ANNUAL REPORT **2019**

windeln.de

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WINDELN.DE GROUP AT A GLANCE

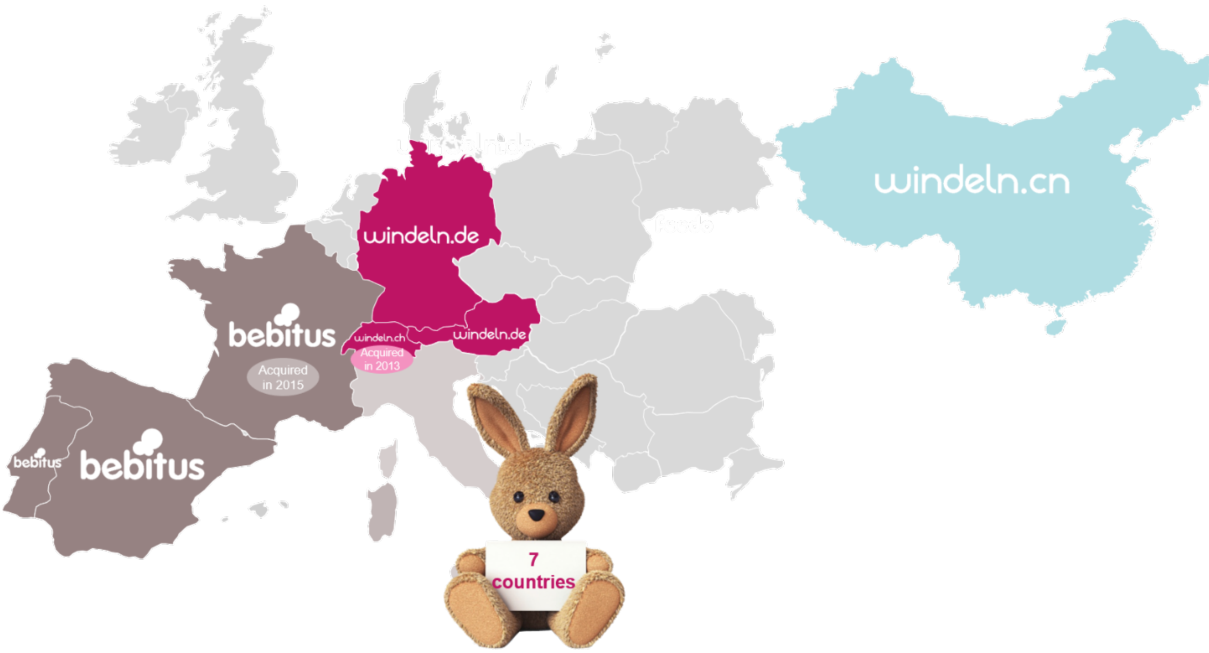
Performance indicators (continuing operations only)	2019	2018	Change
Site visits (in thousands)	39,275	41,363	-2,088
Mobile visit share (as % of site visits)	78.5%	72.4%	6.1pp
Mobile orders (as % of number of orders)	61.2%	55.4%	5.8pp
Active customers	403,866	543,692	-139,826
Number of orders	738,433	1,114,873	-376,440
Average orders per active customer (in number of orders)	1.8	2.1	-0.3
Share of repeat customer orders (as % of orders of last 12 months)	71.4%	82.6%	-11.2pp
Gross order intake (in kEUR)	66,921	100,858	-33,937
Average order value (in EUR)	90.63	90.47	0.16
Returns (as % of gross revenues from orders)	2.8%	3.6%	-0.8pp
Adjusted marketing cost ratio (as % of revenues)	4.4%	4.8%	-0.4pp
Adjusted fulfilment cost ratio (as % of revenues)	13.4%	16.3%	-2.9pp
Adjusted other SG&A expenses (as % of revenues)	23.8%	21.6%	2.2pp
Earnings position (continuing operations only)			
Revenues (in kEUR)	82,344	104,818	-22,474
Gross profit (in kEUR)	20,466	25,667	-5,201
Gross profit (as % of revenues)	24.9%	24.5%	0.4pp
Operating contribution (in kEUR)	5,762	3,937	1,825
Operating contribution (as % of revenues)	7.0%	3.8%	3.2pp
Adjusted EBIT (in kEUR)	-13,808	-18,530	4,722
Adjusted EBIT (as % of revenues)	-16.8%	-17.8%	1.0pp
Financial position			
Net cash flows used in operating activities (in kEUR)	-11,567	-18,729	7,162
Net cash flows from investing activities (in kEUR)	257	1,846	-1,589
Net cash flows from financing activities (in kEUR)	8,547	1,543	7,004
Net decrease in cash and cash equivalents	-2,763	-15,340	12,577
Cash and cash equivalents at the end of the period (in kEUR)	8,377	11,136	-2,759
Other			
Basic earnings per share (in EUR)	-5.66	-40.74*	35.08
Basic earnings per share from continuing operations (in EUR)	-5.67	-29.31*	23.64

pp = percentage points

All performance indicators and the section earnings position include amounts from continuing operations only. Feedo Group was deconsolidated in August 2018 after its divestiture and is presented as discontinued operation in the consolidated income statement.

* Prior year disclosures of earnings per share were restated in line with IAS 33 due to the capital decreases performed in January and December 2019.

MARKET PRESENCE AND LOCATIONS IN EUROPE AND CHINA



Short profile windeln.de

Since its formation in 2010, windeln.de has developed into one of the leading online retailers of products for babies, toddlers, children and families with a presence in six European countries. Through its Chinese website and flagship store at TMall Global, the company also operates a successful e-commerce business with baby, toddler and family products for customers in China.

The broad product range is offered through the German shop windeln.de and the international shops windeln.com.cn, windeln.ch, bebitus.com, bebitus.fr and bebitus.pt. The assortment ranges from diapers, baby food and drugstore articles to clothing, toys, prams, furniture and security articles such as car seats for children. Since 2018, the company has also been offering products for older children and parents, i.e. for all family needs. The range now also includes the categories dietary supplements, cosmetics and partnership.

The customers are key priority at windeln.de. In order to provide them with a good shopping experience, the Group's web shops offer their customers free shipping from a minimum order value, for example, as well as a variety of community and content offers, such as online guidebooks, a pregnancy calendar, personal recommendations and competent customer service.
The strategic logistics network consisting of three warehouses in Europe and one in China enables all markets to be served quickly and efficiently.

As of December 31, 2019, windeln.de had a total of 210 employees in Germany and abroad. Since May 6, 2015 windeln.de is listed in the Prime Standard of the Frankfurt Stock Exchange.

Shops: www.windeln.de, www.windeln.ch, www.bebitus.com, www.bebitus.pt, www.bebitus.fr and www.windeln.com.cn. windelnde.tmall.hk


✓ Online retailer for baby, toddler and family products in Europe and to China
✓ Excellent, Europe-wide logistics and direct delivery to China
✓ Low rate of return and high share of repeat customers
✓ Effective technology structure
✓ Scalable business model
OUR GROUP
✓ Presence in 6 European countries and China
✓ Extensive, carefully chosen range of products
✓ Large variety of community and content offers
✓ High delivery quality
✓ Attractive prices
OUR CUSTOMERS
✓ Steadily growing market for baby and toddler products
✓ Growing e-commerce market
✓ Increasing online penetration in this product category
✓ Strong growth of cross-border e-commerce to China
✓ High demand for German high-quality products in China
OUR MARKET

TO THE SHAREHOLDERS

LETTER FROM THE MANAGEMENT BOARD

Ladies and Gentlemen, dear shareholders,

2019 was an eventful year. We continued to improve and develop our company in 2019, after we realigned the company structure in 2018. We increased our gross margin and made progress in our cost structure - however, we had to postpone our break-even target by one year.

In Europe, i.e. the DACH region and Bebitus, we continued to focus on creating an attractive shopping experience for our customers in 2019. Among other things, we implemented a new starting page for our shops in the DACH region, which offers better navigation and many improvements, especially in the area of categorization. We also extended our windeln.de app to the regions France and Portugal in 2019, making it available in all our European markets. Strategically, we continue to focus on margin increases and cost reductions in Europe - both with success: the listing rules for products introduced at European level in 2018, which are supposed to improve Group profitability and focus on higher-margin products, were also consistently pursued in 2019, resulting in an improvement in gross margin. We were also able to achieve further savings in selling and administrative expenses.

In our business in China, we also worked on many projects in 2019, from which we intend to benefit sustainably. In May 2019, Charles Zhixiong Yan joined the Management Board as additional member, being responsible for the strategy and business development of windeln.de in China. Furthermore, since August 2019 we signed a cooperation agreement with the company Langtao, which supports us especially in the field of online marketing in China. In November 2019 we opened our second bonded warehouse in Ningbo, unfortunately with a delay of several months due to technical requirements of the Chinese customs, which offers our customers significantly shorter delivery times and lower shipping costs. We are very pleased that this major project has been completed, as it significantly strengthens our logistics network in China and will enable us to serve customer orders from new sales channels that we intend to enter this year.

Nonetheless, at the beginning of the year, we had to postpone our target to reach break-even based on adjusted EBIT at the beginning of 2020 by one year to early 2021. Overall, business in China in 2019 remained below the Group's expectations. The reasons for this were, among others, the delayed opening of the second bonded warehouse in China, setting up the marketing cooperation with Langtao and a lower purchasing volume for liquidity reasons. While business in the important fourth quarter grew again due to large sales events, it was below our original targets.

Due to the negative share price development, we carried out two share consolidations last year in order to secure the technical financing possibilities of the company and to be able to implement the planned financing measures. The capital increase in 2019 brought on board two major Asian investors, who have also been represented on the Supervisory Board since June 2019 and who support us both strategically and operationally. The most recent measure was completed at the end of February 2020 and shows the great confidence which you as our shareholders continuously place in windeln.de. This also applies to the new Chinese investor Youth Pte. Ltd. who participated in the capital measure at the end of February 2020 and whose investors also have extensive knowledge and experience on the Chinese retail market. We are very pleased with this development and want to profit from their know-how in the future.

As a result of the recently completed capital measure, the Company received gross issue proceeds of EUR 6.2 million, which significantly strengthens our capital base and enables us to invest specifically in efficiency projects and growth. In addition, the Group is benefiting from value added tax corrections of EUR 1.5 million that have already been received and further refunds of EUR 1.5 million planned for the remainder of 2020. From today's perspective, we therefore have a positive outlook for 2020. We aim to increase our revenues by a significant double-digit percentage this year – on a sustainable and profitable basis. Our current strategy project is to move towards more dynamic growth, further improve our gross margin and enhance our profitability. Our most important task is to continuously develop the business model of windeln.de and to adapt it consistently to the needs of our customers. We intend to use a part of the issue proceeds to implement projects such as the outsourcing of the IT shop platform and the relocation of the central warehouse in Germany as well as to finance the build-up of net working capital which is necessary for growth in China. We will further personalize our offerings in Europe and rapidly complete important projects such as the relocation of the warehouse and IT shop outsourcing. In order to significantly increase revenues in China in 2020, we recently signed term sheets for cooperation with the companies bodyguardpharm GmbH (Bodyguard) and Holland at Home B.V. With Holland at Home, we intend to expand our activities to other important sales channels in China in the coming months and, through the cooperation with Bodyguard, to extend our product range for Chinese customers to include health and drugstore products.

We are fully committed to the long-term success of the Company and look forward to an exciting year 2020.

We would like to express our special thanks to our customers and business partners for the good cooperation and to you, our shareholders, for the trust that has accompanied us over many years.

Last but not least, we would like to express gratitude and appreciation to our employees for their tireless commitment and excellent work. We are proud of the entire team that supports us despite extensive changes, believes in the vision of our Company and that works hard every day.

Munich, March 2020

Matthias Peuckert   Dr. Nikolaus Weinberger   Zhixiong Yan

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In the financial year 2019, the supervisory board carried out its duties – as prescribed by law, by the articles of incorporation and by the rules of procedure and by the German Corporate Governance Code – actively and with great care, regularly advised the management board on managing the Company and continuously monitored the conduct of business of the Company.

Working with the management board

The supervisory board 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 and liquidity of the Company. The corresponding financial key performance indicators were particularly monitored and controlled closely. In case actual business developments deviated from plans and targets, reasons were explained in detail to the supervisory board and documents were presented which were examined by the supervisory board. In addition, the management board discussed the Group's strategic focus 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 exchange with the management board outside of meetings. The supervisory board was consulted directly and in due time on all decisions of fundamental importance to the Group. Outside of meetings, the chairperson of the supervisory board was in regular contact with the management board. Additional audit measures, such as the consultation of documents or the commissioning of certain subject experts, were not necessary.

Main topics of discussion

A total of 16 supervisory board meetings took place in the financial year 2019, in the months of January, February, March, May, June, July, August, September, November and December. Each meeting was attended by all supervisory board members (with the exception of one appointment in March and May and three appointments in November, in which one member was not available, as well as one appointment in September, in which two members were not available); four of those meetings were attended in person and twelve of those meetings were held in conference calls. In addition, seven resolutions were approved by way of a circular procedure.

In a conference call at the end of January 2019, the supervisory board dealt above all with the capital increase resolved by the extraordinary general meeting of January 9, 2019, as well as the budget of the Company for the financial year 2019. In a further conference call at the end of January 2019, the supervisory board dealt – in detail – with the financial results of Q4 2018.

At a meeting in early February 2019, the supervisory board approved the entry into of incentive and bonus agreements with the members of the management board as well as further senior executives of the Company.

At a meeting in mid of March 2019, the supervisory board approved the separate and consolidated financial statements and the respective management reports for the financial year 2018. The auditor, elected at the annual general meeting, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, who attended the meeting as well, reported about the results of its audit in detail. Furthermore, the management board informed the supervisory board at this meeting about the status of the pending discussions with the Chinese investors, and the supervisory board dealt wih the agenda of the annual general meeting 2019.

In a conference call in early May 2019, the supervisory board dealt with the financial results of Q1 2019, the liquidity position of the Company, as well as the development of the China business. Additionally, the supervisory board resolved to appoint Mr. Zhixiong Yan as management board member of the Company effective May 17, 2019.

