Of the total amount reported of EUR 14,086k (2014: EUR 8,249k), a figure of EUR 8,754k (2014: EUR 6,496k) relates to personnel expenses.

Transfer prices between operating segments are determined at arm's length.

There are no intersegment transactions in the internal reporting structure. No information on segment assets or liabilities is available.

The Group's operating business is not subject to major seasonal fluctuations.

The operating segments developed as follows:

2015					
kEUR	German Shop	International Shops	Shopping Clubs	Other/Cons	Total
Revenue	140,255	20,739	17,608	-	178,602
EBIT contribution	4,755	-11,551	-6,659	42	-13,413
<i>Adjustment of share-based payment</i>	854	5,927	311	-	7,092
<i>Costs in connection with expansion</i>	21	232	13	-	266
<i>Costs in connection with reorganization</i>	-	-	525	-	525
Adjusted EBIT contribution	5,630	-5,392	-5,810	42	-5,530
<i>as % of revenue</i>	4.0 %	-26.0 %	-33.0%		-3.1 %
Corporate					-14,086
Earnings before interest and taxes (EBIT)					-27,499
Financial result					-2,910
Income taxes					5
Profit/loss for the period					-30,404

2014					
kEUR	German Shop	International Shops	Shopping Clubs	Other/Cons	Total
Revenue	88,768	3,776	8,780	0	101,324
EBIT contribution	1,793	-1,850	-2,753	-665	-3,475
<i>Adjustment of share-based payment</i>	123	190	152	-	465
<i>Costs in connection with expansion</i>	-	-	-	-	-
<i>Costs in connection with reorganization</i>	-	-	-	-	-
Adjusted EBIT contribution	1,916	-1,660	-2,601	-665	-3,010
<i>as % of revenue</i>	2.2%	-43.9%	-29.6%		-3.0%
Corporate					-8,248
Earnings before interest and taxes (EBIT)					-11,723
Financial result					2,138
Income taxes					-242
Profit/loss for the period					-9,827

There are no individual customers with whom more than 10% of total revenue is recorded.

The breakdown of revenue by country and product group is explained in note 9.1. The Group's main non-current assets are included in the German Shop and International Shops operating segments.

Non-current assets in Germany amount to EUR 4,116. The main non-current assets of the Group are located in the following countries:

- Poland: domains of EUR 14,362
- Spain: domains of EUR 11,121
- Switzerland: domains of EUR 11,121

6. Basis of consolidation

As of December 31, 2015, the Group's basis of consolidation includes windeln.de AG and the following subsidiaries:

Name	Interest of the Group	Pro rata equity (IFRS) in kEUR as of December 31, 2015	Purpose of the company
Urban-Brand Schweiz GmbH, Männedorf, Switzerland	100 %	36	Group service company
windeln.ch AG (until January 23, 2014: Kindertraum.ch AG), Uster, Switzerland	100 %	307	To provide services in the field of international e-commerce. The company was acquired on December 12, 2013.
pannolini.it S.r.l., Milan, Italy	100 %	19	To promote and support the operation of online platforms for the distribution of baby and toddler products as well as products for families and to provide general services to assist the distribution of these products. The company was founded on April 24, 2015.
Feedo Sp. z o.o., Warsaw, Poland	100 %	-663	Holding company of the Feedo Group for the subsidiaries MyMedia s.r.o., Prague, Czech Republic, and MyMedia Sp. z o.o., Warsaw, Poland. The company was acquired on July 3, 2015.
MyMedia s.r.o., Prague, Czech Republic	100 %	-1,626	As the most important operating company in the Feedo Group, to operate webshops and distribute baby and toddler products as well as products for families to end customers domiciled in the Czech Republic, Slovakia and Poland. The company is wholly owned by Feedo Sp. z o.o.

Bebitus Retail S.L., Barcelona, Spain	100 %	-1,097	To operate webshops and distribute baby and toddler products as well as products for families to end customers domiciled in Spain, Portugal and France. The company was acquired on October 6, 2015.
windeln.ro labs SRL, Romania	100 %	20	Programming activities and other IT and software services. The company was founded on November 18, 2015.

The subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control of the subsidiary. They are deconsolidated on the date on which the Group ceases to have control.

The wholly owned subsidiary Urban-Brand Management Ltd., Wakefield, UK, founded in 2011 with an equity of EUR 1, was not included in the consolidated financial statements. The company does not yet have any business activities and is not included in the consolidated financial statements for immateriality reasons.

In April 2015, the management board decided to put Urban-Brand Schweiz GmbH, Männedorf, Switzerland, into liquidation. The company no longer has any operations, as all activities are carried out via windeln.ch AG, Uster, Switzerland. The liquidation does not have any material impact on the financial performance and position of the Group. The Company's total assets as of December 31, 2015 are EUR 39k and almost solely comprise cash, which will remain in the Group after the liquidation.

Acquisitions

Acquisition of Feedo Sp. z o.o.

On April 17, 2015, windeln.de AG entered into an agreement concerning the acquisition of Feedo Sp. z. o.o., Warsaw, Poland, which together with its two subsidiaries (MyMedia s.r.o., Prague, Czech Republic, and MyMedia Sp. z o.o., Warsaw, Poland) operates the online shops "www.feedo.cz", "www.feedo.sk" and "www.feedo.pl". The Feedo Group is a fast-growing purely online retailer specializing in baby and toddler products and whose target customers are domiciled in Poland, the Czech Republic and Slovakia. With the acquisition, the Group intends to penetrate deeper into the eastern European market.

The last condition precedent of the purchase agreement was met on July 3, 2015 when the supervisory board passed a resolution to approve the transaction.

From July 3, 2015, the following companies are wholly owned by the Group and are thus fully consolidated as from that date:

- Feedo Sp. z o.o., Warsaw, Poland
- MyMedia s.r.o., Prague, Czech Republic
- MyMedia Sp. z o.o., Warsaw, Poland

The preliminary fair values of the identifiable assets and liabilities of the Feedo Group (in accordance with IFRS 3.47) as of the date of acquisition are as follows:

kEUR	Fair value as of the acquisition date
Purchase price	
Cash	8,050
Transferred shares of windeln.de AG	1,231
Fair value of the contingent consideration (earn out)	3,110
Total consideration transferred	12,391
Fair values of acquired assets and liabilities	
Intangible assets	
Fixed assets	14,701
Inventories	89
Trade receivables ¹	496
Other assets	115
Cash and cash equivalents	354
Loan liability to windeln.de AG	665
Trade payables	- 596
Deferred tax liabilities	- 1,485
Other liabilities	- 2,791
Identifiable net assets at fair value	- 195
Goodwill arising on acquisition²	11,353
Fair value of share-based payment	
Prepayment for share-based payment	576
Fair value of the additional commitment to share-based payment	5,676

The economic purchase price comprises the total consideration transferred and the share-based payment, thus amounting to EUR 18,643k in total.

The purchase price allocation for the Feedo Group presented above results in a positive difference recognized as goodwill. Factors underlying this goodwill arise from expected synergies from the combined business activities, the enhanced access to the eastern European market and other intangible assets that cannot be reported separately.

The equity holders of Feedo Sp. z o.o. were three investors as well as the two founders of the Feedo Group. The two founders received new general manager agreements as of July 3, 2015.

The consideration transferred for the acquisition of Feedo Sp. z o.o. comprises three purchase price components. The measurement of those components at fair value as of the acquisition date is presented below:

Cash

All equity holders of Feedo Sp. z o.o. will receive a cash payment of EUR 8,050k in total as of July 3, 2015.

¹ The contractually agreed amounts receivable total EUR 119k. EUR 4k thereof have been written down.
² The goodwill is not tax-deductible.

Shares in windeln.de AG

One investor as well as the two founders of the Feedo Group will receive a fixed number of shares in windeln.de AG as of July 3, 2015. Taking into account the share price of windeln.de AG on July 3, 2015 of EUR 11.74, the fair value of the shares as of the acquisition date is EUR 1,231k.

windeln.de AG created the shares from the contingent capital 2015.

Contingent consideration (earn out)

One investor as well as the two founders of the Feedo Group will receive additional contingent consideration (earn out). The amount of the earn out is based on revenue growth in relation to the business with customers in Poland, the Czech Republic and Slovakia for the years 2014 to 2017 and comprises three parts (2015, 2016, 2017). Based on the annual revenue growth realized, a contractually agreed revenue multiplier will be calculated in each case which forms the basis for the future valuation. For the years 2015 to 2017, each of the three beneficiaries will receive one part each of the earn out for their shares based on 15% of the previously calculated future valuation. The issuance of shares in windeln.de AG is to be settled by payment of the nominal value of EUR 1.00. The number of shares is determined based on the amount of the respective earn out and the applicable unweighted average closing price of the windeln.de share in the month of March that follows the corresponding earn out year. The earn out will be settled in March of the following year at the share price of the windeln.de share applicable at that time. However, windeln.de AG is also entitled to settle the amount in cash.

The fair value of the contingent consideration is estimated at EUR 3,110k as of the acquisition date. This estimate is based on the revenue planning for 2015 to 2017 available as of the acquisition date. Using a discount rate of 4.15%, a fair value of EUR 8,786k was calculated for the earn out payments. The amount of the fair value of the contingent consideration is the fair value of the earn out payments less an amount of EUR 5,676k classified as share-based payment. The contingent consideration can achieve a maximum undiscounted value of EUR 17,594k but no less than EUR 365k.

Share-based payment

In addition to the shares already mentioned in "Shares in windeln.de AG", the two founders of the Feedo Group will additionally receive a further fixed number of shares in windeln.de AG as of July 3, 2015. Taking into account the share price of windeln.de AG on July 3, 2015 of EUR 11.74, the fair value of those shares as of the acquisition date is EUR 576k.

windeln.de AG created the shares from the contingent capital 2015.

This part of the consideration as well as part of the contingent consideration to the founders resemble employee compensation, as the two founders have to be employed in the Group over a period of 36 months from July 3, 2015 (vesting period) in order to receive the full amount of the commitment. If they leave the Group within the 36-month period, they must sell 1/36th of the shares received up to that date to windeln.de AG for each month of the vesting period that has not been served. The redemption price depends on the reason why the founders leave the Group and is expressed as a percentage of the share price applicable at the time. The earn out outstanding after leaving the Group is also reduced, depending on the reason for and/or the timing of leaving the Group.

This results in share-based payment that has to be reported separately pursuant to IFRS 2, as genuine equity instruments are granted in return for work.

The fair value of the shares issued as of July 3, 2015 amounting to EUR 576k in total is recognized on a straight-line basis in administrative expenses over the period of required service from July 3, 2015 to July 2, 2018. The prepayments made to the two founders as of the acquisition date are reported as other non-financial assets, EUR 384k of which is non-current and EUR 192k of which is current.

The fair value of the share-based payment in connection with the earn out is estimated at EUR 5,676k as of the acquisition date; reference is made to the comments on the measurement in "Contingent consideration". In relation to the share-based payment issued in the course of the earn out, the factor "revenue growth" must be classified as a vesting condition in the form of a performance condition, as it was worded in combination with a service condition. Pursuant to IFRS 2.19, performance conditions are not taken into account when estimating the fair value of the stock options at the measurement date. Instead, vesting conditions must be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount. This means that, despite classification as equity-settled share-based payment, the structure of the stock options means that there could be a potential change in the distributable total fair value of the share options granted at the end of any reporting period. Ultimately this amounts to remeasurement of the fair value at the end of each reporting period. The amount is reported in equity in the statement of financial position, and the corresponding expense is recognized in administrative expenses.

In total, the fair value of the share-based payment as of the acquisition date is EUR 6,252k and reduces the purchase price paid or expected to be paid as part of the acquisition of Feedo Sp. z o.o. by the same amount.

The transaction costs in connection with the acquisition of Feedo Sp. z o.o. are recognized as an expense and reported in administrative expenses. A total expense of EUR 400k was reported in connection with this matter in 2015.

The Feedo Group records total revenue of EUR 4,648k for the period from January 1 to July 2, 2015, with a loss of EUR 847k in total over the same period. Since acquisition accounting, the Feedo Group has contributed EUR 6,985k to consolidated revenue, with a pro rata loss of EUR -1,750k.

MyMedia Sp. z o.o., Warsaw, Poland, was merged into its parent company, Feedo Sp. z o.o., Warsaw, Poland, as of December 31, 2015.

Acquisition of Bebitus Retail S.L.

On August 10, 2015, windeln.de AG concluded an agreement to purchase 100% of the shares in Bebitus Retail S.L., Barcelona, Spain. Bebitus Retail S.L. is a rapidly growing purely online retailer that specializes in products for babies and toddlers. The company's offering is aimed at customers in Spain, Portugal and France. With the acquisition, the Group intends to penetrate deeper into the Spanish, Portuguese and French markets.

The last condition precedent of the purchase agreement dated August 10, 2015 was met on October 6, 2015 when the supervisory board passed a resolution to approve the transaction.

From October 6, 2015 onwards, Bebitus Retail S.L. has been wholly owned by the Group and has thus been fully consolidated as from that date.

The preliminary fair values of the identifiable assets and liabilities of Bebitus Retail S.L. (in accordance with IFRS 3.47) as of the date of acquisition are as follows:

kEUR	Fair value as of the acquisition date
Purchase price	
Cash	5,099
Compensation payment for inventories	281
Fair value of the contingent consideration (earn out)	2,782
Total consideration transferred	8,162
Fair values of acquired assets and liabilities	
Intangible assets	11,121
Fixed assets	14
Inventories	1,957
Trade receivables ³	125
Other assets	369
Cash and cash equivalents	251
Loan liability to windeln.de AG	-506
Trade payables	-2,346
Deferred tax liabilities	-3,091
Other liabilities	-153
Identifiable net assets at fair value	7,741
Goodwill arising on acquisition⁴	421
Fair value of the additional commitment to employee benefits	1,814
Fair value of the additional commitment to share-based payment	18,036

The economic purchase price comprises the total consideration transferred and the share-based payment, thus amounting to EUR 28,012k in total.

The purchase price allocation for Bebitus Retail S.L. presented above results in a positive difference recognized as goodwill. Factors underlying this goodwill stem from expected synergies from the combined business activities, the enhanced access to the southern European market and other intangible assets that cannot be reported separately.

The equity holders of Bebitus Retail S.L. were two investors as well as the two founders of the company. The two founders received new general manager agreements as of October 6, 2015.

The consideration transferred for the acquisition of the company comprises three purchase price components, cash as well as contingent consideration in the form of cash payments and/or shares in windeln.de AG. In addition, share-based payment arrangements and agreements concerning short-term employee benefits were concluded.

Cash

All equity holders of the company received a cash payment of EUR 5,099k in total as of October 6, 2015.

³ The contractually agreed amounts receivable total EUR 125k. None of this figure was subject to an impairment charge.

⁴ The goodwill is not tax-deductible.

Contingent consideration

Compensation payment for inventories

All of the company's equity holders receive a cash payment amounting to the difference between the actual quantity paid for and the quantity according to the ERP system for the next inventory count following the acquisition date. The payment is limited to a maximum amount of EUR 300k. In the event of a negative inventory difference, no payment is made. Payment is due two weeks after notification by the company.

In the course of the inventory count that took place after the acquisition, the additional purchase price payable was EUR 281k.

Earn out

The two founders of the Company will receive additional contingent consideration (earn out). The amount of the earn out is based on revenue growth in relation to the business with customers in Spain, France and Portugal for the years 2014 to 2017 and comprises three parts (2015, 2016, 2017). Based on the annual revenue growth realized, a contractually defined revenue multiplier will be calculated in each case which forms the basis for the future valuation. The multiplier also depends on the development of the Tec-DAX Performance Index. For the years 2015 to 2017, each of the beneficiaries will receive one part each of the earn out for their shares based on 20% (for the year 2015) or 30% (for the years 2016 and 2017) of the previously calculated future valuation, respectively.

For the year 2015, the earn out will be paid in cash. For the years 2016 and 2017, the earn out will be paid by issuing shares in windeln.de AG. The two founders will pay the nominal value of the shares of EUR 1.00 each per transferred share in cash. The number of shares is determined based on the amount of the respective earn out and the unweighted average closing price of the windeln.de share 30 days before the date on which the earn-out amount was finally determined. The earn out is settled four weeks after the general meeting of the following year at the share price of the windeln.de applicable at that time. However, windeln.de AG is also entitled to settle the amount in cash.

The fair value of the contingent consideration is estimated at EUR 2,782k as of the acquisition date. This estimate is based on the revenue planning for 2015 to 2017 available as of the acquisition date. Using a discount rate of 4.15%, a fair value of EUR 22,632k was calculated for the earn out payments. The amount of the fair value of the contingent consideration is the fair value of the earn out payments less an amount of EUR 19,850k classified as share-based payment or short-term employee benefits, respectively. The contingent consideration can be zero and can reach a maximum undiscounted value of EUR 41,129k.

Share-based payment and/or short-term employee benefits

The contingent earn-out payments to the two founders resemble employee compensation, as the two founders have to be employed in the Group over a period of 36 months from October 6, 2015 (vesting period) in order to receive the full amount of the commitment. If they leave the Group within the 36-month period, they only receive a certain percentage of the earn-out amounts calculated for the year in which they leave the Group and for subsequent years. The percentage depends on the reason why they leave the Group.

This results in short-term employee benefits that have to be recognized separately pursuant to IAS 19 in relation to the earn out for 2015 payable in cash and share-based payments that have to be recognized separately pursuant to IFRS 2 in relation to the earn outs for 2016 and 2017, as they constitute the granting of real equity instruments in return for the provision of work.

The fair value of the short-term employee benefits in connection with the earn out is estimated at EUR 1,814k as of the acquisition date; reference is made to the comments on the measurement in "Contingent consideration". When it becomes vested, the obligation is recognized in administrative expenses with an effect on income and reported in other current non-financial obligations. The obligation is remeasured on an undiscounted basis at the end of each reporting period until payment.

The fair value of the share-based payment in connection with the earn out is estimated at EUR 18,036k as of the acquisition date; reference is made to the comments on measurement in "Contingent consideration". In relation to the share-based payment issued in the course of the earn out, the factor "revenue growth" must be classified as a vesting condition in the form of a performance condition that is not dependent on market development, as it was worded in combination with a service condition. Pursuant to IFRS 2.19, performance conditions that are not dependent on market development are not taken into account when estimating the fair value of the stock options at the measurement date. Instead, vesting conditions must be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount. This means that, despite classification as equity-settled share-based payment, the structure of the share options means that there could be a potential change in the distributable total fair value of the stock options granted at the end of any reporting period. Ultimately this amounts to remeasurement of the fair value at the end of each reporting period. The development of the Tec-DAX Performance Index also constitutes a performance condition that is not dependent on market development. The amount is reported in equity in the statement of financial position, and the corresponding expense is recognized in administrative expenses.

In total, the fair value of the share-based payment and short-term employee benefits as of the acquisition date is EUR 19,850k and reduces the purchase price paid or expected to be paid as part of the acquisition of Bebitus S.L. by the same amount.

The transaction costs in connection with the acquisition of the Company are recognized as an expense and reported in administrative expenses. A total expense of EUR 282k was reported in connection with this matter in 2015.

The Company records total revenue of EUR 9,588k for the period from January 1 to October 5, 2015, with a loss of EUR 1,084k in total over the same period. Since acquisition accounting, the Company has contributed EUR 4,915k to consolidated revenue, with a pro rata loss of EUR 594k.

No subsidiaries were acquired in the financial year 2014.

Business formations

Formation of pannolini.it S.r.l.

As of April 24, 2015, windeln.de AG founded a wholly owned subsidiary called pannolini.it S.r.l. As a service company, the company will provide intercompany services in connection with tapping the Italian market.

Formation of windeln.ro labs SRL

As of November 18, 2015, windeln.de AG founded a wholly owned subsidiary called windeln.ro labs SRL. As a service company, the company will provide intercompany services in connection with programming activities and other IT and software services.

No business formations took place in the 2014 reporting period.

Divestitures of entities

No entities have been divested yet.

7. Notes on the subsequent measurement of the acquisitions

Subsequent accounting for the acquisition of windeln.ch AG (formerly Kindertraum.ch AG)

In December 2013, 100% of the shares in Kindertraum.ch AG were purchased and the company was renamed windeln.ch AG after the acquisition.

Prepayment for share-based payment

As part of the acquisition of windeln.ch AG, an equity-settled share-based payment obligation was made to a member of local management, and the corresponding shares were issued in full on the acquisition date. The fair value recognized on acquisition amounted to EUR 1,434k and reduced the purchase price paid as part of the acquisition of windeln.ch AG by that amount. The corresponding personnel expenses are distributed pro rata on a straight-line basis over the vesting period of two years. The expense recognized in administrative expenses in 2015 came to EUR 717k (2014: EUR 717k). As of December 31, 2015, there are no longer any entitlements from this prepayment (December 31, 2014: current non-financial asset of EUR 717k).

Contingent refund

As part of the purchase agreement concluded with the previous owners of windeln.ch AG, a contingent remuneration component has been agreed. Based on the arrangement, the previous owners will return shares to the Group under certain circumstances.

As of December 31, 2014, the fair value of the contingent refund was EUR 2,211k and is reported in other current financial assets. Changes in fair value were reported in financial income (2014: EUR 2,211k).

As there was no longer any entitlement to a refund as of December 31, 2015, the asset recognized as of December 31, 2014 was derecognized in financial expenses accordingly (2015: EUR 2,211k).

Subsequent accounting for the acquisition of Feedo Sp. z o.o.

Share-based payment

As part of the acquisition of the Feedo Group, an equity-settled share-based payment obligation was made to both members of local management in 2015, and the corresponding shares were already issued in part on the closing date; see the comments in note 6 for more details. The corresponding personnel expenses are distributed on a straight-line basis pro rata over the vesting period of three years for the shares already issued and reported in administrative expenses. For the shares not yet issued, the fair value is also distributed over the vesting period of three years, and the personnel expenses are reported in administrative expenses. The expense recognized in 2015 amounts to EUR 1,102k.

As of December 31, 2015, a non-current non-financial asset of EUR 289k and a current non-financial asset of EUR 192k is recognized from the prepayment. A total of EUR 1,006k was recognized in the share premium in 2015 in relation to shares already vested but not yet issued as of the closing date.

Earn out

As of December 31, 2015, the contingent considerations resulting from the acquisition of the Feedo Group amount to EUR 3,338k. The obligation in connection with the earn out for the year 2015 of EUR 1,232k is reported in other current financial liabilities. The obligations in connection with the earn out payments for the years 2016 and 2017, which do not mature until 2017 and 2018, are reported in other non-current financial liabilities at a figure of EUR 2,106k.

The contingent considerations were measured at fair value. Changes in the fair value between July 3, 2015 and December 31, 2015 are reported in financial expenses at a figure of EUR 228k.

Sensitivity analyses

Assumptions concerning the future revenue development at the Feedo Group flow into the calculation of the fair value. The revenue planning approved by the management board and supervisory board for 2016 and 2017 are used as a guide. Based on the budgeted figures, scenarios are then calculated using various assumptions concerning revenue development. Based on the revenue calculated in this way, payments are determined using the purchase price clauses and are discounted at an interest rate of 4.09%. The actual development of revenue can deviate from the assumed revenue development.

A 10% increase in revenue in the years 2016 and 2017 compared to the planning would result in an increase of EUR 727k in the share-based payment obligation. A 10% decrease in revenue in the years 2016 and 2017 compared to the planning would result in a decrease of EUR 694k in the share-based payment obligation.

A 10% increase in revenue in the years 2016 and 2017 compared to the planning would result in an increase of EUR 301k in the earn-out liability. A 10% decrease in revenue in the years 2016 and 2017 compared to the planning would result in a decrease of EUR 284k in the earn-out liability.

Subsequent accounting of Bebitus S.L.

Short-term employee benefits

As part of the acquisition of Bebitus Retail S.L., short-term benefits were granted to both members of local management in 2015 that have to be accounted for pursuant to IAS 19R.8; see the comments in note 6 for more details. The fair value of this payment obligation was recognized in personnel expenses within administrative expenses in 2015, as the obligation was vested as of December 31, 2015. Changes in the fair value are likewise recognized in personnel expenses within administrative expenses. The undiscounted obligation is recognized under other current non-financial liabilities. As of December 31, 2015, the figure amounts to EUR 2,271k.

Share-based payment

As part of the acquisition of Bebitus Retail S.L., an equity-settled share-based payment obligation was made to both members of local management in 2015; see the comments in note 6 for more details. The fair value of the share-based payment obligation is distributed on a straight-line basis over the vesting period of three years, and the personnel expenses are reported in administrative expenses. The expense recognized in 2015 amounts to EUR 1,572k and is reported in the share premium.

Earn out

As of December 31, 2015, the contingent considerations resulting from the acquisition of Bebitus Retail S.L. amount to EUR 3,517k. Of this amount, a figure of EUR 281k is related to the purchase price adjustment for inventories. This obligation is reported together with the earn out for the year 2015 of EUR 1,922k in other current financial liabilities. The obligations in connection with the earn out payments for the years 2016 and 2017, which do not mature until 2017 and 2018, are reported in other non-current financial liabilities at a figure of EUR 1,314k.

The contingent considerations were measured at fair value. Changes in the fair value between October 6, 2015 and December 31, 2015 are reported in financial expenses at a figure of EUR 454k.

Sensitivity analyses

Assumptions concerning the future revenue development at Bebitus Retail S.L. flow into the calculation of the fair value. The revenue planning approved by the management board and supervisory board for 2016 and 2017 are used as a guide. Based on the budgeted figures, scenarios are then calculated using various assumptions concerning revenue development. Based on the revenue calculated in this way, payments are determined using the purchase price clauses and are discounted at an interest rate

of 4.09%. The actual development of revenue can deviate from the assumed revenue development.

A 10% increase in revenue in the years 2016 and 2017 compared to the planning would result in an increase of EUR 2,705k in the share-based payment obligation. A 10% decrease in revenue in the years 2016 and 2017 compared to the planning would result in a decrease of EUR 2,557k in the share-based payment obligation.

A 10% increase in revenue in the years 2016 and 2017 compared to the planning would result in an increase of EUR 276k in the earn-out liability. A 10% decrease in revenue in the years 2016 and 2017 compared to the planning would result in a decrease of EUR 249k in the earn-out liability.

8. Notes to the consolidated statement of financial position

8.1 Intangible assets

Intangible assets developed as follows:

kEUR	Goodwill	Software, licenses, trademarks and similar assets	Capitalized development costs	Domains	Customer base	Assets under construc- -tion	Total
Cost as of January 1, 2015	482	42	2,211	1,840	228	-	4,803
Change in basis of consolidation	1,458	-	-	25,744	78	-	27,280
Currency differences	-	-	-	-83	26	-	-57
Additions	-	127	1,017	63	-	698	1,905
Disposals	-	-	-255	-	-	-	-255
as of December 31, 2015	1,940	169	2,973	27,564	332	698	33,676
Accumulated amortization and write-downs as of January 1, 2015	-	33	683	-	44	-	760
Additions (amortization)	-	25	607	-	67	-	699
Additions (impairment losses)	-	-	-	-	-	-	-
Disposals	-	-	-211	-	-	-	-211
as of December 31, 2015	-	58	1,079	-	111	-	1,248
Carrying amount							
as of December 31, 2014	482	9	1,528	1,840	184	-	4,043
as of December 31, 2015	1,940	111	1,894	27,564	221	698	32,428

KEUR	Goodwill	Software, licenses, trademarks and similar assets	Capitalized development costs	Domains	Customer base	Assets under construc- -tion	Total
Cost as of January 1, 2014	482	38	1,291	1,806	223	-	3,841
Change in basis of consolidation	-	-	-	-	-	-	-
Currency differences	-	-	-	33	5	-	38
Additions	-	4	1,048	-	-	-	1,052
Disposals	-	-	-128	-	-	-	-128
as of December 31, 2014	482	42	2,211	1,840	228	-	4,803
Accumulated amortization and write-downs as of January 1, 2014	-	22	272	-	-	-	294
Additions (amortization)	-	11	461	-	44	-	516
Additions (impairment losses)	-	-	79	-	-	-	79
Disposals	-	-	-128	-	-	-	-128
as of December 31, 2014	-	33	683	-	44	-	760
Carrying amount							
as of December 31, 2013	482	16	1,019	1,806	223	-	3,547
as of December 31, 2014	482	9	1,528	1,840	184	-	4,043

In addition to capitalized development costs for internally developed software products, intangible assets comprise internet domains, software, licenses, trademarks, several customer bases as well as three goodwill items.