In a meeting in early June 2019 following the annual general meeting of the Company, the supervisory board dealt with the strategic development of the China business, including the possibility to open offline stores, as well as further financing opportunities. In the context of a conference call at the end of June 2019, the supervisory board discussed strategic topics and cooperation possibilities in relation to the Company's China business.

In a conference call in early July 2019, the management board informed the supervisory board about details of the envisaged expansion of the China business through offline stores. Furthermore, in this conference call the supervisory board dealt – in detail – with the liquidity position of the Company and the possibility to generate further financing through another capital increase.

In a conference call in early August 2019, the supervisory board addressed the half year report 2019 as well as the details and timing of another capital increase.

In a conference call at the end of September 2019, the supervisory board discussed the current business and financial position of the Company as well as the upcoming extraordinary general meeting. In a meeting at the end of September 2019 following the extraordinary general meeting of the Company, the supervisory board intensively dealt with cost-cutting measures as well as the development of the China business.

In a conference call in early November 2019, the supervisory board dealt with the implementation of the capital measures resolved by the extraordinary general meeting of September 27, 2019, possibilities to reduce costs, as well as the financial results of Q3 2019. In three further conference calls in mid November and at the end of November 2019, the management board informed the supervisory board about the status of implementing the capital measures resolved by the extraordinary general meeting of September 27, 2019 and the business development of the Company. Furthermore, the supervisory board intensively discussed cost-cutting measures.

In a conference call in mid December 2019, the supervisory board dealt with the budget for the financial year 2020, cost-cutting measures, as well as the status of the capital increase.

Supervisory Board committees and their work

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

The audit committee currently consists of Dr. Edgar Carlos Lange as committee chairman, Mr. Willi Schwerdtle and Mr. Clemens Jakopitsch. In the reporting year, the audit committee had four meetings. The chairman of the audit committee also discussed audit-related topics with the auditor outside of meetings and without the attendance of the management board.

The focus of the meeting in March 2019 was the discussion of the consolidated and separate financial statements of the Group respectively the Company, as well as the recommendation of the approval of the annual financial statements. Furthermore, the risk management report of the Group and the status of the prospectus for the admission of shares to be published by the Company were discussed.

In a meeting in April 2019, the audit committee resolved to recommend KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, as auditor and Group auditor for the financial year 2019.

In a meeting in September 2019, the audit committee discussed the financial and liquidity position of the Company as well as potential cost reduction measures.

In a meeting in November 2019, the risk management report, the upcoming audit of the financial statements 2019, as well as the business development of the Company were discussed.

After each audit committee meeting, the chairman of the audit committee briefed the full supervisory board in detail about the topics of deliberation and the conclusions of the audit committee meetings.

The nomination committee currently consists of Mr. Willi Schwerdtle as committee chairman, Mr. Clemens Jakopitsch and Ms. Xiao Jing Yu. The nomination committee met three times in the reporting year 2019.

At the first meeting of the year, in March 2019, the nomination committee addressed the development of the employee numbers, bonuses of the management board and those employees entitled to a variable compensation in relation to the financial year 2018, as well as allotments under the existing LTIP program of the Company.

In another meeting in April 2019, the nomination committee dealt with the upcoming election of members of the supervisory board at the annual general meeting 2019.

In a meeting in May 2019, the nomination committee addressed the appointment of Mr. Zhixiong Yan as management board member of the Company.

Corporate Governance

The supervisory and management boards act in awareness that good corporate governance is in line with the interest of the shareholders and capital markets constitutes an important basis for the success of the Group.

In April 2019, the supervisory and management boards issued a joint declaration of conformity regarding the recommendations of the Government Commission pursuant to Sec. 161 German Stock Corporation Act (AktG) and made it permanently available on the website of the Group (https://corporate.windeln.de/en/corporate-governance). The implementation of the German Corporate Governance Code is reported separately in this Annual Report.

In the reporting year, there were no conflicts of interest involving management or supervisory board members that would require immediate disclosure to the supervisory board and disclosure to the annual general meeting.

Audit of the separate and consolidated financial statements

During the meetings of the audit committee and the supervisory board on March 13, 2020, the annual financial statements and audit reports, in particular the separate annual financial statement of windeln.de SE pursuant to German statutory regulations for financial year 2019 as well as the consolidated annual financial statement of the Group pursuant to International Financial Reporting Standards (IFRS) for fiscal year 2019 as well as the respective management reports for financial year 2019 were discussed in detail. The auditor's reports, windeln.de SE's annual financial statements for the financial year 2019, the Group's annual financial statements for the financial year 2019 and the respective management reports, in each case in the version as prepared by the management board, had been submitted to the audit committee and the supervisory board in due time and were duly examined by both. The auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, had audited the annual financial statements together with the bookkeeping system. There are no concerns about the independency of the auditor. The auditor has concluded that the separate financial statements of windeln.de SE and the consolidated financial statements of Group in accordance with the accounting rules and regulations present a true and fair view of the net assets, financial position, results of operations, and cash-flows of windeln.de SE and the Group. The auditor has issued the final conclusions of the audits with unqualified opinions. As part of assessing the risk management system, the auditor also concluded that the management board has taken the steps required by Sec. 91 (2) AktG to identify, at an early stage, developments jeopardizing the continuation of the Group. When the audit committee and supervisory board deliberated the separate and consolidated financial statements, representatives of the auditor were present who reported on the significant findings of the audit and were available to take the supervisory board's questions.

Changes in the management and supervisory board

The composition of the management board changed in the financial year 2019 as follows: As of May 17, 2019, Mr. Zhixiong Yan was appointed as a member of the management board.

The composition of the supervisory board of the Company changed in the financial year 2019, as Dr. Hanna Eisinger and Dr. Christoph Braun resigned from their offices as supervisory board members effective by the end of the Annual General Meeting scheduled for June 6, 2019. Mr. Weijian Miao and Ms. Xio Jing Yu were newly elected to the supervisory board.

On behalf of the supervisory board, I would like to sincerely thank the management board and all the employees of the windeln.de Group for their immense personal dedication and their contribution to the financial year 2019.

Munich, March 2020

On behalf of the supervisory board

Willi Schwerdtle, chairman of the supervisory board

COPRORATE 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 using a responsible and long-term corporate governance system in order to safeguard the existence of the Company and provide sustainable added value. In this report, the management board reports –at the same time for the supervisory board – on the management of the Company pursuant to no. 3.10 of the German Corporate Governance Code (GCGC) as well as pursuant to Secs. 289a, 315 (5) German Commercial Code (HGB).

1. Declaration by the management board and supervisory board of 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 2019. The following declaration of conformity was issued in March 2020:

The last declaration of conformity pursuant to section 161 AktG regarding the recommendations of the “Government Commission German Corporate Governance Code” (hereinafter the “Code”) was made in April 2019. The following declaration is based on the Code in its version of February 7, 2017 as published in the official section of the Federal Gazette (Bundesanzeiger) on April 27, 2017.

The management board and the supervisory board of windeln.de SE declare that windeln.de SE has, since the publication of the last annual declaration of conformity in June 2018, acted in conformity with the recommendations of the “Government Commission German Corporate Governance Code” and here after will act in conformity with it, in each case with the following exceptions:

- 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 shareholders' 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 annual consolidated financial statements of the Company to be prepared for the fiscal years 2015 up to (and including) 2019 in accordance with Sections 286 para. 5, 314 para. 2 sentence 2, 315a para. 1 of the German Commercial Code (Handelsgesetzbuch - HGB). For the duration of this ‘’opt-out’’ resolution, the Company will abstain from including the disclosures recommended under No. 4.2.5 para. 3 of the Code in the Company's compensation report.

- No. 5.4.6 para. 3: According to the Code's recommendation, the remuneration of supervisory board members as well as possible remuneration for services rendered personally by supervisory board members shall be disclosed individually in the notes to the financial statements or the management report, classified by remuneration components. This was and is not complied with. The remuneration of the supervisory board resolved upon by the General Meeting and the expenditure for the fiscal year are disclosed in the compensation report as part of the consolidated annual report aggregated and not separately on an individual basis and not classified by remuneration components. The management board as well as the supervisory board think that the information provided fulfil the legal requirements and convey a sufficiently detailed picture.

- No. 7.1.2: According to the Code's recommendation, mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period. This recommendation was not complied with in respect of the financials for Q1 2019. Due to organizational and time-related additional efforts in connection with the capital increase carried out in March 2019, windeln.de SE postponed the publication of the financials for Q1 2019 to May 28, 2019.

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 the section Corporate Governance on the Company's website.

2. Disclosures on corporate governance practice

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 windeln.de SE is a European online company with registered office 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 are the foundations for establishing the management and monitoring structure in the Group. These principles are also applied in the remaining group companies in addition to applicable local regulations.

The social and ethical responsibility of the windeln.de Group is defined – amongst others - in the code of conduct, which applies to all employees of the Group. windeln.de has established a risk management system – applied in the parent company of the Group as well as in the remaining Group companies - 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 the windeln.de Group are obliged to act risk-aware 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 assumed breaches of compliance. The management board is responsible overall for the functioning of the risk management system at windeln.de SE and the Group, while the supervisory board is responsible for monitoring its effectiveness.

The declaration including disclosures on corporate governance practices is available on the Company's website (https://corporate.windeln.de/en/corporate-governance).

3. Working practices of the management board and supervisory board

The management structure of windeln.de is primarily determined by the corporate law requirements environment. In addition, windeln.de SE as a European stock corporation, is subject to the special European SE regulations as well as the German SE implementation act. Choosing the dual management and control structure (management board and supervisory board), key elements of German corporations are also applicable to windeln.de SE. 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 SE

As of December 31, 2019, the management board of windeln.de SE consisted of three management board members (thereof one chairman) They each have their own management board function, which comprise the individual executive portfolios.

The windeln.de Group is managed by the management board of the parent company, windeln.de SE. 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 event and transaction. 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 catalogue of information and disclosure requirements are defined as well as the matters that require the approval of the supervisory board.

The supervisory board of windeln.de SE

As of December 31, 2019, the supervisory board was made up of the following six members, all of whom were elected by the general meeting: Mr. Willi Schwerdtle (chairman), Weijian Miao (deputy chairman), Dr. Edgar Carlos Lange, Mr. Tomasz Czechowicz, Ms. Xio Jing Yu and Mr. Clemens Jakopitsch. At the Annual General Meeting on June 6, 2019, Mr. Weijian Miao and Ms. Xio Jing Yu were elected as successors of Dr. Hanna Eisinger and Dr. Christoph Braun, who had resigned from their offices as supervisory board members effective the end of the Annual General Meeting scheduled for June 6, 2019. The supervisory board as a whole has excellent knowledge of the e-commerce business. The supervisory board considers all members of the supervisory board except Mr. Weijian Miao to be independent according to No. 5.4.2 sentence 2 of the Code. As of December 31, 2019, Mr. Weijian Miao indirectly held 22.94% of the shares in windeln.de. He is attributed the shares that Summit Asset Management Company Limited holds in the Company pursuant to Secs. 33, 34 German Securites Trading Act.

All supervisory board members have the same terms of office that end with the 2021 Annual General Meeting.

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 SE and approves the consolidated financial statements as well as the management reports. 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 the context of the strategic evaluation of 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 currently includes Dr. Edgar Carlos Lange (committee chairman), Mr. Willi Schwerdtle and Mr. Clemens Jakopitsch as members. Dr. Christoph Braun left the audit committee in the reporting period. In his role as financial expert, the chairman of the audit committee holding the position in the reporting period, Dr. Lange, meets the 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 in accordance with the mandate given by the supervisory board. The nominatino committee currently includes Mr. Willi Schwerdtle (committee chairman), Mr. Clemens Jakopitsch and Ms. Xio Jing Yu as members. Dr. Braun and Dr. Lange left the nomination committee in the reporting period.

Considering the German Corporate Governance Code, the supervisory board set targets relating to its composition. The supervisory board aims at a composition which considers the special needs of the Company and ensures that the management board is supervised, monitored and advised in a competent and qualified manner. The nominees proposed for election to the supervisory board should – on basis of their knowledge, skills and professional experience – be able to carry out the tasks entrusted to them properly. In addition, every member ensures available time sufficient to fulfil their duties. The supervisory board set the following material objective targets: The members of the supervisory board may not assume mandates in boards of or advising activities to competitors of the Company; considering the international focus of the Company, it shall be made sure that four board members have extensive international experience; the supervisory board shall especially ensure diversity when proposing new members; the supervisory board shall comprise at least one female member; the supervisory board shall consist of at least three independent members; members of the supervisory board shall generally not serve on the board for more than 12 consecutive years; not more than two former members of the management board of windeln.de SE shall be members of the supervisory board; candidates for the supervisory board should generally not be older than 72 years at the time of their election by the general meeting; the most important criterion for the appointment to the supervisory point is the qualification of the nominee. These targets relating to the composition of the supervisory board are fully achieved.

Regulations in accordance with Sec. 76 (4) and Sec. 115 (5) AktG

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 SE 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.

In 2017, 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 new targets for the quota for female representation in the respective boards, committees and management levels with an implementation deadline by June 30, 2022:

Level	Quota
Supervisory board	20%
Management board	20%
First management level	30%
Second management level	30%

The Company is also aiming for women to join the management board in the medium term.

4. 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; this system is also designed in such a manner 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 SE. 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 SE 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. 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 (IFRS) 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 an interim report for the first half of the year and quarterly statements for the first and third quarter of the year. 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 KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, appointed by the Annual General Meeting on June 6, 2019. The auditor issued a declaration of independence to prove to the supervisory board its independence. The auditor took part in the both the meetings of the audit committee and the supervisory board on March 13, 2020 to discuss the 2019 separate and consolidated financial statements; in particular, the auditor reported to the audit committee and supervisory board the results of the audit of the separate financial statements and management report of windeln.de SE as of December 31, 2019 (HGB) as well as the consolidated financial statements and group management report of windeln.de SE as of December 31, 2019 (IFRS). It was agreed with the auditor of windeln.de SE that the chair of the supervisory board would be informed without delay of any reasons 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. The remuneration of members of the management board is presented according to the statutory requirements, especially 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 and is also presented in the remuneration report. The remuneration report is part of the group management report and the notes to the consolidated financial statements, respectively, 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 long-term, performance-based variable remuneration component based on the long-term incentive program ("LTIP") of windeln.de SE was launched in financial year 2015. The performance-based variable remuneration component was extended in 2017 and adjusted to the amended strategy of the company in 2018. The details of this can be found in the notes to the consolidated financial statements of the windeln.de SE Group.

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

Art. 19 of the market abuse regulation ("Marktmissbrauchsverordnung"; "MAR") requires key management personnel at windeln.de SE as well as closely related parties to announce any transactions with shares in windeln.de SE or related financial instruments within three business days. In 2018, following transactions were reported to windeln.de SE:

Company / Person	Financial instrument	Transaction type	Price (in EUR)	Volume (in EUR)	Date
Matthias Peuckert	Share DE000WNDL011	Purchase	1.48	5,478.96	March 15, 2019
Dr. Nikolaus Weinberger	Share DE000WNDL011	Purchase	1.48	5,478.96	March 15, 2019
Clemens Jakopitsch	Share DE000WNDL193	Purchase	0.51	13,142.70	September 17, 2019
Clemens Jakopitsch	Share DE000WNDL193	Purchase	0.5032	4,629.20	September 20, 2019

THE WINDELN.DE SE SHARE

Capital market environment

Global stock markets can look back on a very successful year 2019. They countered the weak development in 2018 with the best start to the year in a long time. The dominant issues in 2019 were the trade dispute between the United States and China and Britain's exit from the European Union (Brexit). Additionally, geopolitical factors such as the Middle East conflict also kept market participants in uncertainty. In addition, the year was characterized by constantly changing economic forecasts. Fears of recession kept making rounds, which were supported by the brief formation of an inverse yield curve. However, economic optimism was able to prevail at times and the central banks also provided positive impulses for the stock markets with their persistently loose monetary policy. Overall, the picture was twofold: while the US economy continued to deliver strong growth figures, the economy in the eurozone had difficulties to work its way up . The stock markets were correspondingly volatile and required strong nerves by investors. Ultimately, however, confidence prevailed that global growth would recover soon which helped the stock market to set new records. The hope of an orderly Brexit at the end of January 2020 and the confidence that the United States and China could at least agree on a partial agreement in the trade conflict gave the stock markets a strong boost in the final quarter of 2019. The German leading index DAX gained 25.5%, its US counterpart Dow Jones Industrial gained 22.3%. The leader was the US technology exchange Nasdaq, which posted a premium of 35.2%, while the German small-cap index SDAX emerged as the winner with a gain of 31.6%.

The windeln.de share

The share of windeln.de SE has been traded on Frankfurt Stock Exchange in the Prime Standard since May 6, 2015. On the first trading day of the of the past financial year, the closing price was EUR 0.17 (figures based on XETRA). The year high was reached at EUR 2.50 in the first quarter on March 5, 2019. The lowest price was observed January 2, 2019 at a price of EUR 0.17. Towards the last trading day of the year the price closed at EUR 1.63 (post second reverse split) on December 30, 2019.

Basis data (as of December 31, 2019)

WKN	WNDL20
ISIN	DE000WNDL201
Stock exchange abbreviation	WDL
Industry	E-Commerce
Trading segment	Regulated Market (Prime Standard)
Designated Sponsor	Pareto Securities
Initial listing	May 6, 2015
Type of share	No-par value bearer shares
Number of shares as of January 1, 2019	31,136,470
Number of shares as of December 31, 2019	2,989,101
Share price as of January 2, 2019*	EUR 0.17
High for the period on March 5, 2019	EUR 2.50 (post reverse stock split)
Low for the period on January 2, 2019	EUR 0.16 (before reverse stock split)
Share price as of December 30, 2019*	EUR 1.63 (post second reverse stock split)

* XETRA-Closing price

Research Analysts

Institute	Analyst
Montega AG	Henrik Markmann

Capital measures and market capitalization

The number of windeln.de SE shares at the beginning of 2019 was 31,136,470, each representing a pro rata amount of the share capital of EUR 1.00.

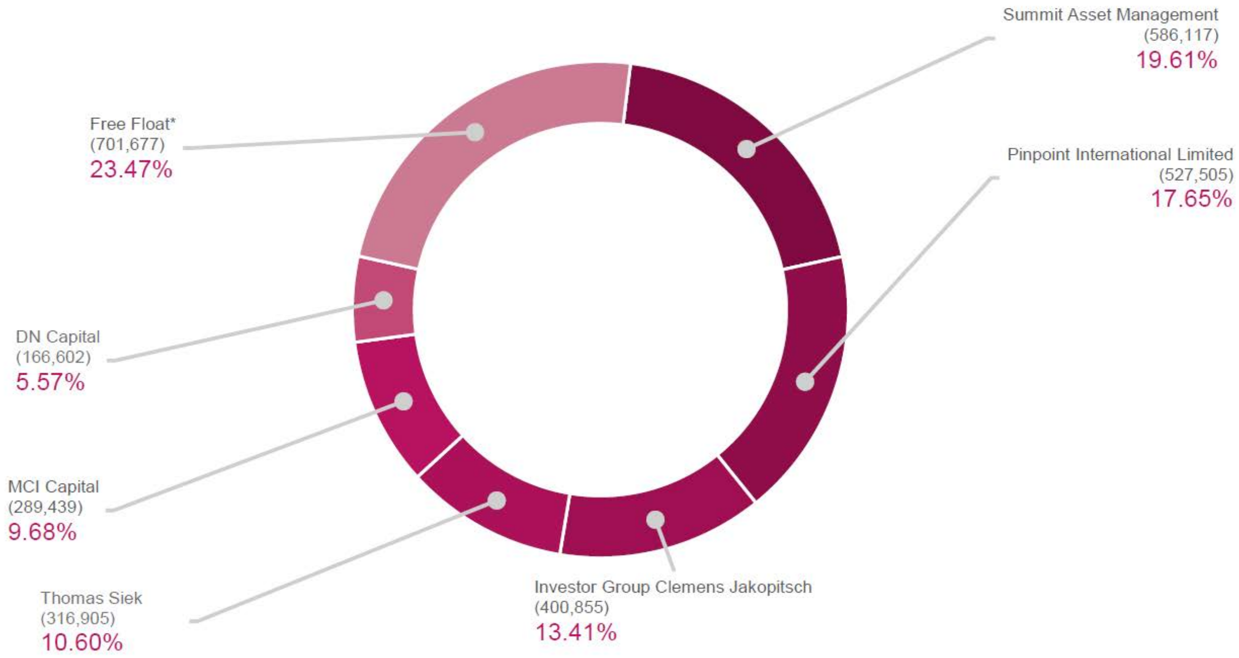
A capital reduction was registered on January 14, 2019, which decreased the share capital of windeln.de SE by a reverse stock split at a ratio of 10 : 1 by EUR 28,022,823 to a total of EUR 3,113,647. This capital measure was the basis for the subsequent capital increase with subscription rights against cash contribution, since based on the capital reduction there was a calculated share price of over EUR 1.00, which is the legal minimum amount for the issue of new shares in connection with capital increases.

A capital increase was entered on March 14, 2019, which increased the share capital of windeln.de SE by EUR 6,850,023 to a total of EUR 9,963,670. The shares were placed at a price of EUR 1.48, so that the company received gross proceeds of EUR 10,138,034. This capital measure is due to a capital increase with subscription rights against cash contribution.

Upon entry in the commercial register on December 18, 2019, the share capital of windeln.de SE was decreased by a reverse share split in a ratio of 10 : 3 by EUR 6,974,569 to a total of EUR 2,989,101. This capital measure was the basis for the planned capital increase for 2020 with subscription rights against cash contribution, since based on the capital reduction there was a calculated share price of over EUR 1.00, which is the legal minimum amount for the issue of new shares in connection with capital increases.

On the basis of the 2,989,101 shares outstanding, the market capitalization on December 31, 2019 was EUR 4.87 million.

Shareholder structure and free float



As of December 31, 2019
Disclaimer: The shareholder structure pictured above is based on the published voting rights announcements and company information. windeln.de SE assumes no responsibility for the correctness, completeness or currentness of the figures.

** Free float (<3%): 14.6%*

Investor Relations (IR)

The management of windeln.de SE sets high priority to an intensive dialogue with the capital market and attaches great importance to regular and transparent communication with the shareholders and stakeholders of the company. It is the ultimate goal to communicate the latest Company development in a timely manner. To ensure this, windeln.de relies on the regular publication of Company-relevant reports, comprehensive financial reporting, and especially on the permanent personal contact with investors, analysts, journalists and the interested public.

In the past year, a regular exchange between investors and management board took place in the context of roadshows, capital market conferences, individual meetings and numerous telephone conferences. The investor meetings carried out in 2019 led the management of the Company to Frankfurt, Hamburg, Zurich and Munich. windeln.de also participated in numerous investor conferences: DVFA Spring Conference, Zürcher Capital Market Conference, DVFA Autumn Conference and the Equity Forum of Deutsche Börse.

On the occasion of the publication of annual and quarterly results, telephone conferences and webcasts were held for shareholders, research analysts and other capital market participants. The corresponding presentations and recordings of the webcasts are available on the Company´s website in the Investor Relations section. The management and the Investor Relations department were available to interested parties for questions and personal discussions.

For investors, analysts and the interested public, the website https://corporate.windeln.de/ provides further information that is constantly updated. In addition to the financial reports, mandatory reports and corporate news, visitors to the website will find the latest version of the Company presentation as well. Further, there is the possibility to register for an electronic mailing list in order to be supplied promptly and directly with important corporate news.

Financial calendar

Publication of full year 2019 results	March 18, 2020
Publication of first quarter results 2020	May 14, 2020
DVFA Spring Conference (Small- & Mid Cap)	May 2020
Annual General Meeting 2020	June 2020
Publication of first quarter results 2020	August 5, 2020
Publication of nine months results 2020	November 12, 2020

Investor Relations Contact

Judith Buchholz
E-Mail: investor.relations@windeln.de

GROUP MANAGEMENT REPORT FOR THE BUSINESS YEAR JANUARY 1 TO DECEMBER 31, 2019

1. Fundamental information about the Group

1.1. Group business model

windeln.de SE Group (hereinafter referred to as “windeln.de” or the “Group”) is one of Europe’s leading online retailers for baby, toddler and children products. The parent company, windeln.de SE, was founded in 2010 and has its registered office in Munich, Germany.

We currently cooperate with around 440 suppliers in order to offer our clients a large selection of products through the webshops windeln.de, windeln.ch and three shops in Southern Europe, bebitus.com, bebitus.pt and bebitus.fr, which they can order from the comfort of their homes. Products range from diapers, baby nutrition and drugstore products to clothing, toys, strollers, furniture and safety products, such as car seats. Since 2018, products are offered for older children and parents, i. e. for general family needs. Meanwhile, the assortment also comprises the categories dietary supplements, cosmetics and partnership.

windeln.de also serves customers in China through its website “windeln.com.cn”. Furthermore, through a flagship store, the Group is present on the Chinese online platform Tmall Global (”windelnde.tmall.hk”). Addtionally, we ship to intermediaries.

In August 2018, windeln.de sold its shares of Feedo Group that had operated the webshops feedo.cz, feedo.pl and feedo.sk.

Currently, windeln.de supplies its customers from five warehouses (Großbeeren near Berlin/Germany; Barcelona/Spain; Ginsheim-Gustavsburg near Frankfurt am Main/Germany, Guangzhou/China and Ningbo/China). This fulfilment network offers the possibility to serve all markets efficiently. Furthermore, the Group runs a retail shop in Grünwald near Munich/Germany.

The customers are the top priority for windeln.de. We see our core competence in the creation of a convenient e-commerce offering that meets the needs of young families. We are striving for not only offering products customers are acitively seeking for, but also to constantly adapt our offers to the customer needs. Our online shops provide structured sort functions, filter functions according to brands, price and customer ratings plus a number of product specifications. To be able to guarantee a positive shopping experience, our European webshops offer customers free delivery with a certain minimum order as well as a range of community and content offers to all customers, e. g. online advice, pregnancy Apps, personal recommendations and a competent customer service.

1.1.1. International development

Europe

After its launch in 2010 in Germany, windeln.de started its deliveries to European countries in 2011. In 2013, the online shop "www.windeln.ch" went live. The acquisition of Bebitus Retail S.L. in 2015 (now Bebitus Retail S.L.U.; hereinafter referred to as "Bebitus") added the Spanish, Portuguese and French markets.

In the five European shops (Germany/ Austria, Switzerland, Spain, Portugal and France), windeln.de offers country-specific websites and a local product range to meet the specific needs of each region. Customers in other European countries, such as Italy or the Benelux countries, are also supplied via our webshop www.windeln.de.

There is substantial growth potential in the existing international markets due to the lower market share of the Group compared to Germany and the lower online share of the baby, children's and family products market.

China

Since 2012, windeln.de has also been active in the Chinese cross-border e-commerce market, where foreign baby products are also sold to customers in China. Scandals in the past about contaminated milk powder produced in China have led to great mistrust in domestic Chinese products As a result, German products from the "Mother & Child" category in particular have gained in importance in China, which makes the offer of windeln.de very attractive for Chinese customers.

To make shopping as convenient as possible, the payment methods Alipay, credit card and PayPal are offered in China. In addition, there was a Chinese version of the "windeln.de" website since 2014, which was replaced by the "windeln.com.cn" webshop at the end of 2016. Direct delivery to China is possible since 2015. Since 2016, Chinese customers have been able to select both duty unpaid and duty paid shipment of their goods in the webshop. Here, the applicable cross-border e-commerce tax on the goods is levied at checkout and transferred directly to customs by a logistics partner. This enables fast and efficient customs clearance.