Own work capitalized in the reporting period of EUR 781k (2014: EUR 576k) relates to capitalized development costs and software. In-progress development projects amount to EUR 676k as of the end of the reporting period (December 31, 2014: EUR 436k). The prepayments were made for a new ERP system.

The amortization and write-downs of intangible assets are recognized in the 2015 reporting period with EUR 0k, (2014: EUR 1k) in cost of sales, EUR 690k (2014: EUR 592k) in selling and distribution expenses and EUR 9k (2014: EUR 2k) in administrative expenses.

There are no restrictions on rights of disposal of intangible assets. No intangible assets were pledged as collateral for liabilities.

As in the prior reporting period, there was no indication of impairment pursuant to IAS 36 on the date of preparing the financial statements.

The impairment testing for goodwill, in-progress development projects and domains did not require any impairment charges, as the recoverable values were higher than the carrying amounts.

Notes on the annual impairment tests

The management board monitors and manages group performance based on the different business models and geographical regions. As a result, the operating entity windeln.ch was tested for impairment as a CGU in the prior year. In 2014, there were no

other operating entities that needed to be tested. The purchases of the Feedo Group and of Bebitus Retail S.L. in 2015 (see note 6) meant that the number of CGUs to be tested thus increased by these CGUs.

In addition, domains with indefinite useful lives must be allocated to the individual CGUs and must also be tested for impairment. In Switzerland, these domains are windeln.ch, kindertraum.ch and toys.ch. The newly acquired company Feedo Sp. z o.o., which has operations in the Czech Republic, Slovakia and Poland, accounts for the domains feedo.cz, feedo.sk and feedo.pl. The acquired subsidiary Bebitus Retail S.L. is established on the Spanish market and also has operations in France and Portugal. It recognizes the domains bebitus.com, bebitus.es, bebitus.fr and bebitus.pt.

The carrying amounts of the individual CGUs and domains are as follows:

kEUR	CGUs		
	Windeln.ch	Feedo	Bebitus
Carrying amount of domains	1,928.9	14,361.5	11,121.4
Goodwill	481.7	1,037.6	420.8

As in the prior year, in addition to the CGUs and their intangible assets, the software projects under development were also tested for impairment. One of these is the development of an app for mobile end users for the nakiki operating segment and the other is a software project for the development of a content management system (CMS).

The Group performed its annual impairment test as of November 30, 2015. The recoverable amount of the individual CGUs was determined by calculating the value in use, which is based on the projected cash flows of the individual entities. The cash flow projections stem from the financial plans for the period of five years as approved by the management board and the supervisory board. As the management plans show that the CGUs have not yet reached their steady state as of the end of the period, the reconciliation to the steady state was planned using a three-year transition period with falling growth rates and increasing EBITDA margins. This state was extrapolated using a perpetual growth rate of 1%.

The key assumptions for the calculation of values in use are as follows:

	CGUs		
	Windeln.ch	Feedo	Bebitus
Expected EBITDA margin ⁵	10,50%	10,50%	10,50%
Growth rate ⁶	1,00%	1,00%	1,00%
Discount rate ⁷	13,54%	14,41%	15,54%

The assumed growth rates are based on experience and past values as well as expectations concerning future market developments in the individual countries. The average growth rates in perpetual annuity correspond to the customary market assessments. For a proper value in use calculation for the individual domains, the projected revenue of the entities was also allocated by management to the respective countries.

The discount rates used are pre-tax interest rates and reflect the market-specific risks of the individual CGUs. The calculation of discount rates is derived from weighted average cost of capital (WACC) for the industry. When deriving the discount rates for the CGUs and domains, the respective country-specific risks were also taken into account in the calculation.

The key assumptions for calculating values in use of the software projects under development are the discount rate and the benefit generated. The discount rate used was the Group's weighted average cost of capital rate. The benefit generated was identified and

⁵ Expected target EBITDA margin before group allocations in a steady state

⁶ Average growth rate for the extrapolation of cash flows outside of the planning period

⁷ Pre-tax interest rate used to discount the projected cash flows.

quantified as efficiency increases through savings in personnel expenses in the area of CMS in one case and as additional revenue growth in the area of mobile end users in another case.

Based on the expectations and findings presented, no impairments were identified at the level of the CGUs or of the individual domains with indefinite useful lives as of the end of the reporting period. There was also no need to record impairment losses for the development projects tested as of the end of the reporting period. The results were tested for plausibility on the basis of market capitalization.

Sensitivity analyses

The results of the test are based chiefly on the management assumptions presented. To validate these results, the assumptions made were subjected to sensitivity analyses where the impact of a change in parameters on the values was calculated.

A reduction in the average growth rate for the extrapolation of cash flows outside of the planning period from 1.00% to 0.00% as part of the sensitivity analysis did not lead to impairment for any of the CGUs tested as of the end of the reporting period.

Likewise, a 1.00% increase in the pre-tax interest rates as part of the sensitivity analysis did not result in the need for any impairment charges for the CGUs.

The sensitivity analysis of the expected EBITDA margin shows that the CGUs do not require an impairment charge in the case of a 1.00% reduction.

A sensitivity analysis for the domains of the windeln.ch and Feedo CGUs did not result in any need for impairment charges. In the case of the domain of the Bebitus CGU, a 1% increase in the pre-tax interest rate would lead to an impairment charge. A 1% reduction in the growth rate would not result in any need for impairment charges.

As far as the software projects are concerned, just one sensitivity analysis was carried out based on the discount rate, as this is the only key assumption. The analyses showed that neither project would require an impairment charge even if the discount rate were to increase by 1.00%.

8.2 Fixed assets

The development in fixed assets is as follows:

kEUR	Technical equipment and machinery	Furniture and fixtures	Furniture and fixtures - finance leases	Assets under construc- tion	Total
Cost as of January 1, 2015	-	723	140	-	863
Change in basis of consolidation	89	14	-	-	103
Currency differences	-	48	-	-	48
Additions	323	600	13	152	1,088
Disposals	-	-12	-	-	-12
as of December 31, 2015	412	1,373	153	152	2,090
Accumulated depreciation and write-downs as of January 1, 2015	-	353	30	-	383
Additions	32	309	43	-	384
Disposals	-	-11	-	-	-11
as of December 31, 2015	32	651	73	-	756
Carrying amount					
as of December 31, 2014	-	370	110	-	480
as of December 31, 2015	380	722		152	1,334
kEUR	Technical equipment and machinery	Furniture and fixtures	Furniture and fixtures - finance leases	Assets under construc- tion	Total
Cost as of January 1, 2014	-	548	74	-	622
Change in basis of consolidation	-	-	-	-	-
Currency differences	-	2	-	-	2
Additions	-	172	67	-	239
Disposals	-	-	-	-	-
as of December 31, 2014	-	722	140	-	863
Accumulated depreciation and write-downs as of January 1, 2014	-	184	8	-	192
Additions	-	170	21	-	191
Disposals	-	-	-	-	-
as of December 31, 2014	-	353	30	-	383
Carrying amount					
as of December 31, 2013	-	365	65	-	430
as of December 31, 2014	-	369	111	-	480

Fixed assets include leased assets (furniture and fixtures) totaling EUR 80k (December 31, 2014: EUR 111k) attributable to the Group as economic owner on account of the structure of the underlying lease agreements.

As in the prior reporting period, there was no indication of impairment pursuant to IAS 36 on the date of preparing the financial statements.

Of the depreciation of fixed assets totaling EUR 384k (2014: EUR 191k), an amount of EUR 6k (2014: EUR 8k) is recognized in cost of sales, EUR 233k (2014: EUR 150k) in selling and distribution expenses and EUR 145k (2014: EUR 33k) in administrative expenses.

8.3 Other non-current assets

Other non-current financial assets broke down as follows:

kEUR	31.12.2015	31.12.2014
Lease deposits	33	-
Financial assets	33	-
Prepayment for share-based payment	289	-
Non-financial assets	289	-
Other non-current assets	322	-

The prepayment for share-based payment reported of EUR 289k results from the acquisition of Feedo Sp. z o.o. See note 7.

8.4 Inventories

Inventories break down as follows:

kEUR	31.12.2015	31.12.2014
Merchandise	28,547	11,355
Impairment of merchandise	-1,448	-601
Inventories	27,099	10,754

The increase in inventories as of December 31, 2015 results from the increased business volume and the associated need for more extensive warehouse stocks.

Inventories are partially impaired due to a decline in net realizable values and to slow-moving stock.

Inventories of EUR 17,137k (December 31, 2014: EUR 6,190k) were pledged as collateral to secure credit lines.

8.5 Prepayments

These relate in full to prepayments for upcoming deliveries of items of inventory.

8.6 Trade receivables

Trade receivables exist mainly from customers of windeln.de AG and MyMedia s.r.o. and Bebitus Retail S.L.

All trade receivables are due in less than one year and are not subject to interest. Receivables are generally due for immediate repayment. A payment term of 14 days is granted for goods purchased on account. There are no restrictions on rights of disposal.

An analysis of the maturity structure of trade receivables is as follows:

kEUR	Cost	Not past due and not impaired	Past due but not impaired			Past due and impaired
			< 30 days	30-90 days	> 90 days	
31.12.2015	2,974	915	1,521	12	-	526
31.12.2014	2,049	684	820	-	18	527

As of December 31, 2015, impairment charges of EUR 505k were recognized due to default risks (December 31, 2014: EUR 325k). The Group uses the maturity bands of the age structure to calculate the impairment of trade receivables. Impairment charges are recognized for past due maturity bands using a percentage derived from past experience that depends on the payment method used. With regards to receivables that are not past due and not impaired, there are no indications that the debtors will not settle their payment obligations.

The account for impairment losses developed as follows:

kEUR	2015	2014
As of January 1	325	179
Addition	505	325
Utilization	325	179
Reversal	-	0
As of December 31	505	325

The write-downs due to uncollectible receivables amount to EUR 507k in the 2015 reporting period (2014: EUR 432k).

In the 2015 reporting period, past due and impaired receivables with a nominal value of EUR 1,143k (2014: EUR 440k) were sold, leading to derecognition from the statement of financial position. The Group recorded sales proceeds of EUR 617k on this transaction (2014: EUR 150k). Also in the reporting period, receivables not yet past due and not yet impaired with a nominal value of EUR 17,988k (2014: EUR 7,099k) were sold, leading to derecognition from the statement of financial position. The Group recorded sales proceeds of EUR 17,721k on this transaction (2014: EUR 6,918k).

In the course of selling these receivables, the Group retains immaterial duties; these include first and foremost the provision of settlement services in relation to the merchandise sold, such as responding to general customer inquiries and processing returns and complaints. Regardless of the sale of receivables, risks in connection with these duties remaining with the Group are taken into consideration in the consolidated financial statements.

8.7 Other current assets

Other current assets break down as follows:

kEUR	31.12.2015	31.12.2014
Accrued advertising contributions	1,859	1,158
Creditors with debit balances	688	303
Contingent refund	-	2,211
Sundry	178	267
Financial assets	2,725	3,939
VAT receivables	1,418	797
Prepayment for share-based payment	192	717
Right to recover possession of goods	507	300
Prepaid expenses	606	168
Sundry	4	6
Non-financial assets	2,727	1,988
Other current assets	5,452	5,927

Accrued advertising contributions relate to claims from suppliers due to advertising and marketing campaigns carried out in the reporting period as well as bonuses dependent on purchase volumes.

Creditors with debit balances relate to refund claims from suppliers and service providers, e.g., due to overpayment, insufficient deliveries etc.

The contingent refund reported as of December 31, 2014 results from the acquisition of windeln.ch AG and is described in note 7.

The prepayment for share-based payment of EUR 192k reported as of December 31, 2015 results from the acquisition of Feedo Sp. z o.o. The prepayment for share-based payment of EUR 717k reported as of December 31, 2014 results from the acquisition of windeln.ch AG in December 2013. The transactions are described in note 7.

The right to recover possession of goods concerns the estimated returns after the end of the reporting period.

The items contained in prepaid expenses involve payments made for services that will not be provided until after the end of the reporting period.

8.8 Cash and cash equivalents

kEUR	31.12.2015	31.12.2014
Cash on hand	22	17
Bank balances	88,656	33,813
Total	88,678	33,830

Most of the bank balances are interest free or subject to low interest. Bank balances subject to interest are subject to floating interest rates for demand deposits. Any interest incurred on debit bank balances are reported in administrative expenses, see note 9.4.

8.9 Equity

IPO

windeln.de shares have been traded on the regulated market (Prime Standard) of the Frankfurt stock exchange since May 6, 2015. The listing was preceded by an offer for the sale of 11,404,899 no-par value ordinary bearer shares with an imputed share in the capital stock of EUR 1. The offer comprised 5,400,000 new, no-par value bearer shares from the IPO capital increase, 4,517,304 no-par value bearer shares from the investments of shareholders returning their shares and 1,487,595 no-par value bearer shares in connection with a potential over-allotment.

Investors had the option to purchase shares from April 23, 2015 to May 5, 2015 in an offering range of EUR 16.50 to EUR 20.50. High demand from investors significantly exceeded the number of shares offered for purchase. The Company set the offer price at EUR 18.50 on May 5, 2015.

In the course of the IPO, windeln.de generated a cash inflow of EUR 97.2m, after deducting the base fee withheld by banks. The over-allotment (Greenshoe) option granted by the underwriters was not exercised.

Capital increases, change of form and authorized capital

By resolution dated March 25, 2015, part of the share premium amounting to EUR 19,831,954 was converted to capital stock by issuing new shares with a nominal value of EUR 1 each. The increase did not take effect until entry in the commercial register as of April 16, 2015.

The Company's capital stock of EUR 19,994,511 after the capital increase took effect became the capital stock of the newly created windeln.de AG. The capital stock is divided into 19,994,511 no-par value bearer shares.

In addition, authorized capital of EUR 9,997,255 was created (authorized capital 2015), limited until March 24, 2020.

By resolution dated May 4, 2015, the capital stock was increased by EUR 5,400,000 from authorized capital 2015. The capital increase took effect upon entry in the commercial register on May 5, 2015.

By resolution dated May 4, 2015, authorized capital 2015 was increased to EUR 12,697,255. The time limit was extended until May 3, 2020. The entry in the commercial register was made on May 19, 2015.

By resolution dated July 3, 2015, the capital stock was increased by EUR 153,937 from authorized capital 2015. The capital increase took effect upon entry in the commercial register on July 27, 2015.

By resolution dated July 3, 2015, the capital stock was increased by EUR 197,378 from authorized capital 2015. The capital increase took effect upon entry in the commercial register on August 7, 2015.

After partial utilization, authorized capital 2015 amounts to EUR 12,345,940.

Issued capital

As of December 31, 2015, the issued capital of the group parent amounts to EUR 25,745,826 (December 31, 2014: EUR 162,557). It is fully paid in and comprises 25,745,826 no-par value bearer shares.

Share premium

As of December 31, 2015, the share premium amounted to EUR 155,651k (December 31, 2014: EUR 68,911k). The share premium breaks down as follows:

kEUR	31.12.2015	31.12.2014
Premium from financing rounds and/or IPO	165,341	65,517
Capital increases from company funds	-25,232	-
Contributions in kind	3,466	2,389
Transaction costs from financing rounds and/or IPO	-5,434	-429
Share-based payment	15,895	1,434
Premium from exercise of stock options	10	-
Total	154,046	68,911

The increase in the premium from financing rounds and/or IPO reported in the share premium stems entirely from the income in connection with the IPO in May 2015. Likewise, the change in the transaction costs from financing rounds and/or IPO reported in the share premium is linked to the costs incurred by the Company, reduced by the related income tax benefit, for the initial listing. The capital stock was increased by a total of EUR 25,232k from the share premium.

The increase in the contributions in kind reported in the share premium results from the acquisition of the Feedo Group in 2015, see note 6.

The increase in the share-based payment reported in the share premium is due primarily to the modification of the virtual stock option plan in 2015 as well as to additional entitlements to stock options that vested in 2015, see 8.10. The free and reduced-price shares of EUR 76k granted as part of the employee plan implemented in 2015 are also included. Furthermore, share-based payments were made in 2015 in connection with the acquisition of the Feedo Group and of Bebitus Retail S.L., see notes 6 and 7.

Accumulated loss

The accumulated loss results from the unused tax losses of past reporting periods and the result for the current reporting period.

The development of equity is shown in the detail in the consolidated statement of changes in equity.

8.10 Defined benefit obligations and other accrued employee benefits

a) Pension provisions

The Group has defined benefit plans for its employees in Switzerland.

These retirement benefit plans are based on the second pillar of Swiss old age pensions and are designed as defined benefit plans (funded insurance). The retirement benefits in the pension plans of windeln.ch AG are based on a defined contribution plan with guaranteed minimum interest and fixed conversion rates; the death and invalidity benefits are defined as a percentage of the insured wage.

The pension plan grants benefits that go beyond the statutory minimum benefits under the Swiss Law on Occupational Pension Plans (BVG). The law provides among other things for the following framework conditions: annual salaries of up to CHF 84,600 (as of January 1, 2015) must be insured. The contributions for the retirement benefits are age-dependent and increase with age from 7% to 18% of the insured wage. The conversion rate on the retirement balance amounts to at least 6.8% at normal retirement age (65 for men and 64 for women).

The pension plan must be covered in full based on a statistical assessment pursuant to the provisions of the BVG. In the event of a shortfall, the pension provider must take restructuring measures such as additional employee and employer's contributions or a reduction in benefits.

The Group is aligned with the Vita joint foundation for occupational pensions. The foundation is a separate legal entity. The foundation is responsible for managing the pension plan. The uppermost governing body (the board of trustees) comprises an equal number of employer and employee representatives, who are elected by the member firms.

The foundation must issue investment regulations which in particular define the investment strategy.

Through the plan, the Group is generally exposed to the following risks:

- **Investment risk**
The present value of the defined benefit obligation from the plan is calculated using a discount rate that is determined based on the returns on high-quality fixed-interest corporate bonds. If the return on plan assets falls below this interest rate, this leads to a plan shortfall.
- **Interest rate risk**
A drop in the coupon rate leads to a rise in plan liabilities, but this is partly compensated by increased income from investing the plan assets in fixed-interest debt instruments.
- **Longevity risk**
The present value of the defined benefit obligation from the plan is calculated based on the best estimate of mortality rates for the beneficiaries, both during and after their employment relationship. An increase in life expectancy of the beneficiaries leads to an increase in the plan liability.
- **Salary risk**
The present value of the defined benefit obligation from the plan is calculated based on the future salaries of the beneficiaries. As a result, salary increases for the beneficiaries lead to an increase in the plan liability.

The Group counters any potential concentration risk by investing the plan assets in different classes of assets.

As of December 31, 2015, the provision for pensions at windeln.ch AG amounts to EUR 129k (December 31, 2014: EUR 56k).

The present value of the defined benefit obligations can be reconciled to the provisions reported in the statement of financial position as follows:

Net liability of the defined benefit obligations

kEUR	31.12.2015	31.12.2014
Present value of the defined benefit obligations covered	686	514
Fair value of plan assets	557	458
Funded status / net liability of the defined benefit obligations	129	56

The expected pension cost for the 2016 reporting period is estimated at EUR 70k.

The average term of the defined benefit obligation as of December 31, 2015 is 22.9 years.

Assumptions

Provisions for pensions and similar obligations are measured at the end of each reporting period using actuarial procedures. The calculation of the actuarial obligations for the pension plans was based on the following assumptions:

%	31.12.2015	31.12.2014
Discount rate	1.00%	1.00%
Salary increase	1.50%	1.50%
Interest rate for extrapolation of retirement benefits	1.00%	1.00%
Pension increase	0.00%	0.00%

The employee turnover, mortality and invalidity rates were calculated specific to age and gender (pursuant to the BVG 2010 generation tables).

Composition of plan assets

The fund assets break down as follows:

	31.12.2015		31.12.2014	
	kEUR	Share as a %	kEUR	Share as a %
Equity instruments	151	27.1%	122	26.6%
Debt instruments	236	42.3%	218	47.6%
Real property	59	10.7%	48	10.5%
Other	107	19.3%	64	14.1%
Cash	4	0.6%	6	1.2%
Total plan assets	557	100%	458	100%
<i>thereof measured on the basis of listed prices</i>	498		410	

With the exception of real property, the entire plan assets are measured based on listed prices.

b) Severance provision

When employees in Italy leave the Group, regardless of the reason, they receive a severance payment. This must be recognized as a severance provision in accordance with IAS 19. The provision must be recognized at the value assumed for the future severance payment, discounted at the capital market rate of a high-quality fixed-interest bond. The calculation incorporates assumptions on invalidity rates, mortality rates, average pension age, annual salary increases as well as duration of the employment relationship. The average age of the employees and their gender also influence the amount of the provision. The projected unit credit method was used to calculate the provision.

As of December 31, 2015, the severance provision amounts to EUR 3k. No severance provision was recognized as of December 31, 2014, as the Italian company was not founded until 2015.

c) Share-based payment

To motivate and retain key employees, windeln.de AG introduced a total of three programs relating to share-based payment obligations. This gives the employees the opportunity to participate in future increases in the Group's business value. The programs are described below.

Description of VSOP 1 and 2

As part of the Virtual Stock Option Program (VSOP 1), cash-settled share-based payment arrangements were made with employees of the Group up to and including 2014. The beneficiaries obtain vested rights to the options granted in 48 sub-tranches over a period of four years from the allocation date determined by the Company. In the event of an exit, the stock options of four employees immediately qualify as accumulated in full, provided that the beneficiary is in a current service or employment relationship with the Company. Sub-tranches not yet accumulated in full are forfeited if the service or employment relationship ends before the exit event. Fully accumulated options are forfeited if the service or employment relationship ends due to termination or dismissal for due cause before the exit event. The options lapse no later than 15 years after the allocation date. Execution of one of the following transactions will trigger an exit event:

- Sale or transfer of all shares in the Company (share deal exit)
- Sale or transfer of all assets of the Company (asset deal exit)
- Stock exchange listing of the Company (IPO exit).

The payment entitlement of the option holder is calculated for each option granted as the difference between the exit proceeds per share and the basic price for the option.

In the first quarter of 2015, all existing share-based payment arrangements were modified on account of the imminent IPO. Pursuant to IFRS 2, the modified agreements will in future be treated as equity-settled share-based payments. The incremental fair value of all modified options amounts to EUR 15.064 (EUR 0.02 per option) on the modification date. The market input parameters were selected unchanged both before and after modification.

In addition to the share-based payment arrangements already in existence as of December 31, 2014, further share-based payment arrangements (VSOP 2) were made with employees of the Group in the first quarter of 2015. The beneficiaries obtain vested rights to the options granted in 48 sub-tranches over a period of four years from the allocation date determined by the Company. By analogy to the existing modified agreements, the stock options are treated as equity-settled share-based payments.

Description of VSOP 3

In the second quarter of 2015, the Company launched a new stock option program (VSOP 3) and entered into corresponding agreements with employees of windeln.de AG. The beneficiaries obtain vested rights to the options granted in 48 sub-tranches over a period of four years from the allocation date determined by the Company. Provided that specified revenue growth targets are met for the Group (performance condition), the stock options will be settled in cash after the end of the four-year vesting period. If the specified revenue growth targets are not met, no payment will be made. These stock options are remeasured at the end of each reporting period in accordance with IFRS 2.

Description of LTIP – SO and RSU

In the second quarter of 2015, the Company launched a long-term incentive plan (LTIP 2015-2017) and entered into corresponding agreements with employees of the Group. As part of this plan, both equity-settled stock options (SO) and restricted stock units (RSU) will be issued. The RSUs entitle holders to purchase shares in windeln.de AG at the respective applicable share price without payment of a strike price by the beneficiary. After a six-month cliff period from an allocation date set by the Company, the participants have obtained a vested right to 6/48 of the options granted; thereafter they obtain a vested right to the options in 42 further sub-tranches over a period of three and a half years. Provided that specified revenue growth targets are met for the Group (performance condition), the stock options can be exercised after the end of the four-year vesting period. If the specified revenue growth targets are not met, the stock options cannot be exercised. There is no performance condition for the RSUs. The Company has an option with respect to settlement of the RSUs. Because the Company provides for settlement in the form of real equity instruments, the contract component is recognized as equity-settled share-based payment. Both for the stock options and the RSUs, the number of shares to be issued is capped. In accordance with IFRS 2, both the stock options and the RSUs are measured only on the date of issue or grant date.

Measurement of the programs

The same measurement method is used for all programs, and the fair value of the options is determined using a Monte Carlo simulation.

The Monte Carlo simulation involves simulating the stochastic process, which describes the development of the market price, through a large number of repetitions. The process takes the form of a geometric Brownian motion, for which the current share price is the initial value. The volatility is taken as the mean for the peer group. The drift corresponds to the risk-free interest rate. The random component comprises a Wiener process, which can be simulated with the help of random numbers. Once a large number of paths of the geometric Brownian motion have been simulated, it is possible to make reliable statements about the probability of interesting parameters. This applies in particular to the value of the option, i.e., the size $\max(\text{share price on exercise date} - \text{exercise price}, 0)$. Asymptotically (with a sufficiently large number of repetitions), the expected value for this parameter based on the distribution simulated with Monte Carlo corresponds to the value using the Black-Scholes-Merton formula. However, with Monte Carlo it is possible to make many more statements; in this way a statement concerning probability can be made for each possible value of the option. In this way, in particular uncertainties in the projection can be estimated better.

The following input parameters were used in the Monte Carlo simulation in 2015:

	VSOP 1-2	VSOP 3	LTIP - RSU	LTIP - SO
Expected volatility (%)	37.46% - 40.80%	39.43% - 40.00%	38.14% - 38.50%	38.28%
Risk-free interest rate (%)	0.00%	0.00%	0.00%	0.00%
Expected dividend yield (%)	0.00%	0.00%	0.00%	0.00%
Expected life of options (years)	0.25 - 4	2.75 - 3.58	4	4.5
Average share price on the measurement date (in EUR)	13.25	10.6	10.63 - 14.69	10.63

The following input parameters were used in the Monte Carlo simulation in 2014:

	VSOP 1-2
Expected volatility (%)	10.54%
Risk-free interest rate (%)	0.00%
Expected dividend yield (%)	0.00%
Anticipated life of options (years)	1.25

The share price was calculated via Bloomberg from the closing price from XETRA trading. The volatility was determined as the historical volatility (over a period similar to the life of the options) of comparable companies (peer group) over the respective remaining term. The expected volatility taken into account reflects the assumption that the historical volatility is indicative of future trends, and may also not necessarily be the actual outcome. The expected dividend yield is based on market assessments for the amount of the expected dividend of the windeln.de share in the years 2015 and 2016. The risk-free interest rates were determined based on the interest on German government bonds over a similar period.

The subscription rights recognized in equity changed as follows:

	VSOP 1 and 2*	LTIP - RSU	LTIP - SO
Outstanding at the beginning of the reporting period (January 1, 2015)	752,476	0	0
Expired during the reporting period	0	0	0
Forfeited during the reporting period	0	0	0
Exercised during the reporting period	734,788	0	0
Granted during the reporting period	122,967	16,563	21,781
Outstanding at the end of the reporting period (December 31, 2015)	140,655	16,563	21,781
Exercisable at the end of the reporting period (December 31, 2015)	140,655	2,691	0

* Because of the modification, the number of options changed compared to the prior year. The figures have been adjusted accordingly.