An important step was the opening of a flagship store on Tmall Global, the Alibaba Group's digital marketplace for foreign brands. Alibaba's digital marketplace provides access to over 500 million active customers.[1]

[1] https://www.scmp.com/business/companies/article/3033924/alibaba-sets-sights-500-million-consumers-singles-day-shopping, retrieved on February 26, 2020

The Chinese webshop "windeln.com.cn" runs on a Group-wide uniform technology platform, which enables responsive design.
In addition, a server in China was put into operation in 2017, which significantly shortened the loading times of the Chinese website. In addition, the website was equipped with a certificate which promotes the confidence of Chinese customers in the platform, as the identity of the operators of the website is established.

In addition, various activities in several Chinese forums and communities as well as a Chinese-speaking customer service contribute to customer loyalty and prompt customer communication. To further develop the Chinese market, the service company windeln Management Consulting (Shanghai) Co., Ltd. was founded in 2017.

In June 2018, the bonded warehouse for the windeln.de Tmall flagship store went into operation. Customers, who buy via Tmall, now have the choice between the delivery from the bonded warehouse in the South of China - so they can be delivered within two to three days - or from Germany. The Group sees strong approval rates for this faster delivery service. In 2019, the second bonded warehouse (Bonded Warehouse 2) was also opened in Ningbo (near Shanghai), through which orders from the webshop "windeln.com.cn" can be delivered since the beginning of November 2019. Customers now have the option between fast direct delivery from China or delivery from Germany, either duty paid or duty unpaid.

Overall, business in China in 2019 was below management expectations. Among other reasons, this was due, to the delayed opening of the second bonded warehouse in China, the delayed establishment of the marketing cooperation with Shanghai Langtao Trading Company Ltd. (hereinafter referred to as “Langtao”) and a lower purchasing volume to protect the Group's liquidity. In the important fourth quarter, with the major sales campaigns (e. g. Singles Day, December 12 and Black Friday), business grew again, but was below the Group's original targets.

In 2019, around 62% of Group sales were generated with Chinese customers.

1.1.2. Product mix

The Group offers its customers a comprehensive range of carefully selected products to meet the needs of families with young children. Especially through the continuous optimization and completion of the product portfolio, windeln.de increases its attractiveness for both new and existing customers.

The range of daily needed consumer goods like diapers, baby nutrition and drugstore products up to durables such as strollers, car seats, clothes, toys and children's furniture makes windeln.de a central contact point for the purchases surrounding the needs of baby, child and family. By continuously adding popular product groups such as dietary supplements, cosmetics and partnership articles to the product portfolio, the Group is able to increase its attractiveness and become an integrated provider for the needs of families.

The selection of product ranges, strategic purchasing activities and scheduling are carried out within uniform Group-wide structures. There are two purchasing organizations in the Group: one in Munich for the German speaking region and the Chinese market, and one in Barcelona for the Southern European market, both maintaining intensive relationships with around 440 suppliers. In 2018, optimized listing rules were introduced at the European level, which ensure a continued positive development of the Group's profitability under strict consideration of profitability figures and provide the purchasing team with an important decision-making aid for the listing of new products. The dynamic process of assortment optimization will be continued on an ongoing basis and supplemented by an increased inventory turnover rate and a reduction in inventory ranges. In 2019, the Group has consistently continued to optimize its assortment, initiated sell offs for fashion items and liquidations of outdated stocks of the years 2015 to 2017.

In the private label section, the Group has discontinued its private label brands in the highly competitive fashion market in 2019 and focuses on the private label consumable brand Darly.

1.1.3. Fulfilment/operations

windeln.de SE currently has a total of five logistics centers, which are used for time- and cost-efficient delivery. In order to achieve optimal logistics results for all target markets, windeln.de relies on the locations Großbeeren near Berlin (Germany), Barcelona (Spain), Ginsheim-Gustavsburg near Frankfurt am Main (Germany), Guangzhou and Ningbo (Chinese bonded warehouses). The Group continues to pursue its asset-light strategy, defined by the operational operation of all logistics centers by external service providers.

In Novmeber 2019, a second bonded warehouse was opened in China (Ningbo near Shanghai) in order to offer Chinese customers in the webshop “windeln.com.cn” the option – in addtion to deliveries from Germany – to faster and cheaper deliveries from China.

In addition to deliveries from warehouses, windeln.de applied offered dropshipment deliveries to its customers. This method allows the Group to ship goods directly from the manufacturer to the customer without having to resort to its own logistics centers. This enables the Group to save storage capacity while simultaneously completing its product portfolio.

Despite the operational outsourcing of logistics, all key fulfilment processes are controlled centrally by Group employees and thus represent an essential know-how of the Group. The Group has its own team for the coordination and further development of procurement and distribution structures. Optimized flows of goods, packing efficiency and quality, as well as delivery speed are decisive levers for the Group to improve cost efficiency and maximize customer satisfaction.

A particular cost factor in logistics is the returns ratio, which averaged at 2.8% for the Group in 2019. This is due to the very low rate of returns of both daily consumer goods and consumables. Furthermore, the good advisory service in the shop means that products are comparatively rarely returned.

The multilingual customer service, aiming at international customers, offers customers competent advice and a free point of contact for their concerns regarding ordering in the web shops. This service is made possible by a total of four customer service centers, of which two are located in Europe and two in Asia, which are operated both internally and in collaboration with external service providers. External service providers are monitored by the headquarter of windeln.de SE in Munich.

To ensure the best possible shopping experience, the Group has a large, constantly evolving portfolio of payment options, which is an essential building block for repurchase rates and customer satisfaction.

Supply chain management relies on internally developed statistical models to determine optimum order quantities. These precise algorithms enabled the Group to significantly reduce inventories without compromising inventory and delivery reliability.

1.1.4. Technology infrastructure

As a company focused on technology, ongoing innovation through investments in technology is a core part of windeln.de’s business. Currently, windeln.de operates an internally developed technology platform that serves as the basis for a convenient and inspiring shopping experience for its customers.

To keep pace to the latest technological developments, windeln.de is working on a replacement of the currently internally managed shop architecture by a third-party solution. This step becomes necessary due to our limited internal resources and increasing technical demands. With the outsourcing of the shop architecture, we aim at creating better customer experience, flexible adaptation of future technical enhancements and saving costs on a long-term perspective. Additionally, the internally developed product information system is being migrated to an external solution.

windeln.de maintains sophisticated systems for the collection of large amounts of data on the browsing and shopping behaviour of customers. Through the analysis of this data, the needs of the customers can be met very well, e. g. by personalized recommendations based on childhood can be given. At the same time, compliance with the European data protection standard is a matter of course.

The rapid development of mobile commerce offers great potential for the Group. In fiscal year 2019, around 79% of website traffic and 61% of orders were generated from mobile devices. The Group is continuously working on optimizing its mobile offerings for websites and apps. On mobile devices such as smartphones and tablets, purchases in the shops are made much easier thanks to optimized alignment and a more user-friendly display. The advantages for IT are that features can be implemented much faster and scaled across shops thanks to the modern IT architecture based on micro-services and standardized and optimized processes.

The most important technical developments in 2019 were:

New home page
In February 2019, a new home page was launched for the shops www.windeln.de and www.windeln.ch. In addition to a leaner navigation panel, all presented contents are customized to the pregnancy week or the child’s age. Following elements are customized for the target group: recommended products, latest promotions, favorite brands, product categories, relevant news in the magazine and category advisors. The launch in the other shops was completed in Q3 2019.

Enhancement of the windeln.de App
Since March 2019, the enhancement of the windeln.de App by the function “pregnancy” is also available in the Portuguese and French App, and thus in all our European markets. Expecting parents can enter the expected date of birth. This is used as a basis to provide information on the prenatal development of the baby and the mother in the various stages of pregnancy. The App offers useful tips and checklists. Furthermore, products are being presented in this section that may meet the mothers’ interests.

Additionally, the windeln.de App was expanded by the functions “My lists/rebuy” in all countries. This allows customers to reorder products from their purchase history with only few clicks.

Baby App for Android and iOS devices
In April 2019, the Baby App was launched for iOS mobile devices. It offers weekly summaries of the baby’s development, midwife tips, automatic weekly push notification and various tracker functions (e. g. breastfeeding, sleeping, diaper changing, feeding or medication). The new App aims at providing additional content to customers and increasing traffic on our mobile shop and webshop. Since August 2019 the App is also available for Android devices.

In November 2019, we added a new content section “Unsere Berater” for the German market. It provides guidance to our customers to select the best product for various categories.

1.1.5. Marketing and customer acquisition

New customers are acquired through various paid and unpaid marketing channels. These include search engine marketing (SEA and SEO), content marketing (windeln.de online magazines and windeln.de app), product data marketing on price comparisons, affiliate marketing, re-targeting, recommendation marketing and social media. The focus is on online marketing and social media in order to reach customers where they have access to the windeln.de webshop.

2019 was characterized by the internationalization of the windeln.de magazine in France and Portugal and the increased use of influencer marketing on popular social media platforms. For example, the number of followers on Instagram could be tripled for windeln.de in 2019. The new function of in-app-shopping, offered by the service Instagram, has been used since its introduction and is constantly being expanded. This enables to use advertising images on the above platform to be linked directly to the Group's shops. This simplifies the purchasing process for the customer. Furthermore, the pregnancy calendar of the windeln.de app has been expanded by baby's first year development. Various functions, such as the possibility to record the baby's activities, midwife tips, the weekly summary of the baby's development and the sending of automatic, personalized push messages contribute to long-term customer loyalty. The implementation into the windeln.de app triggered a customer loyalty management process, which was characterized by the multiplication of the download rate and an increase of the share of mobile orders (as % of total number of orders) by 5.8pp to 61,2%.

Since 2019, windeln.de expands its marketing activities in the Chinese market. In August 2019, a cooperation agreement with the local partner Langtao was signed in order to better address Chinese customers and to continue making an attractive offering to Chinese customers in the changing market environment.

The business model of windeln.de relies on the one-time acquisition of customers, who are inspired by the wide range of products in combination with the segment-specific customer relationship management campaigns over a longer period of time to multiple purchases and repeated interaction on the websites of windeln.de and thus become regular customers of the Group.

Generally, the most effective form of marketing is to continuously improve 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 a customer recommendation program of windeln.de, which was extended in 2019 by the possibility of product evaluation via newsletter. This enables customers to submit their product rating directly in an email after the purchase, which also supports other parents to make a better product choice. This led to an increase in the product evaluation rate of 33%. The share of repeat customers in fiscal year 2019 was 71.4%.[2]

1.1.6. Employees

Our employees form the basis of the success of the Group. The dynamic and growing business environment in which windeln.de operates, calls for engaged and motivated employees. As of December 31, 2019, the Group had 210 employees (December 31, 2018: 224 employees). The reduction is a result of continued improvements and automization of processes.

All human resources (HR) activities are managed from Munich. Since its implementation in 2017, the HR software is constantly further developed and offers accelerated processes for both the HR department and the employees and contributes to greater transparency. For example, employees of the HR department can access all relevant documents digitally, regardless of where they are, while, for example, the employees of windeln.de SE receive the monthly pay slips online via the tool access.

The consolidation of processes and standardization of regulations in all companies are as much a focus as the continuous increase in efficiency in existing processes.

Different cultures, ideas, perspectives, strengths and experiences lead to best results for windeln.de The diversity of the employees is very important to the Group. At the end of 2019, windeln.de Group-wide employed people from 26 countries. Women make up to 58% of the Group's workforce. The average age of the workforce 2019 was 34 years, whereby the age of the experienced management board clearly lies above this number.

windeln.de lives an open, trustworthy and transparent corporate and communication culture, which supports the team spirit and commitment. Short ways, quick decisions and flat hierarchies are very important elements of the corporate culture. Thus, the windeln.de WRules of Success and Principals of Cooperation were developed, which offer company values for daily orientation, behaviour and decisions of employees. Interdepartmental events are offered to all employees at regular intervals. Information events organized by the management board, which provide information on developments, current projects and outlook, supplement this.

An important vision of the Group is to support the development of employees' skills. windeln.de has therefore decided to support its employees' individual career goals and to offer training accordingly. This includes the development of young professionals into leading positions.

Through the program "employees-promote-employees", a modern career website and numerous other initiatives, the Group addresses new, potential candidates. Additional initiatives aim at increasing employee retention. A standardized review process and regular one-to-one meetings ensures that there is close exchange and feedback between supervisors and employees.

Since mid 2018, payroll accounting for all Group companies has been carried out by external local specialists to ensure compliance with local laws.

1.2. Group structure

Legal form

windeln.de SE is a European stock corporation (Societas Europaea; short SE).

[2] We define orders from repeat customers as the number of orders from customers who have placed at least one previous order, irrespective of returns. The share of repeat customer orders represents the number of orders from repeat customers in the last twelve months divided by the number of orders in the last twelve months.

Management and control

windeln.de Group is managed by the parent company, windeln.de SE, based in Munich, Germany. All management functions are bundled here. As a European stock corporation, windeln.de SE chose 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 SE, the Group is currently made up of five fully consolidated subsidiaries, which operate as service entities. All subsidiaries are directly controlled by windeln.de SE and are 100% owned by the Group.

Group segments

The segment structure in 2019 is unchanged to the prior year. Due to the technical integration of the webshops and the disciplinary organization of corporate employees in central departments, the Group is managed by the central headquarter. As a result, windeln.de operates as a one-segment Group.

1.3. Group strategy and competitive position

Strategy

In the medium term, we want to become the leading online retailer for the needs of families with babies and children in Europe and China. The focus is on creating an optimal e-commerce offering that meets the needs of young families. We are striving for not only offering products customers are acitively seeking for, but also to constantly adapt our offers to the customer needs.

Our next year's goal is to further diversify our channels and products in China, to increase margins and reduce costs in Europe, and to further improve our financial position to achieve sustainable profitability. We intend to achieve this goal with the following strategies.