For the stock options exercised in 2015, the weighted average share price as of the exercise date was EUR 12.51. The weighted average remaining contractual life for the stock options outstanding as of December 31, 2015 is 1.02 years. The weighted average fair value of the stock options granted in 2015 was EUR 6.82. The exercise price range for the equity-settled stock options outstanding as of December 31, 2015 is EUR 18.50, if an exercise price has been set.

Presentation of the earnings effects

The expense recognized in 2015 from these share-based payment obligations amounts to EUR 4,951k (2014: EUR 3,419k), with EUR 69k relating to cash-settled share-based payment (2014: EUR 3,419k) and EUR 4,882k (2014: -) relating to equity-settled share-based payment.

As of December 31, 2015, the carrying amount of the liability from these cash-settled share-based payment obligations is EUR 69k

(December 31, 2014: EUR 6,349k). The obligation is recognized under non-current liabilities.

As of December 31, 2015, a figure of EUR 11,231k is reported in the share premium from equity-settled share-based payment obligations (December 31, 2014: -).

Employee stock option plan

As part of the IPO, free shares and reduced-price shares were granted to all of the Group's employees in 2015 within the framework of an employee stock option program. The expense was calculated based on the issue price rather than using any measurement technique. The expense resulting from the employee stock option plan is EUR 76k.

Share-based payment obligation as part of acquisitions

See note 7.

8.11 Provisions

kEUR	Current		Non-current			Total
	Loyalty bonuses	Other	Share-based payment	Pensions	Other	
As of January 1, 2015	1,246	-	6,349	57	-	7,652
Addition	1,744	283	69	69	221	2,386
Reversal	-559	-	-	-	-	-559
Utilization	-499	-	-	-	-	-499
Change in the basis of consolidation	-	6	-	-	-	6
Exchange difference	-	-	-	6	-	6
Reclassification	-	-	-6,349	-	-	-6,349
As of December 31, 2015	1,932	289	69	132	221	2,643
As of January 1, 2014	765	110	2,930	62	-	3,867
Addition	696	-	3,419	-	-	4,115
Reversal	-25	-	-	-5	-	-30
Utilization	-190	-110	-	-	-	-300
Change in the basis of consolidation	-	-	-	-	-	-
Exchange difference	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
As of December 31, 2014	1,246	-	6,349	57	-	7,652

The provisions for loyalty bonuses (loyalty points not yet redeemed) were calculated by determining the number of loyalty points eligible for redemption in accordance with the applicable rules for taking part as of the relevant reporting date, and taking into account the historical redemption rate as well as the fair value of a loyalty point. The increase is mainly attributable to the Company's growth and the additional loyalty points issued as a result.

The reclassification of EUR 6,349k in connection with share-based payment relates to the modification made in 2015 of the share-based payment obligations existing before 2015. The obligations will now be settled by issuing real equity instruments instead of in cash. Thus the provision was reclassified to the share premium (see section 8.10c).

As of December 31, 2015, other non-current provisions included a provision for vacant space from a rented property. In order to minimize the costs for the vacant space, the property was partially sublet. Since the Company's committed obligation is significantly higher than the consideration expected from the sublet, a provision for onerous contracts of EUR 426k in total was recognized in accordance with IAS 37.66. The short-term portion of this provision amounted to EUR 205k.

A cash outflow from current provisions is expected in the following financial year.

8.12 Financial liabilities

Financial liabilities break down as follows:

kEUR	31.12.2015	31.12.2014
Liabilities from finance leases	54	85
Other financial liabilities	19	-
Non-current financial liabilities	73	85
Overdraft	-	1,475
Liabilities from finance leases	31	27
Other financial liabilities	10	30
Current financial liabilities	41	1,532
Financial liabilities	114	1,617

Until mid-2015, the Group had a credit line of up to EUR 5,000k with an indefinite term, which was allocable to current financial liabilities. The amount of the credit line was determined on the basis of inventories held, reduced by retention of ownership and a risk markdown. As of December 31, 2014, EUR 1,475k of the credit line was utilized by means of an overdraft and EUR 72k by means of rent guarantees. A fixed interest rate was agreed until further notice and a fixed commission rate agreed for bank guarantees. The facility was secured by the assignment of defined warehouses as collateral and by pledging (existing and future) balances and deposits (held at the participating banks). In addition there was an equity covenant. The Group terminated the credit agreements with effect as of June 30, 2015.

Three new credit line agreements were concluded within the Group in 2015 to guarantee further financial flexibility beyond equity financing.

- On March 18, 2015, windeln.de AG concluded a collateralized borrowing base credit facility agreement with Commerzbank AG for EUR 5m. The credit facility agreement is secured in particular by inventories and assignment of receivables (blanket assignment). It also includes the usual covenants, for example, the Group has to comply with certain liquidity ratios. The credit agreement expires on March 18, 2016.
- On March 20, 2015, windeln.de AG concluded a collateralized revolving cash line agreement with Deutsche Bank AG for EUR 5m, for an indefinite period and secured it with inventories and assignment of receivables (blanket assignment).
- On April 9, 2015, windeln.de AG concluded a collateralized senior facility agreement with DZ BANK AG Deutsche Zentral-Genossenschaftsbank for EUR 4m, secured by inventories and assignment of receivables (blanket assignment) and including the usual covenants, for example, compliance by the company with certain monthly liquidity ratios. The agreement expires on March 31, 2016.

The amount of the credit line was determined on the basis of inventories held, reduced by retention of ownership and a risk markdown. As of December 31, 2015, EUR 349k of the credit line had been utilized by means of rent guarantees. Variable interest rates have been agreed. The credit line is secured by the assignment of defined warehouses as collateral and by pledging (existing and future) balances and deposits (held at the participating banks). In addition, there are covenant requirements.

Financial liabilities include finance lease liabilities recognized at the present value of the future minimum lease payments. Liabilities with a term of more than one year were recognized under non-current financial liabilities.

Other financial liabilities as of December 31, 2015, of EUR 29k related to a bank loan with a term of three years to finance non-current assets.

8.13 Other non-current liabilities

Other non-current liabilities break down as follows:

	31.12.2015	31.12.2014
Contingent consideration Feedo Sp. z o.o.	2,106	-
Contingent consideration Bebitus Retail S.L.	1,314	-
Rent-free period	118	-
Other	4	-
Financial liabilities	3,542	-
Non-financial liabilities	-	-
Other non-current liabilities	3,542	-

The contingent considerations are described in note 7.

8.14 Trade payables

The trade payables are due within one year and are non-interest bearing. This item also includes outstanding invoices for goods and services accrued as of the reporting date. Trade payables are generally due in 0 to 60 days.

8.15 Deferred revenue

Prepayments received include customer credits due to prepayments and purchased vouchers.

8.16 Other current liabilities

Other current liabilities break down as follows:

kEUR	31.12.2015	31.12.2014
Contingent consideration	3,435	-
Other personnel-related liabilities	712	454
Bonus liabilities	541	383
Refund obligation for returns	574	365
Debtors with credit balances	330	250
Audit of financial statements and tax advisory services	162	77
Other	274	100
Financial liabilities	6,028	1,629
Other employee benefits pursuant to IAS 19	2,271	-
Outstanding stock options issued to employees	527	-
Liabilities from social security	339	178
VAT liabilities	417	148
Deferred income	31	55
Other	-	2
Non-financial liabilities	3,585	383
Other current liabilities	9,613	2,012

Contingent considerations result from the acquisition of Feedo Sp. z o.o. (EUR 1,232k) and Bebitus Retail S.L. (EUR 2,203k). The transactions are described in note 7.

Other employee benefits pursuant to IAS 19 (EUR 2,271k) result from the acquisition of Bebitus Retail S.L., see note 7.

At the end of 2015, beneficiaries exercised stock options, for which they paid EUR 527k. Because the new shares were not issued until the start of 2016, the amounts paid in as of December 31, 2015 were recognized under other non-financial liabilities.

Pampers savings plans that have already been acquired by the customer but not yet used were recognized under deferred income.

The debtors with credit balances relate to customer credits due to overpayment or returns. Other current liabilities do not bear interest.

8.17 Income taxes and deferred taxes

The major components of income tax expense for the financial years 2014 and 2015 are:

kEUR	2015	2014
Actual income taxes		
Current income taxes	8	2
Subtotal	8	2
Deferred taxes		
From temporary differences	-30	85
From the release of deferred tax assets on unused tax losses	-	201
From unused tax losses	17	-46
Subtotal	-13	240
Total	-5	242

Current taxes in Germany are calculated by applying a uniform corporate income tax rate including solidarity surcharge of 15.83% (2014: 15.83%) to distributed and retained profits. In addition to corporate income tax, trade tax is levied on profits generated in Germany. Taking into account the non-deductibility of trade tax as a business expense, the average rate for trade tax is 17.15% (2014: 17.15%), resulting in an overall tax rate in Germany of 32.98% (2014: 32.98%). Deferred tax assets and liabilities are calculated at the tax rates that apply as of the date the asset is realized or the liability is settled. windeln.de AG's deferred tax assets and liabilities were measured using the aggregate tax rate of 32.98% (December 31, 2014: 32.98%).

To calculate current taxes and deferred tax assets and liabilities in other countries, the following tax rates are applied:

- Italy – 31.4%
- Poland – 19%
- Romania – 16%
- Switzerland – 20.02% to 20.67%
- Spain – 25%
- Czech Republic – 19%

A reconciliation of income tax expense and the result of multiplying the result for the year with the effective tax rate of the Group for the financial years 2015 and 2014 is as follows:

kEUR	2015	2014
Earnings before income taxes	-30,409	-9,585
Expected income tax expense	-9,579	-3,159
Unused tax losses without deferred tax assets	7,874	3,985
Unrecognized deferred tax assets arising on temporary differences	249	-
Unrecognized deferred tax assets arising on permanent differences	225	-
Unrecognized deferred tax assets arising on transaction costs in equity	-1,605	-
Non-deductible operating expenses	1,939	294
Non-taxable expense / income	907	-729
Deferred taxes posted in equity	-	-177
Other effects	-15	28
Effective tax expense	-5	242
Expected tax rate (in %)	31.50%	32.96%
Effective tax rate (in %)	0.02%	-2.53%

In 2015 as in 2014, the non-deductible operating expenses mainly related to considerations from the acquisition of windeln.ch AG, the Feedo Group and Bebitus Retail S.L. classified as share-based payment obligations and other employee benefits. See note 7.

The non-taxable income in 2014 and the non-taxable expense in 2015 relate to the contingent refund and the contingent considerations resulting from the acquisition of windeln.ch AG, the Feedo Group, and Bebitus Retail S.L. See note 7.

The expected Group tax rate was calculated for each year using a mixed calculation of the individual tax rates of all companies included in the consolidated financial statements.

Deferred taxes break down as follows as of the reporting date:

kEUR	31.12.2015	31.12.2014
Deferred tax assets		
Tax loss carry forward	20,683	12,470
Costs recorded directly in equity	-	201
Inventories	173	-
Other current provisions	172	-
Other current financial liabilities	49	-
Defined benefit obligations and other accrued employee benefits	24	9
Trade receivables	2	9
Other	6	0
Subtotal	21,109	12,689
Deferred tax liabilities		
Intangible assets	6,857	882
Subtotal	6,857	882
After netting:		
Deferred tax assets (total)	19,726	12,129
Deferred tax liabilities (total)	5,474	322
Thereof recognized in the statement of financial position (deferred tax assets)	2	-
Thereof recognized in the statement of financial position (deferred tax liabilities)	6,171	322

German loss carryforwards for corporate income tax totaled EUR 60,466k (December 31, 2014: EUR 38.001k), German loss carryforwards for trade tax totaled EUR 59,326k (December 31, 2014: EUR 37.374k), and foreign loss carryforwards totaled EUR 4,561k (December 31, 2014: EUR 224k).

Deferred tax assets on German loss carryforwards only have to be recognized in the amount in which deferred tax liabilities are recognized, because windeln.de AG has no history of profits. Deferred tax assets on loss carryforwards of EUR 19,743k (December 31, 2014: EUR 12.129k) were not recognized as of December 31, 2015. The loss carryforwards can be used for an unlimited period and do not expire. Due to the positive earnings trend based on the future business plans and the existing loss carryforward options, management expects it will be possible to use the German loss carryforwards in full.

No deferred tax assets were recognized on foreign loss carryforwards in Spain, Poland, and the Czech Republic due to the loss histories of Feedo Sp. z o.o., MyMedia s.r.o., MyMedia Sp. z o.o. and Bebitus Retail S.L., as well as limitations on usability. Loss carryforwards in Spain can be used for an unlimited period. Loss carryforwards in Poland and the Czech Republic expire after five years. In addition, loss carryforwards in Poland can only be partially used in subsequent years. Unrecognized deferred tax assets on loss carryforwards as of December 31, 2015 amounted to EUR 295k in Spain, EUR 390k in Poland and EUR 219k in the Czech Republic.

Deferred tax assets of EUR 36k were recognized on Swiss loss carryforwards as of December 31, 2015 (December 31, 2014: EUR 47k). In both years, they were offset against deferred tax liabilities. The loss carryforwards can be used over a limited period of seven years. If the actual results were to differ from management's expectations, this could have an adverse effect on financial performance, financial position and cash flows.

There are no loss carryforwards in Italy or Romania.

No deferred tax liabilities were recognized on temporary differences associated with investments in subsidiaries. If recognized, deferred tax liabilities would have amounted to EUR 410k as of December 31, 2015 (December 31, 2014: EUR 25k)

9. Notes to the consolidated statement of comprehensive income

9.1 Revenue

Revenue by type:

kEUR	2015	2014
Revenue from the sale of merchandise	177,763	100,375
Revenue from other services	798	949
Commission income	41	-
Revenue	178,602	101,324

The Group's revenue is mainly generated through the sale of baby and toddler products in Germany, Switzerland and China and, since 2015, also in Poland, the Czech Republic, Slovakia, Spain, France, Portugal and Italy. In the last two financial years, the Group's companies have generated significant revenue growth in all sales markets, with exports to China and the acquisitions of the Feedo Group and Bebitus in particular driving further increases since the financial year 2014.

In addition, the Group generates other revenue from advertising contributions, paid as consideration for services rendered. These contributions mainly relate to parcel inserts and marketing campaigns and/or online advertising (using banners) for which consideration is paid.

As of December 31, 2015, deferred revenue on account of expected returns after the reporting date amounted to EUR 666k (December 31, 2014: EUR 402k).

Revenue by region:

kEUR	2015	2014
Germany, Austria, Switzerland (GSA)	71,791	44,040
China	91,147	55,666
Other/rest of Europe	15,664	1,618
Revenue	178,602	101,324

9.2 Cost of sales

kEUR	2015	2014
Cost of materials	130,532	77,203
Personnel expenses	798	590
Amortization, depreciation and write-downs	6	9
Other cost of sales	151	67
Cost of sales	131,487	77,869

Cost of sales mainly comprises the cost of purchased merchandise. This item increased substantially in the financial year 2015 compared with the financial year 2014, as a result of the Group's strong growth. It grew slightly slower than revenue thanks to improved supplier terms and conditions.

9.3 Selling and distribution expenses

KEUR	2015	2014
Fulfillment	19,398	8,511
Personnel expenses	11,109	6,212
Marketing	12,132	5,208
Rental expenses	4,243	2,600
Payment processing	3,460	2,513
Amortization, depreciation and write-downs	924	744
Bad debts / valuation allowances	687	587
Other selling and distribution expenses	1,924	293
Selling and distribution expenses	53,877	26,668

The substantial year-on-year increase in selling and distribution expenses is due to the Group's strong growth.

Rental expenses include warehouse rent of EUR 3,704k (2014: EUR 2,045k).

9.4 Administrative expenses

kEUR	2015	2014
Personnel expenses	15,501	6,101
Freelancers	942	1,293
Legal and consulting costs	3,094	340
IT environment	1,071	221
Recruiting	269	176
Travel expenses	176	131
Rental expenses	152	90
Amortization, depreciation and write-downs	154	32
Closing expenses and audit fees	295	64
Payment transactions	108	166
Insurance	119	30
Supervisory board remuneration including out-of-pocket expenses	176	-
Other administrative expenses	1,275	34
Administrative expenses	23,332	8,678

Administrative expenses mainly comprise personnel expenses, legal, consulting and audit fees, IT and office expenses, and amortization, depreciation and write-downs. The significant increase in administrative expenses compared with prior years is attributable to the further building up of structures and resources in connection with the Group's strong growth, the IPO, and the acquisitions made.

9.5 Other operating income and expenses

kEUR	2015	2014
Reimbursement of IPO costs	2,306	-
Income from subleases	151	175
Exchange rate gains	450	63
Other	257	29
Other operating income	3,164	267
Losses from the disposal of non-current assets	48	-
Exchange losses	504	99
Other	17	0
Other operating expenses	569	99

Income and expenses from foreign exchange gains mainly contains exchange rate gains and losses between the date of origin and the date of payment of foreign exchange receivables and liabilities.

The increase in other operating income mainly results from the recharge of internal and external costs arising in connection with the IPO to investors.

9.6 Financial result

kEUR	2015	2014
Interest and similar income	6	5
Other financial income	11	2,218
Financial income	17	2,223
Interest and similar expenses	16	59
Other financial expenses	2,911	26
Financial expenses	2,927	85
Financial result	-2,910	2,138

In the prior year, EUR 2,211k of financial income related to income from changes in the fair value of a derivative in connection with the acquisition of windeln.ch AG, see comments under note 7.

In the current year, finance expenses mainly related to the change in the fair value of derivatives of EUR 2,894k in connection with the acquisition of companies, see comments under note 7.

9.7 Expenses for defined benefit obligations and other accrued employee benefits

kEUR	2015	2014
Wages and salaries	20,150	7,996
Share-based payment	4,951	3,650
Social security expenses	2,307	1,256
Personnel expenses	27,408	12,902

In 2015, the Group had an average of 398 permanent employees (2014: 234) and 84 working students (2014: 102), and thus continues its growth from prior years.

The contributions to the statutory pension insurance scheme amount to EUR 1,186k (2014: EUR 712k).

In the past the Company issued virtual stock options, stock options, and restricted stock units to various employees as remuneration components, see note 8.10c).

9.8 Earnings per share

Basic earnings per share is the Group's net profit for the period attributable to the shareholders divided by the weighted average number of shares in circulation during the reporting period. Pursuant to IAS 33.26, the weighted average number of shares issued during the reporting period is to be adjusted by the number of new shares issued in April 2015 of 19,831,954, because the number of shares was increased without a corresponding change in resources.

The diluted earnings per share is calculated by dividing the net profit for the period attributable to shareholders by the weighted average number of shares in circulation during the reporting period and the new shares issued in April 2015 plus the share equivalents that result in dilution.

	2015	2014
Basic earnings per share		
Profit/loss for the period (kEUR)	-30,404	-9,827
Basic weighted average number of shares (thousands)	23,671	19,972
Earnings per share (EUR)	-1.28	-0.49
Diluted earnings per share		
Profit/loss for the period (kEUR)	-30,404	-9,827
Diluted weighted average number of shares (thousands)	24,489	20,664
Earnings per share (EUR)	-1.24	-0.48

10. Financial risk management and financial instruments

10.1 Financial risk factors

The Group is exposed to various financial risks (market risks comprising currency and interest rate risk, credit risk and liquidity risk) on account of its business activities.

The Group's risk management system focuses on the unpredictability of developments on financial markets and aims at minimizing potential adverse effects on the financial position of the Group.

Risk management is performed by the central finance department in accordance with guidelines approved by management. The Group's finance department identifies and assesses financial risks in close cooperation with the Group's operating units. Management prescribes both principles for Group-wide risk management and policies for certain risks, for example, regarding the management of foreign currency, interest rate and credit risk, the use of derivative and non-derivative financial instruments, as well as the investment of cash surpluses.

The main financial liabilities used by the Group comprise interest-bearing financial liabilities, trade payables and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade receivables and other receivables as well as cash and cash equivalents resulting directly from its operating activities, from cash received from shareholders in financing rounds, and from the IPO.

To date, the Group has not made use of any derivative financial instruments to hedge specific risks.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks include interest rates, currency and other price risks.

Currency risk

The currency risk can be broken down into two further types of risk – the transaction risk and the translation risk.

The translation risk describes the risk of changes in the items in the statement of financial position and income statement of a subsidiary due to exchange rate changes when translating the local separate financial statements into the Group's currency. The changes caused by currency fluctuations from the translation of items in the statement of financial position are presented in equity. The windeln.de Group is currently exposed to such a risk at six of its subsidiaries, although for five of these subsidiaries, the risk to the Group is classified as low on account of the size of these entities. These five entities are merely service companies without their own external revenues. As a result, this risk is not hedged.

The transaction risk relates to the fact that exchange rate fluctuations can lead to changes in value of future foreign currency payments. The Group has international operations and as a result is exposed to a currency risk based on the exchange rate changes of various foreign currencies.

In the "www.windeln.ch," "www.toys.ch," and "www.kindertraum.ch" shops, windeln.de AG generates its revenues in Swiss francs (CHF). The foreign currency risk arising from the translation of Swiss francs is mitigated by means of natural hedging, i.e., local product procurement in CHF and sale of the merchandise to Swiss customers in CHF. Sales to Chinese customers via the "www.windeln.de" shop are transacted exclusively in EUR.

MyMedia s.r.o., which uses the Czech koruna (CZK) as its functional currency, generates approximately 30% of its revenue in Polish zloty (PLN) and euros (EUR) in the "www.feedo.pl" and "www.feedo.sk" shops respectively. Here too, the foreign currency risk arising from the translation primarily of Polish zloty is mitigated by means of natural hedging, i.e., local product procurement in PLN and sale of the merchandise to local end customers in PLN. With regard to revenue generated in EUR, the Czech National Bank has currently set the exchange rate such that natural hedging in respect of EUR is only being carried out to a minor extent.

The windeln.de Group also currently undertakes procurement to a limited extent in other foreign currencies, such as the pound sterling (GBP), the US dollar (USD), and the Norwegian krona (NOK). The Group uses regular analyses to monitor the volume of these purchases.

For the presentation of market risks from financial instruments, IFRS 7 requires sensitivity analyses that show the impact of hypothetical changes in relevant risk variables on profit or loss for the period and on equity. The following analysis is one-dimensional and does not take tax effects into account. The table shows the positive and negative effects if the euro were to gain or lose 10% in value against the currencies shown, if all other variables were to remain constant. Currency gains and losses on trade receivables and trade payables denominated in foreign currencies affect net profit, which is then reflected in the same way in equity. Apart from these currency effects, there are no other effects on equity with regard to financial instruments.

Currency kEUR	1 EUR = 1 CU FC Rate at 31.12.2015	Effect on net profit for 2015 at + 10%	Effect on net profit for 2015 at -10%
CHF	1.0835	-364	+444
USD	1.0887	-10	+12
PLN	4.2639	-17	+21
CZK	27.0230	-11	+13

The Group's risk from exchange rate fluctuations for all other currencies not presented here is of no material significance.

Because forward exchange contracts are not concluded to hedge cash flows or net investments in foreign subsidiaries, there are no related earnings effects on equity based on the sensitivity analysis.

Interest rate risk

The interest rate risk involves the influence of positive or negative changes in interest on the earnings, equity or cash flow for the current or future reporting period. Interest rate risks from financial instruments may arise in the windeln.de Group mainly in connection with financial liabilities.

The parent company of the Group has concluded credit lines with variable interest rates and as such is currently exposed to an interest rate risk in relation to the financial liabilities. The credit lines were used only sporadically to a minor extent in 2015. As of December 31, 2015, there were no financial liabilities in this connection. Hence, a change in the market rate on the reporting date would have no effect on net profit or consolidated equity.

b) Credit risk

Credit risk, otherwise known as default risk, is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The scope of the credit risk of the windeln.de Group equals the sum of the trade receivables, other financial assets, and cash and cash equivalents. The maximum credit risk in the event of default by a counterparty is the carrying amount of all these named classes of financial asset as of the respective reporting date. There are no material concentration risks for the windeln.de Group.

Counterparty credit risks for the windeln.de Group mainly relate to trade receivables from end customers. Credit limits are established for all end customers based on internal rating criteria. Outstanding receivables from customers are monitored on a regular basis and go through a three-stage dunning process. To reduce the credit risk, flat-rate specific bad debt allowances are recognized taking into account the age structure of the receivables. Overdue receivables that have still not been paid after dunning may be sold at a fixed rate and the uncollectible residual amount derecognized in full and expensed. Trade receivables arising in connection with the "buy on account" payment method are sold to a third party as they arise.

In addition, there is a credit risk for cash and cash equivalents that banks can no longer meet their obligations. This credit risk is mitigated by spreading deposits between a number of banks with good credit ratings.

c) Liquidity risk

The liquidity risk is the risk that the Group may not be in a position to settle its financial liabilities when they fall due. For this reason, the main objective of liquidity management is to ensure the Group's ability to pay at all times. The Group continually monitors its risk of a shortage of funds using liquidity planning. This takes into consideration cash received and paid for financial assets and financial liabilities as well as expected cash flows from operating activities. Cash flow forecasts are prepared at Group level.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts. Any short-term liquidity gaps are bridged using bank overdrafts. As of the reporting date, unused credit lines with three banks independent of each other totaled EUR 5,457k (December 31, 2014: EUR 2,580k). Thus, the Group is not exposed to any liquidity risks at present.

The following table shows the Group's financial liabilities broken down by maturities based on the remaining term as of the respective reporting date and the contractually agreed undiscounted cash flows. All on-demand financial liabilities are always allocated to the earliest possible date. Any variable interest payments from the financial instruments are calculated using the interest rates which were last fixed before the respective reporting date.

kEUR	Less than 3 months	3 months up to 1 year	More than 1 year
As of December 31, 2015	20,450	3,781	3,684
Financial liabilities	24	42	142
Trade payables	18,137	0	0
Other financial liabilities	2,289	3,739	3,542

10.2 Disclosures on capital management

The Group's capital management targets are mainly related to maintaining and ensuring the best possible capital structure for continuing to finance the growth plans and manage the value of the Company in the long term. The main focuses are on reducing the cost of capital, generating cash, actively managing net working capital, and complying with financial covenants.

windeln.de AG is not subject to any capital requirements under its articles of incorporation and bylaws. External minimum capital requirements apply under the financial covenants for the credit line agreements, see note 8.12.