- Focusing on the existing markets of windeln.de in Europe and China by expanding the customer base, enhancing the product offering and expanding distribution channels, also through cooperation with other companies
- Improvement of operational processes in order to improve the shopping experience of our customers as well as to increase sustainable profitability.

Goals and strategies have not changed compared to the prior year. Further information on the accomplishment of the strategic goals set in the prior year are provided in note 2.4.4 “Net overall statement”. Please refer to note 3 “Outlook” for further information on the strategy in 2020.

Competitive position

Competitors of windeln.de are other online retailers that focus exclusively on the sale of products for babies, toddlers and children (“pure online retailers for baby and children 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 competitors of windeln.de.

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

This success is based on the following core drivers:

- Loyal customer base, which is primarily made up of mothers
- Focus on products for babies and children and an increasing range of family products with the associated specialist knowledge
- Broad and inspired selection of products
- Scalable IT and fulfilment infrastructure focused on future growth
- Economies of scale and efficiency advantages on account of size and market share
- High level of brand awareness as provider of “German quality products” on the Chinese market
- Strategically close and long-term relationships with manufacturers and suppliers

1.4. Management system

The most important performance indicators for the Group’s management are revenues, operating contribution as percentage of revenues, adjusted earnings before interest and taxes as percentage of revenues (adjusted EBIT as percentage of revenues), the Group’s cash flow and net working capital.

For the purposes of managing the Group, earnings before interest and taxes (EBIT) are adjusted for expenses and income in connection with share-based compensation, reorganization measures, acquisitions, the warehouse move, impairments of purchased intangible assets (if applicable in the reporting period) and income and expenses of the closed shop pannolini.it in 2018.

The management board manages at Group level.

In addition to the listed financial key figures, a number of non-financial performance indicators, which take influence on the order volume, are also used to steer the group:

- Number of active customers

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

- Average 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

The number of orders as well as the average size of the shopping cart have a direct influence on the Group’s revenue. This figure is also a key indicator to measure the customers’ trust in the Group

- Share of repeat customer orders

The share of repeat customer orders is the relationship of orders made by repeat customers compared to the total number of customers. This measure also reveals the loyalty of our customers.

The non-financial performance indicators are managed by the management board at shop level. Except for the net working capital, the management system used in the Group is unchanged, compared to the previous year.

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

1.5. Research and development

Currently, windeln.de internally develops 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. Thereby, windeln.de uses modern, open source based standard software and libraries. If necessary, tailor-made technologies are supplemented by selected third-party solutions. In future the self developed shop architecture and product information system will be replaced by third-party solutions.

The capitalization quota of the Group’s development services is 4%.

The most important technical developments in 2019 are outlined in note 1.1.4 ”Technology infrastructure”.

In 2019, the software development constitutes a structured and personnel-intensive part of the implementation of customer features in the shop, improvements to systems, development of components as well as the expansion and customization of the functionalities of the ERP system. The development teams are divided into sub-areas of the customer purchase process and work in agile, organized teams: Product, content, checkout, and service teams. Back office tools (product information system, customer information system, SEO) are being developed at the location Sibiu in Romania. A quality assurance (QA) team in Sibiu supports the development teams and performs manual and automated test runs. ERP development takes place in a further specialized team. The automation of IT operations and the operation of infrastructure services are performed by the IT team. Thereby, the automation of software development processes and the server management could be fully achieved.

Currently, the Group prepares for the relocation of the Group's entire IT development activities from Munich to Sibiu in order to further decrease IT expenses.

The Group does not perform any research activities.

2. Report on economic position

2.1. Macroeconomic conditions

In 2019, retail sales in Germany amounted to around EUR 543.6 billion, which corresponds to growth of 3.2% compared to the previous year. Retail sales increased in 2019 for the tenth time in a row.[3] Expectations for retail growth in 2020 are around 2.5%, which corresponds to a forecasted turnover of EUR 557.2 billion.[4] The gross domestic product (GDP) rose only slightly by 0.6% in 2019 (previous year: 1.5%).[5] Retail made a significant contribution to this growth.[6]

However, the development of the individual sectors is very diverse. Online trading continues to be an above-average successful industry, generating total revenues of EUR 72.6 billion in 2019 (growth of around 11.5% compared to 2018).[7] Thus, in 2019, around 13% of retail sales were generated in e-commerce. Revenue growth of 10% is forecasted for 2020.[8]

Sales also increased in Europe. The retail volume for 2019 increased by 2% in the EU-27 (without UK).[9] In 2019, European online trading generated sales of around EUR 309 billion.[10]

Retail sales in China grew by around 8% year-on-year in 2019. In e-commerce, a volume of EUR 632 billion was recorded in 2019. The Group expects further significant annual growth of around 7% until 2024.[11, 12]

Due to the continued positive growth figures of the online trade, the Group sees further growing market opportunities for the business model of trading products for babies, children and families.

The withdrawal of the United Kingdom from the European Union ("Brexit") has no direct impact on the Group. In the financial year 2019, windeln.de SE delivered only a very insignificant number of products to the United Kingdom or procured products from it. There are no plans to expand the business there in the future either.

According to eMarketer, the effects of the trade dispute between the US and China also have no negative effects for Europe with regard to the cross-border e-commerce market in China, as the increasing demand for high-quality products of the growing Chinese middle class in the ongoing trade dispute between the US and China can be increasingly supplied by Europe and Australia.[13]

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

German and European market

The online trade in Germany increased last year by around 11.5% to EUR 72.6 billion. Also in 2020, the significant growth of more than 10% is expected.[14] In 2019, the value of the e-commerce market for baby and toddler supplies in Germany was around EUR 2 billion and is expected to grow to EUR 3 billion until 2024.[15] In 2018, around 788,000 children were born, 2.600 newborns more than 2017. With a birth rate of 1.57 children per woman, the positive trend continues.[16]

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[3] Statista; https://de.statista.com/statistik/daten/studie/70190/umfrage/umsatz-im-deutschen-einzelhandel-zeitreihe/ retrieved on February 10, 2020
[4] Statista; https://de.statista.com/statistik/daten/studie/70190/umfrage/umsatz-im-deutschen-einzelhandel-zeitreihe/ retrieved on February 10, 2020
[5] Statista; https://de.statista.com/statistik/daten/studie/2112/umfrage/veraenderung-des-bruttoinlandprodukts-im-vergleich-zum-vorjahr/; retrieved on February 7, 2020
[6] HDE Zahlenspiegel 2019; S. 7; retrieved on February 11, 2020
[7] Statista; https://de.statista.com/statistik/daten/studie/71568/umfrage/online-umsatz-mit-waren-seit-2000/; retrieved on February 7, 2020
[8] EHI Handelsdaten; https://www.handelsdaten.de/branchen/e-commerce-und-versandhandel; retrieved on February 10, 2020
[9] GFK Einzelhandel Europa; http://www.gfk-geomarketing.de/fileadmin/gfkgeomarketing/de/DE_European_Retail_Study_2019.pdf; S. 8; retrieved on February 10, 2020
[10] Statista; https://de.statista.com/outlook/243/102/ecommerce/europa; retrieved on February 11, 2020
[11] Statista; https://www.statista.com/statistics/277912/china-change-in-trade-revenue-of-consumer-goods-by-month/; retrieved on February 7, 2020
[12] Statista; https://de.statista.com/outlook/243/117/ecommerce/china; retrieved on February 10, 2020
[13] eMarketer; https://www.emarketer.com/content/trade-war-will-have-little-effect-on-cross-border-ecommerce; retrieved on February 10, 2020
[14] Statista; https://de.statista.com/statistik/daten/studie/71568/umfrage/online-umsatz-mit-waren-seit-2000/; retrieved on February 7, 2020; EHI Handelsdaten; https://www.handelsdaten.de/branchen/e-commerce-und-versandhandel; retrieved on February 10, 2020
[15] Statista; https://de.statista.com/statistik/daten/studie/497188/umfrage/prognose-der-umsaetze-im-e-commerce-spielzeug-und-baby-deutschland/; https://de.statista.com/outlook/257/137/spielzeug-baby/deutschland; retrieved on February 7, 2020
[16] Tagesschau; https://www.tagesschau.de/inland/geburten-deutschland-103.html; retrieved on February 11, 2020

From the Group's perspective, medium-term growth of the entire market for baby and toddler products is therefore highly probable.

According to Group forecasts, last year's sales in the baby, toddler and children's supplies segment in Europe in 2019 amounted to approximately EUR 11.9 billion, which corresponds to a year-on-year difference of +6%. Average annual growth of 6% is expected up to 2024. The Group also expects rising consumer spending in Europe, especially in the areas of clothing, household and health care. With an estimated 5 million births in 2019 in Europe, a stable birth trend is also continuing here.[17]

The use of the medium Internet as a platform for offering goods offers some comfort and cost advantages for companies as well as for customers. The overview of product ranges and the possibility to compare products and their prices is a reason for customers to prefer online trading to stationary stores. On the other hand, thanks to the pleasant shopping experience for customers, retailers benefit from promoting customer loyalty. Another major advantage is the simplified exchange of information between the retailer and the customer. Simplified direct contact in e-commerce makes it easier to look after customers appropriately. Thanks to electronic data and information exchange, the support is not only efficient but also individual and user-friendly, depending on the design. The online channel is generally a good way to sell consumer goods for babies and children, as these products are similar to other product categories which are already sold online to a significant extent, such as consumer electronics, appliances and fashion (with clothes and shoes). Products for babies, toddlers and children are typically branded, non-perishable and purchased at high frequency. This offers a significant opportunity for the growth of the online share. In addition, demand with little need for individualisation is highly predictable. Furthermore, the ability to shop anytime, anywhere with convenient home delivery is a significant convenience compared to traditional offline shopping.

By offering a wider range of drugstore and healthcare products, the Group is strengthening its presence in a positively forecasted market with an average annual growth rate of around 7% in Germany until 2024. In 2019, the market recorded sales of EUR 6.2 billion.[18] According to Group estimations, sales in 2019 in the drugstore and health segment in Europe amounted to EUR 23.8 billion. For the next five years, an average annual growth of 8% is expected in this segment.[19]

Mobile devices

Customers in online retailing are increasingly buying via mobile devices. The rising sales via mobile devices offer great opportunities for online trading. Experts predict that mobile shopping will soon account for around 50% of all transactions. Smartphones and tablets offer customers a convenient way to shop at any time and from anywhere. This is a major advantage especially in the sale of baby and toddler products. The Group is continuously working to improve the mobile shopping experience for its customers and has, among other things, introduced the innovative in-app shopping function offered by the Instagram service.

The share of mobile page views at windeln.de amounted to 79% in 2019 (the share of mobile orders amounted to 61%), which represents an increase of of 6% compared to the previous year. Almost every second parent (46%) uses mobile devices such as smartphones for shopping, mainly because of time savings compared to shopping at desktop PCs (44%). The smartphone is not only used on the go (25%), but also at home (85%).[20]

Cross-border e-commerce market in China

windeln.de is also active in the Chinese cross-border e-commerce market. Chinese customers buy directly from foreign online merchants in this market segment. In 2019 the volume of Chinese cross-border e-commerce amounted to USD 144 billion last year, which corresponds to growth of around 18% year-on-year. It is estimated that further steady growth in the range of about 8% per annum on average will be achieved until 2024.[21] The number of cross-border e-commerce users is also growing rapidly in China. In 2019, the figure is expected to be 147 million, an increase of around 9% on the previous year. According to eMarketer, every fourth user of Chinese e-commerce will have completed a cross-border purchase by 2020.[22]

In 2019, the value of the e-commerce market for baby and toddler needs in China was around EUR 56.4 billion; in the drugstore and health care segment, online sales amounted to around EUR 27.6 billion. In a global comparison, China represents the highest sales in both categories.[23] With rising disposable income of the Chinese population and a rapidly growing middle class, the demand for high-quality products from Europe, including Germany, is also growing.[24] Consumers often bear the opinion that products purchased via cross-border e-commerce platforms guarantee a higher level of quality and offer protection against counterfeit goods, which is why products from the categories mother and baby (especially milk powder) as well as cosmetics and health products are particularly popular in cross-border online trade.[25]

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[17] Statista; https://de.statista.com/outlook/257/102/spielzeug-baby/europa; retrieved on February 11, 2020/ Statista; https://www.statista.com/statistics/253401/number-of-live-births-in-the-eu/; retrieved on February 26, 2020
[18] Statista; https://de.statista.com/outlook/254/137/drogerie-gesundheit/deutschland; retrieved on February 11, 2020
[19] Statista; https://de.statista.com/outlook/254/102/drogerie-gesundheit/europa; retrieved on February 11, 2020
[20] Etailment, http://etailment.de/news/stories/eltern-kinder-studie-21088?utm_source=%2Fmeta%2Fnewsletter%2Flongread&utm_medium=newsletter&utm_campaign=nl1270&utm_term=19d68f6ca8cc5e2a52ade5516d359e52; retrieved on February 11, 2020
[21] Statista; https://de.statista.com/statistik/daten/studie/983450/umfrage/crossborder-e-commerce-umsatz-in-china/; retrieved on February 11, 2020/ eMarketer; https://www.emarketer.com/content/trade-war-will-have-little-effect-on-cross-border-ecommerce; retrieved on February 12, 2020
[22] eMarketer; https://www.emarketer.com/content/trade-war-will-have-little-effect-on-cross-border-ecommerce; retrieved on February 12, 2020
[23] Statista; https://de.statista.com/outlook/257/117/spielzeug-baby/china; https://de.statista.com/outlook/254/117/drogerie-gesundheit/china; both retrieved on February 13, 2020
[24] Euro Fund Research; https://www.fundresearch.de/PartnerCenter/capital-group/Asiens-wachsende-Mittelschicht.php; retrieved on February 11, 2020
[25] Alizila; https://www.alizila.com/why-china-cross-border-e-commerce-market-surging/; Marketing to China; https://www.marketingtochina.com/cross-border-china/; Hermes Supply Chain Blog; https://www.hermes-supply-chain-blog.com/global-e-commerce-studie-deutsche-produkte-in-china-gefragt und China Daily; http://www.chinadaily.com.cn/business/2017-10/30/content_33890583.htm; all retrieved on February 12, 2020

The growth of the Chinese cross-border e-commerce market is stimulated by the following drivers:

- An increase in the annual restriction on cross-border e-commerce purchases from RMB 20,000 to RMB 26,000 per capita as of January 1, 2019, benefits the Group's business activities. In addition, the limit on the value of goods in individual transactions was increased from RMB 2,000 to RMB 5,000.[26]
- Since end of 2018, China's customs administration has been working on new methods to optimize and accelerate customs clearance.[27]
- A reduction in the taxation of incoming mail from 30% to 25% for personal items (clothing and fashion items) and from 60% to 50% for cosmetic products represents a growth-promoting development.[28]
- The market is also strengthened by the fact that more and more babies are being fed milk substitutes instead of breast milk. A total of 800 thousand tonnes of milk powder are expected to have been imported in 2016.[29] Imports are expected to rise to 1.2 million tons until 2025. The growth in demand for foreign quality products, especially German products, continues unbeaten.[30]
- Increasing number of Chinese consumers shopping through cross-border e-commerce channels.[31] In addition, the purchasing power of the middle class in China is growing at a rate of around 9% per capita from 2017 to 2022.[32] According to McKinsey, by 2022 the middle class is expected to reach 630 million people, particularly driving the demand for authentic, high-quality foreign products.[33]

For these reasons, the Group believes that the overall market for baby products in China continues to grow substantially in the coming years.[34]

Despite the structural attractiveness of the Chinese market, demand is volatile as it reacts to market changes such as new legal or regulatory regulations, product changes or temporarily tightened customs controls. It should also be noted that due to the attractiveness of the Chinese market, competition and thus price pressure will tend to increase in the future.

2.3. Course of business

Extraordinary General Meetings and capital increases

At an Extraordinary General Meeting on January 9, 2019, it was resolved to reduce the share capital of windeln.de SE by way of an ordinary capital reduction by a reverse stock split at a ratio of 10 : 1 from EUR 31,136,470 to EUR 3,113,647. This measure was intended to give the Company the opportunity to raise capital on the capital market by issuing new shares, as the share price is intended to level off above EUR 1.00, the statutory minimum issue amount for capital increases. The merger of the shares reduces the number of shares in the Company without affecting the assets of the Company. Furthermore, it was resolved to increase the share capital of the Company by up to EUR 9,000,000 to EUR 12,113,647.

With entry in the commercial register on March 14, 2019, the subscription rights capital increase resolved by the Extraordinary General Meeting on January 9, 2019, successfully completed. The share capital was increased by issuing a total of 6,850,023 no-par value bearer shares, each with a nominal value of EUR 1.00 and with a dividend entitlement from January 1, 2018, against cash contribution of EUR 6,850,023 from EUR 3,113,647 to EUR 9,963,670. Based on the fixed subscription price of EUR 1.48 per share, this results in gross issue proceeds of EUR 10,138k.

In a further Extraordinary General Meeting held on September 27, 2019, the shareholders of windeln.de SE approved to reduce the Company's share capital from EUR 9,963,670 by EUR 6,974,569 to EUR 2,989,101 through an ordinary capital reduction by way of a reverse share split at a ratio of 10 : 3.

In addition, the Extraordinary General Meeting correspondingly resolved to increase windeln.de SE's reduced share capital of EUR 2,989,101 by up to EUR 10,000,000 to up to EUR 12,989,101 by issuing up to 10,000,000 new ordinary bearer shares with no-par-value against contribution in cash with indirect subscription rights for existing shareholders. The resolutions of the Extraordinary General Meeting held on September 27, 2019, became effective by entry in the commercial register on December 18, 2019. The capital increase was performed in 2020 and was entered in the commercial register on February 19, 2020.

In accordance with IAS 33, presentation of earnings per share was adjusted for the prior year period. Earnings per share for fiscal year 2018 have changed from EUR -1.22 to EUR -40.74.

Change in payment provider and introduction of additional payment methods

Since end of Q1 2019, payments from customer orders in the German webshop www.windeln.de with payment method "purchase on account" or "direct debit" are processed through the payment provider Arvato Payment Solutions GmbH (AfterPay). The change in payment provider results in further reduction of default risks and service fees for payment processing. End of 2019, the identical change was implemented in the Swiss webshop www.windeln.ch for the payment method "purchase on account".

Since August 2019, customers of the German webshop www.windeln.de are offered an express checkout through amazon. With this payment method, customers can complete their orders faster and more conveniently, and they can pay with their amazon account. The payment method uses the amazon solvency check and basically excludes any default risks for windeln.de. Additionally, customers of the German webshop www.windeln.de can select payment by installments through the payment provider Paypal since November 2019. The default risk is borne by the payment provider.

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[26] State Council of the People's Republic of China; http://english.gov.cn/news/top_news/2018/11/30/content_281476413209449.htm; retrieved on February 12, 2020
[27] State Council of the People's Republic of China; http://english.gov.cn/news/top_news/2018/11/30/content_281476413209449.htm; retrieved on February 12, 2020
[28] Herlar; https://jingdaily.com/cross-border-predictions/; retrieved on February 11, 2020
[29] Herlar; https://jingdaily.com/cross-border-predictions/; retrieved on February 11, 2020
[30] Handelsblatt; https://www.handelsblatt.com/unternehmen/it-medien/made-in-germany-china-made-in-germany-verspricht-sicherheit-und-qualitaet/5746232-5.html?ticket=ST-1469271-ihNJILWwLMmiIzsGPa9T-ap2; retrieved on February 12, 2020
[31] Cross-Border E-Commerce Guidebook (Second Edition 2019), Consulate General of the Kingdom of the Netherlands in Shanghai
[32] Statista; https://www.statista.com/statistics/263775/gross-domestic-product-gdp-per-capita-in-china/; retrieved on February 12, 2020
[33] China Daily; http://www.chinadaily.com.cn/business/tech/2017-02/16/content_28218209.htm; retrieved on February 12, 2020
[34] Seattle Times; https://www.seattletimes.com/opinion/400-million-strong-and-growing-chinas-massive-middle-class-is-its-secret-weapon/; eMarketer; https://www.emarketer.com/content/trade-war-will-have-little-effect-on-cross-border-ecommerce; both retrieved on February 12, 2020

The introduction of the popular payment method WeChatPay for our Chinese webshop www.windeln.com.cn was prepared in 2019 and went live in February 2020.

Langtao cooperation

In August 2019, a cooperation agreement with Shanghai Langtao Trading Company Ltd. was signed. Langtao will replace our current T-Mall Partner (TP), and in addition it will support all of our other Chinese distribution channels. This comprises specifically customer service, brand strategies, project and marketing planning, visual design, product management, sales promotions, communication with sales channels and supply chain management. Langtao have profound experience in launching and marketing American brands in the Chinese market; they are furthermore specialized in the distribution of cosmetics and toddler products.

Bonded warehouse 2

On November 4, 2019, we launched our second bonded warehouse ("BWH 2) in Ningbo/China. The BWH 2 offers customers of the Chinese web shop www.windeln.com.cn the delivery of a selected product assortment directly from the BWH 2 in China with the benefit of significantly shorter delivery times of only two to seven days and lower shipping costs. Information on all warehouse locations of windeln.de Group is available in note 1.1.3 "Fulfilment/operations".

Management board and supervisory board

Effective May 17, 2019, the supervisory board appointed Mr. Zhixiong Yan as a further member of the management board. In his function, Mr. Yan is responsible for windeln.de's strategy and business development of new sales channels in China driving the further growth of the Group in the attractive Chinese market. The term of his agreement ends on May 16, 2022.

The Annual General Meeting held on June 6, 2019, elected Ms. Xiao Jing Yu and Mr. Weijian Miao as members of the supervisory board of windeln.de SE. Dr. Hanna Eisinger and Dr. Christoph Braun resigned as members of the supervisory board by the end of the Annual General Meeting. The function of the deputy chairman of the supervisory board is assumed by Mr. Miao.

Financial audit

The Annual General Meeting held on June 6, 2019, elected KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, as new auditor from fiscal year 2019 onwards. The election was recommended by the audit committee. Due to internal rotation rules of our previous auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, windeln.de underwent a regular tender process.

VAT Refund

In the fourth quarter of 2019, a VAT refund of EUR 1,709k was declared towards the German tax authories. The reimbursement relates to VAT adjustments for orders shipped to Chinese customers via so-called freight forwarders until 2017. These export deliveries which had previously been subject to VAT in Germany could be corrected with the subsequent confirmation of the export respectively by obtaining corresponding supporting documents.

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

2.4.1. Results of operations

Consolidated income statement

kEUR	2019	2018	Change absolute in kEUR	Change relative in %
Continuing operations				
Revenues	82,344	104,818	-22,474	-21%
Cost of sales	-61,878	-79,151	17,273	-22%
Gross profit	**20,466**	**25,667**	**-5,201**	**-20%**
Selling and distribution expenses	-27,060	-44,751	17,691	-40%
Administrative expenses	-8,646	-8,626	-20	0%
Other operating income	775	954	-179	-19%
Other operating expenses	-121	-806	685	-85%
Earnings before interest and taxes (EBIT)	**-14,586**	**-27,562**	**12,976**	**-47%**
Financial income	13	26	-13	-50%
Financial expenses	-75	-29	-46	>100%
Financial result	**-62**	**-3**	**-59**	**>100%**
Earnings before taxes (EBT)	**-14,648**	**-27,565**	**12,917**	**-47%**
Income taxes	-7	446	-453	<-100%
Profit or loss from continuing operations	**-14,655**	**-27,119**	**12,464**	**-46%**
Profit or loss from discontinued operations	43	-10,573	10,616	-100%
PROFIT OR LOSS FOR THE PERIOD	**-13,612**	**-37,692**	**23,080**	**-61%**

Unless stated otherwise, the following explanations relate solely to continuing operations, i. e. without Feedo Group. Feedo Group was sold in 2018, its result of operations is presented in the line “profit or loss from discontinued” operations”.

In 2019, the Group generated ***revenues*** of EUR 82,344k. This represents a decrease of 21% compared to the prior year period. The decrease mainly stems from the regions “DACH” (-26%) and “rest of Europe” (-45%), the decrease in the region “China” was -10% and thus lower than the Group’s average, which results from increased deliveries to intermediates.

In the DACH region, revenues were deliberately decreased in favour of improved margins. Unprofitable products were eliminated from the assortment, and low-margin products were not are rarely advertised. This strategy change was initiated in 2018 and consistently continued in 2019. The strategy is also pursued in rest of Europe; it was, however, only fully implemented in the first six months of 2019 due to the management change. Therefore, revenues in rest of Europe show a stronger decrease than in DACH.

The revenue decrease in China results from increasing competition intensity in the Chinese market and increasing customers’ expectations on delivery services. windeln.de responds to these developments through the Langtao cooperation, in particular for marketing activities, and the opening of the bonded warehouse 2 that results in faster customer deliveries and a decrease of logistics expenses for deliveries to Chinese customers and thus more competitive market prices. The delayed completion of both measures contributed to the revenue decrease in China.

In 2019, the Group particularly focused on net working capital optimization. Therefore, warehouses were partially not fully stocked and for a limited period of time, only a limited assortment was available, which negatively impacted revenues. As a positive non-recurring effect, revenues in 2019 contain EUR 1,709k from VAT adjustments for orders shipped to Chinese customers via so-called freight forwarders in prior years. These export deliveries which had previously been subject to VAT in Germany could be corrected with the subsequent confirmation of the export respectively by obtaining corresponding supporting documents.

In the Annual Report 2018, a clear revenue increase was forecasted, which eventually could not be met due to the aforementioned reasons. The actual revenue decrease is 21%.

The ***margin (gross profit as % of revenues)*** increased in 2019 by 0.4pp to 24.9%, which results mainly from margin improvements in the DACH region and rest of Europe as a consequence of the focus on high-margin products. Also the non-recurring effect form the VAT adjustments positively affect the margin. Margins in China, however, have decreased due to the competitive market situation. Price reductions resulting from the opening of the bonded warehouse 2 have negative margin impacts, but are compensation through lower logistics expenses that are recognized within selling and distribution expenses. Furthermore, the gross margin in 2019 is affected by implementation expenses for a new forecasting tool in the order process which is expected to be fully operational in the second quarter of 2020.

Selling and distribution expenses decreased in 2019 by EUR 17,691k or 40%. Major operating savings were achieved for logistics (decrease by EUR 5,180k or 36%), personnel expenses (decrease by EUR 2,657k or 27%), marketing (decrease by EUR 1,388k or 27%) and warehouse rent (decrease by EUR 897k or 34%). In addition to lower order volumes, logistics expenses decrease due to the bonded warehouse 2 and optimized transportation routes. In 2019, less direct shipments to China were made and transportation capacities in DACH were optimized. Therefore, logistics expenses decrease to a larger extent than revenues. Savings in warehouse rent result from lower average stock volumes in our warehouse. Also marketing expenses show a stronger decrease than revenues as a result of ongoing optimizations and more efficient usage of the limited marketing budget. The decrease in personnel expenses is a direct result of the restructuring measures initiated in 2018 leading to a significant headcount reduction.

Further non-operative cost reductions were achieved for depreciation, amortization and impairment expenses in the amount of EUR 6,130k or 80%. These stem from impairment expenses on domains of EUR 6,571k in the prior year, which amount to only EUR 115k in the current year. As a result of the adoption of IFRS 16, deprecation expenses of capitalized right-of-use assets for office spaces have increased, which is altered by a decrease in office rental expenses and therefore has no material impacts on the total sum of selling and distribution expenses.