The Group manages its capital structure on the basis of various ratios such as the equity ratio and, if necessary, makes adjustments to it in light of changes in economic conditions. Unchanged from the previous years, the Group's strategy in 2015 consisted of maintaining the equity ratio at 60% or higher.

kEUR	31.12.2015	31.12.2014
Equity	114,878	34,621
Equity and liabilities	159,459	57,044
Equity ratio	72.0%	60.7%

10.3 Additional information on financial instruments

The following table shows the carrying amounts and fair value of all financial instruments disclosed in the consolidated financial statements and the allocation of assets and liabilities or of parts of statement of financial position items to the measurement categories in accordance with IAS 39 or measurement in accordance with IAS 17:

kEUR	Measurement category pursuant to IAS 39	Carrying amount 31.12.2015	Amount recognized in the statement of financial position in accordance with IAS 39			Fair value through profit or loss	Amount recognized in the statement of financial position in accordance with IAS 17	Fair value as of 31.12.2015
			Amortized cost	Fair value in equity				
Financial assets								
Other non-current financial assets	LaR / afs	33	33	-	-	-	-	33
Trade receivables	LaR	2,469	2,469	-	-	-	-	2,469
Other current financial assets	LaR / afs	2,725	2,725	-	-	-	-	2,725
Cash and cash equivalents	LaR	88,678	88,678	-	-	-	-	88,678
Financial liabilities								
Non-current finance lease liabilities	n.a.	54	-	-	-	-	54	54
Non-current financial liabilities	FLAC	19	19	-	-	-	-	19
Other non-current financial liabilities	FLAC / FLAFV	3,542	121	-	3,421	-	-	3,542
Trade payables	FLAC	18,137	18,137	-	-	-	-	18,137
Current financial liabilities	FLAC	10	10	-	-	-	-	10
Current finance lease liabilities	n.a.	31	-	-	-	-	31	31
Other current financial liabilities	FLAC / FLAFV	6,028	2,874	-	3,154	-	-	6,028
Aggregated by measurement category in accordance with IAS 39								
Available for sale (AFS)	afs	4	4	-	-	-	-	4
Loans and receivables (LaR)	LaR	93,901	93,901	-	-	-	-	93,901
Financial liabilities measured at amortized cost (FLAC)	FLAC	21,161	21,161	-	-	-	-	21,161
Financial liabilities measured at fair value (FLAFV)	FLAFV	6,575	-	-	6,575	-	-	6,575

kEUR	Measurement category pursuant to IAS 39	Carrying amount 31.12.2014	Amount recognized in the statement of financial position in accordance with IAS 39			Fair value through profit or loss	Amount recognized in the statement of financial position in accordance with IAS 17	Fair value as of 31.12.2014
			Amortized cost	Fair value in equity				
Financial assets								
Other non-current financial assets	AfS	0	0	-	-	-	0	
Trade receivables	LaR	1,725	1,725	-	-	-	1,725	
Other current financial assets	LaR / afs / hft	3,939	1,728	-	2,211	-	3,939	
Cash and cash equivalents	LaR	33,830	33,830	-	-	-	33,830	
Financial liabilities								
Non-current finance lease liabilities	n.a.	85	-	-	-	85	85	
Trade payables	FLAC	8,830	8,830	-	-	-	8,830	
Current financial liabilities	FLAC	1,532	1,532	-	-	-	1,532	
Current finance lease liabilities	n.a.	26	-	-	-	26	26	
Other current financial liabilities	FLAC	1,629	1,629	-	-	-	1,629	
Aggregated by measurement category in accordance with IAS 39								
Available for sale (Afs)	AfS	4	4	-	-	-	4	
Financial asset held for trading (hft)	hft	2,211	-	-	2,211	-	2,211	
Loans and receivables (LaR)	LaR	37,279	37,279	-	-	-	37,279	
Financial liabilities measured at amortized cost (FLAC)	FLAC	11,991	11,991	-	-	-	11,991	

Due to the short-term maturities of cash and cash equivalents, trade receivables and trade payables, current other receivables and assets, and current other liabilities, the fair values for these items are assumed to be equal to the carrying amounts.

Other non-current financial assets include the equity investment in Urban-Brand Management Ltd. at a value of EUR 1 (prior year: also EUR 1). Other current financial assets include cooperative shares of EUR 4k (December 31, 2014: EUR 4k). Both assets are allocated to the "available for sale" category, but are recognized at cost because they cannot be measured.

The fair values of the current financial liabilities correspond to their carrying amounts, since the contractually agreed interest rates do not differ materially from the prevailing market interest rates.

The following tables present the net gains/losses from financial assets and financial liabilities per financial year:

kEUR	Through profit or loss from subsequent measurement					In equity from subsequent measurement	Through profit or loss from disposal	Net gain / loss
	Interest income	Interest expenses	At fair value	Currency translation	Allowance			
Financial asset held for trading (hft)	-	-	-	-	-	-	-2,211	-2,211
Loans and receivables (LaR)	5	-	-	4	-1,194	-	-3,309	-4,494
Financial liabilities measured at amortized cost (FLAC)	-	-10	-	-22	-	-	-	-32
Financial liabilities measured at fair value through P&L (FLAFV)			-683					-683
Total for financial year 2015	5	-10	-683	-18	-1,194	-	-5,520	-7,420

kEUR	Through profit or loss from subsequent measurement					In equity from subsequent measurement	Through profit or loss from disposal	Net gain / loss
	Interest income	Interest expenses	At fair value	Currency translation	Allowance			
Financial Asset Held for Trading (hft)	-	-	2,211	-	-	-	-	2,211
Loans and receivables (LaR)	5	-	-	-34	-756	-	-471	-1,256
Financial liabilities measured at amortised cost (FLAC)	-	-65	-	3	-	-	-	-61
Financial liabilities measured at fair value through P&L (FLAFV)	-	-	-	-	-	-	-	-
Total for financial year 2014	5	-65	2,211	-31	-756	-	-471	894

10.4 Fair value hierarchy

Below, financial instruments that are measured at fair value are analyzed and classified in accordance with the levels of the fair-value hierarchy described under note 3.17.

If a financial instrument is to be classified as Level 3, the management board decides on which measurement method is to be used. To help with this decision, the Company's internal valuation unit presents the management board with a number of measurement options. Once one of the methods has been chosen, it is then applied consistently for this financial instrument. The fair value is calculated and recognized at least once a quarter.

There were no reclassifications between the different levels in the reporting period. If circumstances arise that call for a different classification, reclassifications are executed on a quarterly basis.

The following table shows the assets and liabilities measured at fair value as of December 31, 2015:

kEUR	Level 1	Level 2	Level 3
Assets measured at fair value			

Liabilities for which a fair value is recognized			
Contingent consideration			6,574

Of the contingent considerations, EUR 3,338k relates to the acquisition of the Feedo Group and EUR 3,236k to the acquisition of Bebitus Retail S.L. See note 7.

The following table shows the assets and liabilities measured at fair value as of December 31, 2014:

kEUR	Level 1	Level 2	Level 3
Assets measured at fair value			
Contingent refund			2,211
Liabilities for which a fair value is recognized			

The contingent refund relates to the acquisition of windeln.ch AG. See note 7.

Contingent consideration / refund

The fair values are calculated on a quarterly basis. The policies relating to the contingent refund and the contingent considerations are explained in note 7 and were applied consistently throughout the reporting period. The financial instruments are to be classified as Level 3, because the fair values are calculated on the basis of estimated future revenue and, in the case of windeln.ch AG, also estimated EBITDA values. Changes in the fair value are posted to the statement of comprehensive income as financial income or financial expenses.

11. Other notes

11.1 Notes to the statement of cash flows

The statement of cash flows was prepared in accordance with IAS 7 Statement of Cash Flows and shows how the Group's cash and cash equivalents have changed over the reporting period as a result of cash received and paid.

In accordance with IAS 7, the cash flows from operating, investing and financing activities are divided according to their origin and utilization. The cash inflows and outflows from operating activities are derived indirectly on the basis of the Group's net loss for the year. Cash inflows and outflows from investing and financing activities are derived directly. The amount of cash in the statement of cash flows is equal to the value of cash and cash equivalents reported in the statement of financial position. Cash and cash equivalents include unrestricted cash on hand and cash at banks.

The negative cash flow from operating activities is attributable to the net loss for the year adjusted for non-cash effects. The windeln.de Group's growth is also reflected in a significantly higher volume of merchandise and trade receivables and payables.

The main non-cash effects in 2015 are as follows:

- Expense of EUR 7,679k for share-based remuneration that will be or has been settled in shares or has not yet been settled in cash.
- Increase in inventories of EUR 13,891k. This figure does not include changes in inventories in connection with the addition of acquisitions of EUR 2,453k.
- Increase in trade payables of EUR 5,452k (excluding additions in connection with the acquisitions).
- Increase in other liabilities of EUR 4,886k (excluding additions in connection with the acquisitions).
- Increase in prepayments received of EUR 2,245k (excluding additions in connection with the acquisitions).

The negative cash flow from investing activities is primarily attributable to the considerations paid for the acquisition of the Feedo Group and Bebitus as well as to investments in intangible assets and fixed assets, in particular for the purpose of developing our own online shops. In addition, there were capital expenditures on other software, furniture and fixtures, and technical equipment.

Cash flows from financing activities mainly include income of EUR 97,153k in connection with the IPO in May 2015, which prefunded the planned growth and guaranteed the Group's liquidity at all times. Costs of EUR 5,135k paid in connection with the IPO had an opposing effect.

Overall, cash and cash equivalents increased by EUR 54,848k to EUR 88,678k compared to the prior year.

11.2 Other financial commitments and contingent liabilities

a) Operating lease commitments – Group as lessee

The Group has concluded lease agreements for office space, various vehicles and furniture and fixtures. These leases have an average term of between one and five years. The leases do not contain options to extend the agreements. The Group is not subject to any limitations by the leasing agreements.

The expenses recognized in the reporting period from operating leases amount to EUR 1,558k (2014: EUR 1,066k).

Future minimum lease obligations from non-cancellable operating leases as of December 31 are as follows:

kEUR	2015	2014
Less than one year	1,967	1,042
More than one year and up to five years	4,284	3,103
More than five years	0	201
Total	6,251	4,346

As of December 31, 2015, the Company had future minimum lease payments receivable under uncancellable operating leases for sublet office space of EUR 107k (December 31, 2014: EUR 26k). EUR 67k of this is due within one year.

b) Finance lease and lease-purchase commitments

The Group has concluded various finance leases and lease-purchase contracts for furniture, fixtures and office equipment. The agreements do not contain renewal options, purchase options or escalation clauses. Future minimum lease payments under finance leases and lease-purchase contracts together with the present value of the net minimum lease payments are as follows:

kEUR	31.12.2015		31.12.2014	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Less than one year	56	45	36	29
More than one year and up to five years	142	128	105	94
More than five years	-	-	1	1
Total minimum lease payments	198	173	142	124
Less finance charges	-25	-	-18	-
Present value of minimum lease payments	173	173	124	124

c) Other financial obligations

Obligations

As of December 31, 2015, future obligations from goods ordered but not yet delivered amounted to EUR 9,430k (December 31, 2014: EUR 6,945k).

Litigation

As of December 31, 2015 and December 31, 2014, there were no significant unsettled legal disputes.

Guarantees

No guarantees had been provided as of December 31, 2015 and December 31, 2014.

Contingent liabilities

There were no contingent liabilities as of December 31, 2015 and December 31, 2014.

11.3 Securities

As of December 31, 2015 and December 31, 2014, the Group did not hold any securities.

Regarding inventories assigned as collateral, please see note 8.4.

11.4 Related party disclosures

Related parties are all persons and companies that control the Group or exercise significant influence over it. This includes the Group's key management personnel, companies that are under the control or significant influence of such persons, close family members of such persons, and major shareholders of windeln.de AG.

Pursuant to the principles in IAS 24, the members of the management board and the supervisory board of windeln.de AG are

classified as key management personnel. Members of the management board of windeln.ch AG, who in the prior year were classified as key management personnel, were no longer defined as such in the current financial year.

No shareholder of windeln.de AG has a direct or indirect significant influence on the Group. A significant influence is assumed if more than 20% of the voting rights are held directly or indirectly.

Information about the Group's structure and subsidiaries are presented under note 6. windeln.de AG is the ultimate parent company.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement is made in cash. There have been no guarantees provided or received for any related party receivables or payables. No impairment losses were recognized on receivables from related parties in the financial years 2015 and 2014. These are tested for impairment once a year by examining the financial position of the related party and the market in which the related party operates.

Transactions with key management personnel

The members of windeln.de AG's management board and supervisory board were identified as related parties. The composition of the management board and the supervisory board as well as the benefits granted are described under notes 11.5 and 11.6.

Furthermore, there were no business transactions with key management personnel in the financial year 2015 (2014: EUR 3k). In the prior year, goods were sold to key management personnel in the normal course of business. As of December 31, 2015, there were no outstanding receivables from the sale of goods to key management personnel (December 31, 2014: EUR 0k).

Transactions with other related parties

In the financial year 2015, windeln.de AG received refund payments in connection with the IPO and the sale of existing shares in the Company from five different companies that are controlled by key management personnel. The payments amounted to EUR 895k; there were no outstanding receivables in this connection as of December 31, 2015. There were no comparable business transactions in the financial year 2014.

Goods to the value of EUR 14k (2014: EUR 3k) were sold to close family members of key management personnel in the financial year 2015 in the normal course of business. There were no outstanding receivables in this connection as of December 31, 2015 (December 31, 2014: EUR 0k).

In the financial years 2015 and 2014, there were no loans from or to related parties.

11.5 Corporate boards

The Company's corporate boards are composed as follows:

Management board

Name	Profession	Membership
Alexander Brand	Co-CEO and responsible for the Strategy & Acquisitions, Operations, Technology, Customer Service, and Business Intelligence units	None
Konstantin Urban	Co-CEO and responsible for the Marketing, Product Management, and Category Management units	Bike 24 GmbH (member of the advisory council)
Dr. Nikolaus Weinberger (since April 1, 2015)	CFO and responsible for the Finance & Controlling, Investor Relations, Legal Affairs, Human Resources, and Facility Management units	None

Until the conversion of the Company into a German stock corporation (AG) on April 16, 2015, Alexander Brand (from February 1, 2010) and Konstantin Urban (from December 1, 2010) had been appointed as general managers.

Supervisory board

Name	Profession	Membership
Willi Schwerdtle, Chairman	Independent business consultant, partner at WP Force Solutions GmbH	Adidas AG (member of the supervisory board)
		Eckes – Granini AG (member of the supervisory board)
Dr. Christoph Braun, Deputy Chairman	General manager of Acton Capital Partners GmbH	United Ambient Media AG (member of the supervisory board) until September 15, 2015
		MyOptique Ltd (non-executive director)
		Indochino, Inc. (non-executive director) until November 13, 2015
		Momox GmbH (chairman of the supervisory board)
		Acton Capital Partners GmbH (general manager)
		Burda Digital Ventures GmbH (general manager) until November 3, 2015
Grandview GmbH (general manager)		

Name	Profession	Membership
Dr. Edgar Carlos Lange (since April 21, 2015)	CFO at Lekkerland AG & Co. KG	Lekkerland AG & Co. KG (member of the management board, CFO) Lekkerland Europa Holding GmbH (general manager) Lekkerland information systems GmbH (general manager) Gilden Holding B.V. (general manager) Lekkerland Beheer N.V. (general manager) Lekkerland Finance B.V. (general manager) Lekkerland Polska Holding GmbH (general manager) Lekkerland Polska S.A. (member of the supervisory board) Conway The Convenience Company, S.A. (member of the supervisory board) Comsol AG (member of the supervisory board)
Nenad Marovac	Chief Executive Officer and Managing Partner of DN Capital Limited	DN Capital Limited (CEO and Managing Partner) DN Capital (UK) Limited (Managing Partner) Mister Spex GmbH (member of the supervisory board) Shazam Entertainment Ltd. (member of the Board of Directors) Happn S.A. (member of the Board of Directors) SHIFT Labs Inc. (member of the Board of Directors) Purplebricks: New Broom Ltd. (member of the Board of Directors) Book a Tiger: BAT Household Services GmbH (member of the supervisory board)
David Reis	Executive Director in the Merchant Banking Division of Goldman Sachs	Flint HoldCo S.a.r.l (member of the supervisory board) Mister Spex GmbH (member of the supervisory board) WorldStores Limited (Director) Qubit Digital Ltd. (Director of the Board of Directors) Talentsoft SA (Administrateur of the Board of Directors)
Francesco Rigamonti	Director of Private Equity and Private Markets at Deutsche Bank and Co-Head of Deutsche Bank's Global Private Equity Co-Investments	DB Secondary Opportunities Fund L.P. (investment manager, member of the Investment Committee) DB Secondary Opportunities Fund II L.P. (investment manager, member of the Investment Committee) DB Secondary Opportunities Fund III L.P. (investment manager, member of the Investment Committee)
Fausto Boni (until April 21, 2015)	General partner at 360 Capital Partners	Mutuonline SPA (Board of Directors) Eatlynet srl (Board of Directors)

Advisory board

Up until the conversion of the Company into a German stock corporation (AG) on April 16, 2015, there was an advisory board which comprised the following members in 2015 and 2014:

Name	Profession
Nenad Marovac	Chief Executive Officer and Managing Partner at DN Capital Limited
Christoph Braun	Managing Partner at Acton Capital Partners GmbH
Fausto Boni	General partner at 360 Capital Partners
Jochen Gutbrod (left on November 5, 2014)	Executive Chairman & Partner at b-to-v Partners AG
Hans Schreck (from February 21, 2014, left on November 5, 2014)	General manager of TerVia Invest Verwaltungs GmbH
Tomasz Czechowicz (left on November 5, 2014)	Managing Partner at MCI Management SA
David Reis (from November 5, 2014)	Executive Director in the Merchant Banking Division of Goldman Sachs
Francesco Rigamonti (from November 5, 2014)	Director of Private Equity and Private Markets at Deutsche Bank and Co-Head of Deutsche Bank's Global Private Equity Co-Investments

11.6 Remuneration report

Outline of management board compensation

The Company does not present a breakdown of remuneration by individual management board members. The management board was exempted from the disclosures pursuant to Secs. 285 No. 9 a) sentence 5 to 8, 314 (1) No. 6a sentence 5 to 8 HGB by way of a resolution of the shareholder meeting on April 21, 2015.

Total compensation comprises a fixed and a variable component, and a long-term stock option plan.

The system of management board compensation at windeln.de is set up to provide an incentive for successful, long-term corporate growth. The level of compensation is appropriate to the tasks and performance of the management board. Once a year, the supervisory board reviews the appropriateness of management board compensation in consideration of the following criteria: the economic situation, the success and future development of the company, and the tasks of the individual members of the management board and their personal performance. The industry environment and the salary structure for the rest of the Company also play a role.

Fixed, non-performance-related compensation components

Management board members receive fixed compensation through their annual salary paid in equal monthly installments and benefits in kind. In total, annual salaries in the financial year 2015 amounted to EUR 542k (prior year: EUR 311k).

Variable, performance-related compensation components

The variable compensation component rewards the performance of the management board for the last financial year in line with the development of the Company and annual targets set by the supervisory board. Three quarters of the variable bonus depends on the achievement of certain company targets, such as the revenue generated in the financial year, the adjusted earnings before interest and taxes generated in the financial year, and the development of working capital.

Based on target achievement of 100% (target bonus), the maximum bonus for the three management board members is EUR 255k.

The remaining quarter of the bonus is granted by the supervisory board at its own discretion on the basis of an overall assessment of all circumstances depending on the individual performance of each individual management board member. In the event of target achievement of 100%, the maximum of both bonus elements together stands at EUR 340k. The bonus for each member of the management board is capped at 200%.

The variable compensation components expensed in 2015 amount to EUR 226k in total for all three management board members (2014: EUR 119k).

Share-based payment transactions

The issuing of entitlements to share-based payment is intended to compensate the long-term performance of the management in line with the business plans.

For one member of the management board, two share-based payment obligations were made in 2015, one cash-settled (stock options) and one equity-settled (restricted stock units) - for details of the plan, see note 8.10c). Overall, 55,350 stock options and 18,450 restricted stock units were granted in 2015. The fair value as of the date of granting and the reporting date stands at EUR 266k for the restricted stock units and at EUR 175k for the stock options.

The corresponding expense in 2015 amounts to EUR 144k. As of December 31, 2015, a provision of EUR 33k was recognized for the cash-settled share-based payment obligation. For the equity-settled share-based payment obligation, an amount of EUR 111k was recognized in the share premium as of December 31, 2015.

Benefits in kind

The management board members also received benefits in kind of EUR 30k (prior year: EUR 0k). Benefits in kind include the use of company cars.

Below, the expense recorded in the financial years 2015 and 2014 is broken down by type of compensation:

kEUR	2015	2014
Fixed salary components	542	311
Variable salary components	226	119
Expenses for stock options	144	-
Expenses for the vacation accrual	73	-
Benefits in kind	30	0
Total	1,015	430

The Group also grants the management board members adequate insurance cover, in particular a D&O insurance policy with a deductible in accordance with the provisions of the German Stock Corporation Act (AktG).

Advisory board compensation

The advisory board members were refunded travel expenses and out-of-pocket expenses incurred in connection with advisory board work. The advisory board did not receive any further compensation.

Supervisory board remuneration

Supervisory board compensation was approved in the extraordinary shareholder meeting on April 21, 2015 and comprises defined, non-performance-based annual payments. It is based on the responsibility and scope of activities of each supervisory board member and on the Group's economic situation.

The supervisory board members receive compensation of EUR 40k or EUR 80k in the case of the chairman. One member of the supervisory board waived his compensation in 2015. For the financial year 2015, compensation was paid pro rata temporis from May 1, 2015. A total expense of EUR 161k was recognized for supervisory board compensation for the financial year 2015.

In addition to the aforementioned compensation, appropriate out-of-pocket expenses incurred in connection with supervisory board activities were refunded, as was the VAT on the compensation and the out-of-pocket expenses. Supervisory board members, who only exercise their office as a supervisory board member or chairman for part of the financial year receive a corresponding percentage of the compensation. The compensation for the supervisory board members falls due after the shareholder meeting that takes receipt of or decides on the approval of the consolidated financial statements for the financial year for which the compensation is being paid.

The supervisory board members are covered by a Group D&O insurance policy.

11.7 Audit fees

The expense for the auditor's fees, including out-of-pocket-expenses, breaks down as follows:

kEUR	2015	2014
Audit services	140 (of this 25 relates to the prior year)	44
Other assurance services	440	0
Tax advisory services	73 (of this 73 relates to the prior year)	36
Other services	63 (of this 3 relates to the prior year)	90
Total fee	716	170

11.8 Corporate governance declaration

windeln.de AG has submitted the declaration of compliance with the German Corporate Governance Code required by Sec. 161 AktG and made it available to its shareholders on the website <http://corporate.windeln.de>.

11.9 Events after the reporting date

Capital increases

By resolution dated November 20, 2015, the capital stock of windeln.de AG was increased by EUR 537,410 to EUR 26,283,236 by issuing new no-par bearer shares against cash contributions from authorized capital 2015. The capital increase will first take effect upon entry in the commercial register on February 4, 2016 after the end of the reporting period. After partial utilization, authorized capital 2015 amounts to EUR 11,808,530.

Extension of credit lines

In January 2016, the secured borrowing base credit framework agreement with Commerzbank AG for EUR 5m was extended by another year and therefore terminates on March 15, 2017.

In February 2016, the secured credit line agreement with DZ BANK AG Deutsche Zentral-Genossenschaftsbank for EUR 4m was extended by another year and therefore terminates on March 31, 2017.

Formation of new subsidiary Cunina GmbH i.Gr.

Another subsidiary, Cunina GmbH i.Gr., was founded in the first quarter of 2016. The entity aims to expand the Group's own brand business.

Restructuring of Swiss warehouse

In January 2016, the management board decided to close parts of the Group's own warehouse in Switzerland so as to realize efficiency advantages from one central warehouse. In connection with this, a vacancy provision will be recognized in the first quarter of 2016 pursuant to IAS 37.

Review of seller guarantees

As a result of a review of the seller guarantees issued that started in January 2016, the management board is currently holding talks with the sellers of the Feedo Group that may result in changes to the agreed purchase price.

Munich, March 11, 2016

Alexander Brand

Konstantin Urban

Dr. Nikolaus Weinberger

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Munich, March 11, 2016

windeln.de AG

The management board

Alexander Brand

Konstantin Urban

Dr. Nikolaus Weinberger

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

“We have audited the consolidated financial statements prepared by windeln.de AG, Munich, comprising the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2015 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: “German Commercial Code”] are the responsibility of the parent company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating of the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.”

Munich, March 11, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bostedt
Wirtschaftsprüfer
[German Public Auditor]

Dr. Burger-Disselkamp
Wirtschaftsprüferin
[German Public Auditor]

SERVICE



SERVICE

1. Glossary

Site visits

We define Site Visits as the number of series of page requests from the same device and source in the measurement period and include visits to our online magazine. A visit is considered ended when no requests have been recorded in more than 30 minutes. The number of site visits depends on a number of factors including the availability of the products we offer, the level and effectiveness of our marketing campaigns and the popularity of our online shops. Measured by Google Analytics.

Mobile Visit Share

We define Mobile Visit Share (in % of Site Visits) as the number of visits via mobile devices (smartphones and tablets) to our mobile optimized websites divided by the total number of Site Visits in the measurement period. We have excluded visits to our online magazine and visits from China. We exclude visits from China because the most common online translation services on which most of our customers who order for delivery to China rely to translate our website content are not able to do so from their mobile devices, and therefore very few of such customers order from their mobile devices. Measured by Google Analytics.

Mobile Orders

We define Mobile Orders (in % of Number of Orders) as the number of orders via mobile devices to our mobile optimized websites divided by the total Number of Orders in the measurement period. We have excluded orders from China. Measured by Google Analytics.

Active Customers

We define Active Customers as the number of customers placing at least one order in the 12 months preceding the end of the measurement period, irrespective of returns.

Number of Orders

We define Number of Orders as the number of customer orders placed in the measurement period irrespective of returns. An order is counted on the day the customer places the order. Orders placed and orders delivered may differ due to orders that are in transit at the end of the measurement period or have been cancelled. Every order which has been placed, but for which the products in the order have not been shipped (e.g., the products are not available or the customer cancels the order), is considered "cancelled".

Average Orders per Active Customer

We define Average Orders per Active Customer as Number of Orders divided by the number of Active Customers in the measurement period.

Share of Repeat Customer Orders

We define Share of Repeat Customer Orders as the number of orders from Repeat Customers divided by the Number of Orders during the measurement period.

Gross Order Intake

We define Gross Order Intake as the aggregate Euro amount of customer orders placed in the measurement period minus cancellations. The Euro amount includes value added tax and excludes marketing rebates.

Average Order Value

We define Average Order Value as Gross Order Intake divided by the Number of Orders in the measurement period.

Returns (in % of Net Merchandise Value)

We define Returns (in % of Net Merchandise Value) as the Net Merchandise Value of items returned divided by Net Merchandise Value in the measurement period.

Marketing Cost Ratio

We define Marketing Cost Ratio as marketing costs divided by revenues for the measurement period. Marketing costs consist mainly of advertising expenses, including search engine marketing, online display and other marketing channel expenses, as well as costs for our marketing tools and allocated overhead costs, but not costs related to our loyalty program. Allocated overhead costs include rent and depreciation, but not costs of shared services.

Adj. Fulfillment Cost Ratio

We define Adj. Fulfillment Cost Ratio as fulfillment costs divided by revenues for the measurement period. Fulfillment costs consist of logistics and rental expenses, adjusted to exclude costs of reorganization that are fulfillment related.

Adjusted Other SG&A Expenses (in % of revenues)

We define Adjusted Other SG&A Expenses (in % of revenues) as Adjusted Other SG&A Expenses divided by revenues. We define Adjusted Other SG&A Expenses as selling and distribution expenses plus administrative expenses and other operating expense less other operating income, but excluding marketing and fulfillment costs, share-based compensation expenses, extraordinary or non-recurring expenses or income related to the IPO, acquisitions and integrations as well as costs for reorganization & restructurings.

2. Financial Calendar

Publication of the full year 2015 results:	17. March 2016
Publication of the first quarter results 2016:	24. May 2016
Annual General Meeting:	17. June 2016
Publication of the half year results 2016:	24. August 2016
Publication of the nine months results 2016:	23. November 2016

3. Imprint

Editorial team and contact

windeln.de AG
Hofmannstrasse 51 c
81379 Munich, Germany
corporate.windeln.de

Investor Relations

Alexandra von Kempis
E-Mail: investor.relations@windeln.de

Corporate communications

Amelie Heinz
E-Mail: presse@windeln.de

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windeln.de AG

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Statement relating to the future

This annual report contains statements that relate to the future and are based on assumptions and estimates made by the management of windeln.de AG. Even if the management is of the opinion that these assumptions and estimates are appropriate, the actual development and the actual future results may vary from these assumptions and estimates as a result of a variety of factors. These factors include, for example, changes to the overall economic environment, the statutory and regulatory conditions in Germany and the EU and changes in the industry.

windeln.de AG makes no guarantee and accepts no liability for future development and the actual results achieved in the future matching the assumptions and estimates stated in this interim report.

It is neither the intention of windeln.de AG nor does windeln.de AG accept a special obligation to update statements related to the future in order to align them with events or developments that take place after this report is published.

The annual report is available in English. If there are variances, the German version has priority over the English translation. It's is available for download in both languages at <https://corporate.windeln.de/>