Administrative expenses remain in 2019 on the same level as in the prior year. Personnel expenses recognized within administrative expenses have decreased by 2%, however, this presentation is diluted by one-time effects. In 2019, expenses from the "Incentive 2019" are recognized within personnel expenses, whereas in 2018 one-time income from stock option programs were recognized. Without those effects, personnel expenses would have decreased in 2019 by 29% compared to the prior year period, a direct result of the restructuring measures initiated in 2018 leading to a significant headcount reduction. Depreciation, amortization and impairments recognized within administrative expenses have increased by EUR 91k or 12% compared to the prior year. In 2019, goodwill of the cash generating unit Switzerland was impaired (EUR 529k), the impairment in 2018 comprised the goodwill of Bebitus (EUR 420k)

Other operating income decreased in 2019 by EUR 179k or 19%. Income from subleases have increased by EUR 179k, whereas gains from foreign exchange differences have decreased by EUR 419k. Also losses from foreign exchange differences have decreased, leading to a reduction of ***other operating expenses*** by EUR 685k or 85% in 2019

As a result of the above mentioned developments, ***Earnings before interest and taxes (EBIT)*** have significantly improved in 2019 by EUR 12,976k or 47% to minus EUR 14,586k.

The ***financial result*** amounts to minus EUR 62k and contains interest gains (EUR 13k) and interest expenses from lease agreements (EUR 75). The deterioration of the financial result by EUR 59k results mainly from the adoption of IFRS 16.

The ***tax expense*** of EUR 7k results mainly from income taxes incurred by subsidiaries that do not benefit from tax-loss carry-forwards. The prior year's tax benefit mainly results from the release of deferred tax liabilities in connection with impairments on domains. Impairments recognized for domains in 2019 had no tax effect.

The profit or loss from ***discontinued operations*** relates to the Feedo Group that was sold in 2018. The profit in 2019 results from the remeasurement of claim assets on the historic purchase price and interest income from the deferred sales price payment. The loss incurred in 2018 comprises negative results from regular business activities in the period January 1 to August 24 (EUR 2,815k), and the loss of divestiture including release of deferred taxes (EUR 7,758k).

Financial key performance indicators

As described in note 1.4 "Management system", the financial key performance indicators of the Group consist of revenues, operating contribution as percentage of revenues, adjusted EBIT as percentage of revenues, the Group's cash flow and net working capital. The development of revenues is described in the paragraph above. The development of operating contribution as percentage of revenues is described in note 2.5 "Other financial performance indicators". The Group's cash flow and net working capital are described in notes 2.4.2 "Financial position" and 2.4.3 "Net assets".

For the purposes of managing the Group, earnings before interest and taxes (EBIT) are adjusted for expenses and income in connection with share-based compensation, reorganization measures, acquisitions, the warehouse move, impairments of purchased intangible assets (if applicable in the reporting period) and income and expenses of the closed shop pannolini.it in 2018.

			Change	
kEUR	**2019**	**2018**	**absolute in kEUR**	**relative in %**
Earnings before interest and taxes (EBIT)	**-14,586**	**-27,562**	**12,976**	**-47%**
adjusted for share-based compensation	38	-321	359	<-100%
adjusted for costs of reorganization measures	20	1,584	-1,564	-99%
adjusted for costs of acquisitions	45	-	45	0%
adjusted for costs of the warehouse move	31	-	31	0%
adjusted for impairments of intangible assets	644	6,991	-6,347	-91%
adjusted for closure of pannolini.it	-	778	-778	-100%
Adjusted EBIT	**-13,808**	**-18,530**	**4,722**	**-25%**
Adjusted EBIT (as % of revenues)	**-16.8%**	**-17.8%**		

Adjusted EBIT has increased from minus EUR 18,530k to minus EUR 13,808k. Improved gross margins and additional savings in personnel, logistics and marketing expenses lead to an improvement of adjusted EBIT as % of revenues by 1.0pp.

In the Annual Report 2018, a continued improvement of adjusted EBIT was forecasted. With an actual improvement of 1.0pp, the outlook was met.

Non-financial key performance indicators

The non-financial key performance indicators comprise the number of active customers, average number of orders per active customer, average order value and the share of repeat customer orders.

Performance indicators (continuing operations only)	**2019**	**2018**	**Change**
Active customers	403,866	543,692	-139,826
Average orders per active customer (in number of orders)	1.8	2.1	-0.3pp
Average order value (in EUR)	90.63	90.47	0.16
Share of repeat customer orders (as % of orders of last 12 months)	71.4%	82.6%	-11.2pp

pp = percentage points

In the Annual Report 2018, a stable development of the average order value was forecasted for 2019; the expectation has actually been met due to continued focus on high-margin products and active management of the shopping cart size through the purchase limit for free delivery. The share of repeat customers was forecasted in the Annual Report 2018 to decrease slightly. The outlook was adjusted in the Q3 Quarterly Statement as it became clear that the pursued margin strategy would result in a decrease in the share of repeat customers.

Two non-financial performance indicators, number of active customers and number of orders per active customers, are not planned as these performance indicators are reactive. Historical data is only evaluated for these performance indicators in order to derive responses based on specific developments. Therefore, no outlook was provided in 2018.

Regional results of operations

			Change	
kEUR	**2019**	**2018**	**absolute in kEUR**	**relative in %**
Revenues from continuing operations	**82,344**	**104,818**	**-22,474**	**-21%**
Germany, Austria, Switzerland (DACH)	17,898	24,212	-6,314	-26%
China	51,260	56,737	-5,477	-10%
Other / rest of Europe	13,186	23,869	-10,683	-45%

The development of revenues per region can be found in the explanations on revenues.

2.4.2. Financial position

kEUR	2019	2018	Change absolute in kEUR	Change relative in %
Loss for the period	-14,612	-37,692	23,080	-61%
Net cash flows used in operating activities	**-11,567**	**-18,729**	**7,162**	**-38%**
Net cash flows from investing activities	**257**	**1,846**	**-1,589**	**-86%**
Net cash flows from financing activities	**8,547**	**1,543**	**7,004**	**>100%**
Cash and cash equivalents at the beginning of the period	11,136	26,465	-15,329	-58%
Net decrease in cash and cash equivalents	-2,763	-15,340	12,577	-82%
Changes in cash and cash equivalents due to foreign exchange rates	4	11	-7	-64%
Cash and cash equivalents at the end of the period	**8,377**	**11,136**	**-2,759**	**-25%**

In the year 2019, the Group generated negative cash flows from ***operating activities*** in the amount of EUR 11,567k, which stems mainly from the loss of the period (EUR 14,612k) and – as a positive effect – continued improvements in net working capital which has decreased from EUR 5,922k as of December 31, 2018 to EUR 5,439k as of December 31, 2019.

The loss of the period includes further non-cash positions:

- Depreciation, amortization and impairments of fixed and intangible assets of EUR 2,462k
- Share-based compensation expenses of EUR 38k

From its ***investing activities***, the Group generated cash flows of EUR 257k in 2019, a reduction of EUR 1,589k or 86% which results mainly from one-time effects. In the prior year, the Group received cash flows of EUR 2,500k from repaid time deposits and a total of EUR 264k from the settlement of claim assets and Earn Out liabilities. The deconsolidation of Feedo Group led to a cash outflow of EUR 595k in 2018. In 2019, however, the Group received EUR 400k from the purchase price payment for the sale of Feedo Group plus EUR 70k from the settlement of claim assets from the purchase of Feedo Group.

Regular payments for investments in fixed and intangible assets have decreased by EUR 140k or 38% compared to the prior year, mainly due to cost savings in IT development.

Cash flows from ***financing activities*** in 2019 amount to EUR 8,547k and stem mainly from the capital increase in March 2019. Gross issue proceeds were EUR 10,138k. From all equity transactions (i. e. capital decrease in January 2019, capital increase in March 2019, capital decrease in December 2019, planned settlement of outstanding stock option programs), payments for transaction fees of EUR 847 were made. Due to the change in accounting methods of lease agreements (IFRS 16), cash outflows from lease agreements are recognized within financing activities since January 1, 2019; previously they had been recognized as operating cash outflows. In addition to regular redemption, cash outflows also comprise interest that are presented separately in the consolidated statements of cash flows.

The increase of cash flows from financing activities by EUR 7,004k compared to the prior year results from the higher volume of the capital increase 2019 in relation to the capital increase 2018. Additionally, repayment of short-term money market loans of EUR 3,500k are recognized as cash outflows from financing activities in 2018.

In the Annual Report 2018, a clear reduction in cash outflows was forecasted. The actual cash outflow used in operating activities was EUR 11,567k in 2019 and was 38% lower than in the prior year. The outlook was met.

As of December 31, 2019, the Group has sufficient available cash of EUR 8,377k to cover its negative net cash flows form operating activities. As of date of publication of the consolidated financial statements, the liquidity position has – compared to December 31, 2019 – further improved due to a capital increase, please refer to the discussion of subsequent events in the notes to the consolidated financial statements. Potential risks relating going concern of the Group are discussed in note 3 “Outlook”.

2.4.3. Net assets

The adoption of the new standard IFRS 16 "Leases" has significant impact on the net assets of windeln.de Group as of December 31, 2019. Comparative periods are not restated; however, the adoption has led to following adjustments of the opening balances as of January 1, 2019:

kEUR	Measurement pursuant to IAS 17 as of Dec. 31, 2018	Adoption of IFRS 16	Measurement pursuant to IFRS 16 as of Jan. 1, 2019
Fixed assets	123	1,057	1,180
Non-current financial liabilities	15	492	507
Current financial liabilities	39	618	657
Other non-current financial liabilities	21	-21	-
Other current financial liabilities	2,335	-32	2,303

Detailed information on the adoption of IFRS 16 is provided in note 10 in the notes to the consolidated financial statements.

Assets kEUR	Dec. 31, 2019	Dec. 31, 2018	Change absolute in kEUR	 relative in %
NON-CURRENT ASSETS				
Intangible assets	2,843	4,394	-1,551	-35%
Fixed assets	631	123	508	>100%
Other financial assets	16	650	-634	-98%
Other non-financial assets	149	177	-28	-16%
Deferred tax assets	2	1	1	100%
Total non-current assets	**3,641**	**5,345**	**-1,704**	**-32%**
CURRENT ASSETS				
Inventories	7,339	6,820	519	8%
Prepayments	1	-	1	0%
Trade receivables	838	1,417	-579	-41%
Income tax receivables	6	39	-33	-85%
Other financial assets	2,719	2,557	162	6%
Other non-financial assets	1,888	2,658	-770	-29%
Cash and cash equivalents	8,377	11,136	-2,759	-25%
Total current assets	**21,168**	**24,627**	**-3,459**	**-14%**
TOTAL ASSETS	**24,809**	**29,972**	**-5,163**	**-17%**

As of December 31, 2019, non-current assets amount to EUR 4,299k (December 31, 2018: EUR 5,345k). The decrease of EUR 1,046k or 20% results from decreased intangible assets and other non-current financial assets, whereas fixed asset increase due to the adoption of IFRS 16. Regular amortization of intangible assets amounts to EUR 1,065k, in addition, impairments on goodwill and domains of EUR 644k were recognized. Amortization and impairments clearly exceed investments of EUR 151k. Other non-current financial assets comprised restricted cash of EUR 226k in the prior year that were pledged as security deposit for a lease agreement. AS of December 31, 2019, the amount is recognized as other current financial asset.

The decrease in current assets of EUR 3,459k or 14% to EUR 21,168k as of December 31, 2019 results mainly from the decreased cash and cash equivalents as described in the previous paragraph "Financial position". Inventories increase by EUR 519k, mainly from filling up bonded warehouse 2 in China. The overall lower order volume and payment terms of the newly introduced payment providers lead to a reduction in trade receivables of EUR 579k.

Furthermore, VAT assets as part of other current non-financial assets could be reduced by EUR 632k. This was driven by two effects: After the completion of a VAT audit in Spain, VAT claims were settled by the Spanish tax authorities. In contrast, new VAT claims were recognized against German tax authorities due to VAT adjustments for orders shipped to Chinese customers via so-called freight forwarders in prior years.

Equity and liabilities kEUR	Dec. 31, 2019	Dec. 31, 2018	Change absolute in kEUR	 relative in %
EQUITY				
Issued capital	2,989	31,136	-28,147	-90%
Share premium	172,904	170,391	2,513	1%
Accumulated loss	-160,734	-181,119	20,385	-11%
Cumulated other comprehensive income	200	186	14	8%
Total equity	**15,359**	**20,594**	**-5,235**	**-25%**
NON-CURRENT LIABILITIES				
Other provisions	-	2	-2	-100%
Financial liabilities	101	15	86	>100%
Other financial liabilities	-	21	-21	-100%
Total non-current liabilities	**101**	**38**	**63**	**>100%**
CURRENT LIABILITIES				
Other provisions	288	235	53	23%
Financial liabilities	519	39	480	>100%
Trade payables	3,639	4,573	-934	-20%
Deferred revenues	2,287	1,581	706	45%
Income tax payables	1	2	-1	-50%
Other financial liabilities	2,064	2,335	-271	-12%
Other non-financial liabilities	551	575	-24	-4%
Total current liabilities	**9,349**	**9,340**	**9**	**0%**
TOTAL EQUITY AND LIABILITIES	**24,809**	**29,972**	**-5,163**	**-17%**

The Group's equity has decreased by EUR 5,235k or 25% to EUR 15,359k. The negative result of the period of EUR 14,612k is partially balanced by the capital measures of the first quarter of 2019. The capital decrease performed in January 2019 resulted in a decrease in share capital and accumulated losses of EUR 34,997k each; but had no impact on total equity. The gross issue proceeds of EUR 10,138k from the capital increase performed in March 2019 increased issued capital by EUR 6,850k and share premium by EUR 3,288k. Transaction costs of EUR 813k are deducted from equity as of the payment date, they are not recognized as expense items in the income statement.

The increase in non-current liabilities results from the adoption of IFRS 16. Non-current financial liabilities comprise solely lease liabilities. They increased by EUR 492k on January 1, 2019 and are redeemed through regular monthly lease payments.

Current liabilities amount to EUR 9,349k as of December 31, 2019, the balance is basically unchanged since the prior year. However, there were significant changes in the single balance sheet position: due to lower customer order volumes, also purchase volume and consequently trade payable decrease. Deferred revenue increase due to sales promotions at year-end that are recognizable as revenues only in the following year. Current financial liability comprise solely lease liabilities, the increase relates to the adoption of IFRS 16. As a consequence of the headcount reduction, personnel related liabilities – recognized within other current financial liabilities – decrease, too.

We define the performance indicator "net working capital" as the total of inventories, prepayments on inventories, trade receivables, accrued advertising subsidies and supplier rebates, creditors with debit balances and VAT assets, deducted by VAT liabilities, trade payables and deferred expenses. As of December 31, 2019, net working capital amounts to EUR 5,439k and was therefore 8% below December 31, 2018 (EUR 5,922k). In the Annual Report 2018, a moderate increase in net working capital was forecasted. Actually, the amount could be reduced, also due to lower trade receivables and lower VAT assets.

kEUR	Dec. 31, 2019	Dec. 31, 2018	Change absolute in kEUR	Change relative in %
Inventories	7,339	6,820	519	8%
Prepayments	1	-	1	0%
Trade receivables	838	1,417	-579	-41%
Accrued advertising contributions and supplier rebates	1,183	1,715	-532	-31%
Creditors with debit balances	714	90	624	>100%
VAT receivables net of VAT liabilities	1,290	2,034	-744	-37%
minus Trade payables	-3,639	-4,573	934	20%
minus Deferred revenues	-2,287	-1,581	-706	45%
Net working capital	**5,439**	**5,922**	**-483**	**-8%**

2.4.4. Net overall statement

In business year 2019, good progress was made in reducing the cost base. The extensive restructuring measures initiated in 2018 in order to increase efficiency, decrease costs and improve margins showed their entire effect in the full year 2019. The newly defined strategy from 2018 which aims at an even stronger focus on profitability was further consistently implemented. In order to achieve that target, revenue reductions were again accepted in 2019. Operating contribution and adjusted EBIT as percentage of revenues still show clear improvements compared to the prior years. Also, cash outflows could be again successfully improved.

Overall, the business year 2019 could not measure up to all expectations. Revenues have clearly decreased by 21% compared to prior year period whereas in prior year a clear increase was expected. However, the outlook could be met with regards to a significant improvement of operating contribution margin as percentage of revenues (increase by 3.2pp), with regards to continuing improvement of adjusted EBIT as percentage of revenues (increase by 1.0pp) and with regards to a clear reduction of operating cash outflows (decrease by 38%).

2.5. Other financial performance indicators

	2019	2018	Change
Adjusted marketing cost ratio (as % of revenues)	4.4%	4.8%	-0.4pp
Adjusted fulfilment cost ratio (as % of revenues)	13.4%	16.3%	-2.9pp
Adjusted other SG&A expenses (as % of revenues)	23.8%	21.6%	2.2pp
Operating contribution (as % of revenues)	7.0%	3.8%	3.2pp

pp = percentage points

In the consolidated income statement, ***marketing costs*** are recognized within selling and distribution expenses. Marketing costs mainly consist of advertising expenses, including search engine marketing, online display and other marketing channel expenses, as well as costs for the marketing tools of the Group. Marketing expenses incurred in the shop pannolini.it are adjusted until the shop's closure in 2018. In 2019, adjusted marketing costs amounted to EUR 3,663k (2018: EUR 4,964k). We define adjusted marketing cost ratio as adjusted marketing costs divided by revenues for the measurement period. The adjusted marketing cost ratio has improved by 0.4pp to the prior year as a result of ongoing optimizations and more efficient usage of the limited marketing budget.

Fulfilment costs consist of logistics and warehouse rental expenses which are recognized within selling and distribution expenses in the consolidated income statement. In 2018, fulfilment expenses incurred in the shop pannolini.it are adjusted until the shop's closure. In 2019, no costs were incurred for this matter. We define adjusted fulfilment cost ratio as adjusted fulfilment costs divided by revenues.

kEUR	2019	2018	Change absolute in kEUR	Change relative in %
Logistics	9,293	14,473	-5,180	-36%
Warehouse rent	1,748	2,645	-897	-34%
Fulfilment costs	**11,041**	**17,118**	**-6,077**	**-36%**
Adjustments	-	-173	173	-100%
Adjusted fulfilment costs	**11,041**	**16,945**	**-5,904**	**-35%**
Adjusted fulfilment cost ratio (as % of revenues)	**13.4%**	**16.3%**		

Adjusted fulfilment cost ratio amounts to 13.4% in the business year 2019 compared to 16.3% in 2018. This results from significant savings in logistics expenses and warehouse rent that go beyond the decline in order volume. Logistics expenses could be reduced due to bonded warehouse 2 and optimized transport routes. In 2019, less direct shipments to China were made and transportation capacities in DACH were optimized. In addition, warehouse rent could be reduced due to lower average stock volumes in our warehouse.

Other selling, general and administration expenses (other SG&A expenses) consist of selling and distribution expenses, excluding marketing costs and fulfilment costs, and administrative expenses as well as other operating income and expenses. Adjusted other SG&A expenses exclude expenses from share-based compensation, reorganization measures, acquisitions, the warehouse move, impairments of purchased intangible assets (if applicable in the reporting period) and income and expenses incurred in the shop pannolini.it until the shop's closure in 2018. We define adjusted other SG&A expenses (in % of revenues) as adjusted other SG&A expenses divided by revenues.

kEUR	2019	2018	Change absolute in kEUR	Change relative in %
Selling and distribution expenses (w/o marketing and fulfilment costs)	12,356	22,582	-10,226	-45%
Administrative expenses	8,646	8,626	20	0%
Other operating income	-775	-954	179	-19%
Other operating expenses	121	806	-685	-85%
Other SG&A expenses	**20,348**	**31,060**	**-10,712**	**-34%**
Adjustments	-778	-8,593	7,815	-91%
Adjusted other SG&A expenses	**19,570**	**22,467**	**-2,897**	**-13%**
Adjusted other SG&A expenses (as % of revenues)	**23.8%**	**21.6%**		

Adjusted other SG&A expenses as percentage of revenue amount to 23.8% compared 21.6% in the prior year. Despite the cost reductions in absolute numbers of EUR 2,987k (mainly for personnel, external services and payment providers), adjusted other SG&A have not decreased to the same extent as revenues.

We define ***operating contribution*** as adjusted gross profit excluding marketing costs and adjusted fulfilment costs. The adjustments of gross profit relate to income and expenses of the shop pannolini.it until the shop's closure in 2018, and expenses for share-based compensation.

kEUR	2019	2018	Change absolute in kEUR	Change relative in %
Gross profit	20,466	25,667	-5,201	-20%
Adjustments	-	179	-179	-100%
Adjusted gross profit	**20,466**	**25,846**	**-5,380**	**-21%**
Marketing costs	-3,663	-4,964	1,301	-26%
Adjusted fulfilment costs	-11,041	-16,945	5,904	-35%
Operating contribution	**5,762**	**3,937**	**1,825**	**46%**
Operating contribution (as % of revenues)	**7.0%**	**3.8%**		

Operating contribution in the year 2019 is EUR 5,762k or 7.0% of revenues. This is an improvement of 3.2pp compared to the prior year and results from improved gross margins in Europe (both DACH and rest of Europe), more efficient usage of the marketing budget and savings in logistics expenses. In the Annual Report 2018, a significant improvement of the operating contribution was forecasted. This target has been met.

2.6. Other non-financial performance indicators

	2019	2018	Change
Site visits (in thousands)	39,275	41,363	-2,088
Mobile visit share (as % of site visits)	78.5%	72.4%	6.1pp
Mobile orders (as % of number of orders)	61.2%	55.4%	5.8pp
Number of orders	738,433	1,114,873	-376,440
Gross order intake (in kEUR)	66,921	100,858	-33,937
Returns (as % of gross revenues from orders)	2.8%	3.6%	-0.8pp

pp = percentage points

The decrease in site visits of 5% compared to the prior year is significantly lower than the decrease in revenues. We see this as an indicator for the continuing popularity of the brand windeln.de. Die increase in mobile visits and mobile orders results – in addition to changed customer behavior – also to windeln.de's expanded mobile offerings. The decrease in number of orders corresponds to the decrease in revenues as described in note 2.4.1 "Results of operations". The decrease in returns to now 2.8% is a consequence of the growing China business with its proportional high consumable product share that generally tend to have lower return quotas.

3. Outlook

The positive development in online retail is expected to progress further in the future. The turnover in online retail in Germany is expected to be approximately EUR 72.7 billion in 2020, in Europe it is expected to reach approximately EUR 343.4 billion, and until 2024, a predicted compound annual growth rate of 7.5% respectively 6.7% is expected.[35] The total volume of the strongly growing Chinese e-commerce market is expected to be already approximately EUR 887.3 billion in 2020 and until 2024, a predicted compound annual growth rate of 6.9% is expected.[36] The online retail for products for babies, toddlers and children, and also products in the categories of chemist, beauty culture and dietary supplement, is an important growth segment in these markets.

The extensive restructuring measurements executed in 2018 and further implemented in 2019 shall be consequently monitored in 2020 in order to improve efficiency of the organization and thereby realize profitable and sustainable growth.

Focus in financial year 2020 will be on the Group's long-term performance. Furthermore, focus points will be profitable revenue growth and optimization of margins. The external warehouse provider of the central warehouse in the DACH region will be replaced in the first half of 2020 and there will be a relocation. Thereby the storage cost structure shall be optimized. Logistic expenses will be decreased as well by the intended higher degree of capacity utilization of the second bonded warehouse in China, which was opened in November 2019. Due to the planned outsourcing of the IT infrastructure of our web shops to two external service providers as well as due to the relocation of the internal IT development department from Munich to the site of Sibiu, Rumania, the basis of future cost savings within the general selling and administration expenses will be established. In addition, we can react more flexible on changes in technologies in the future and therefore we can offer an even better shopping experience to the customer. With regards to the Chinese market a clear increase in revenues is expected through the cooperation with the local service provider Langtao, which was entered into in the second half-year 2019, due to selective marketing. By the new cooperation with bodyguardpharm GmbH new product categories for the Chinese marked will be opened in 2020. Besides that, for 2020 it is planned to enter new sales channels in China, on the one hand through opening new sales platforms and on the other hand through the new cooperation with Holland at Home B.V.

Management expects a clear double-digit revenue increase compared to 2019. Management expects a stable average order value compared to 2019. The repeat customer share will likely decrease below the level of 2019 because of new customer growth. Two non-financial performance indicators, number of active customers and number of orders per active customer, are not planned anymore as these performance indicators are reactive measurement drivers. Historical data is only evaluated for these performance indicators in order to derive responses based on specific developments.

Special focus of the Group is on achieving profitability and the securing of liquidity. Therefore, management expects a clear improvement of the operating contribution margin in % of revenues. Adjusted EBIT in % of revenues shall be further improved in 2020. Also, cash-outflow shall be clearly reduced compared to 2019. For 2020, a moderate increase of net working capital is planned in order to enable growth of Chinese business.lower starting point for 2020,

Due to lower than targeted revenues in financial year 2019 and the associated lower starting point for 2020, the goal of reaching break-even on the basis of adjusted EBIT at the beginning of 2020 was changed to Q1 2021.

[35] Statista; https://de.statista.com/outlook/243/137/ecommerce/deutschland https://de.statista.com/outlook/243/102/ecommerce/europa; both retrieved on February 13, 2020
[36] Statista; https://de.statista.com/outlook/243/117/ecommerce/china; retrieved on February 13, 2020

Risks relating going concern of the Group

As of December 31, 2019, the Group shows EUR 8,377k cash and therefore sufficient cash is available to cover the net operating cash outflow. As of the date of the preparation of the consolidated financial statements, the position of liquidity has further improved compared to December 31, 2019, through the executed capital increase (refer to explanations in note 16 “Events after the reporting date” in the consolidated financial statements). With the capital increase, the Group has realized gross proceeds in the amount of EUR 6,205k; and thus could significantly strengthen its liquidation position. For the upcoming business year, the Group has, according to its financial plans, sufficient cash funds.

The Group is subject to material uncertainties regarding the achievement of planned increases in revenues and margins as well as further planned cost decreases whose occurrence is mandatorily necessary to ensure the achievement of a positive net cashflow.

In the area of revenue increase, further growth is particularly planned in China. Among other things it is envisaged to develop new channels of distributions and to expand the product assortment. In addition, the new cooperation partner Langtao shall release positive pulse. Uncertainty exists relating to planned projects which might be delayed in time, which might not be realized in the planned scope, or which might not happen at all. Margin increases are intended mainly for the European business. Therefore, different measurements are planned, among other things further improved supplier conditions, an improved product mix as well as the increase of the turnover ratio in the section of clothing by focusing on less but profitable brands. Uncertainty exists relating to the enforcement of improved supplier conditions. Additional liquidity is planned by the refund of German value added tax for deliveries via freight forwarders to China (refer to explanations in paragraph 2.3 “Course of business”). Management evaluates further refunds as highly probable, however, single refunds could be timewise postponed. A big driver related to cost decreases is the outsourcing of IT- infrastructure of the web shops (IT shop system and productinformationsystem) as well as the relocation of the internal IT development department to eastern Europe. The contracts with the external service providers are already signed, therefore uncertainty exists only with regards to possible project delays. Driver for planned cost savings in the section of logistic costs are especially the replacement of the external service provider and the related move of the central warehouse in Germany as well as the increased delivery of our customers of the Chinese web shop www.windeln.com.cn from the bonded warehouse in China. Uncertainties exist with regards to unpredictable issues during the warehouse move, which could lead to delayed deliveries for example. In addition, relocation costs could be higher than planned.

The management board addresses the in the previous paragraph described uncertainties with various measurements. Thus, a dedicated project management is implemented to regularly monitor, to control and, if necessary, to initiate countermeasures for all envisaged projects and measurements. As outlined above, in the first quarter 2020 a capital increase was successfully executed. In the context of the capital increase, bodyguardpharm GmbH and Holland at Home B.V., two new European cooperation partners with strong expertise in cross border e-commerce to China, have become shareholders of the Group. Thereby, the management expects a positive effect on the Chinese business. Finally, management expects to improve supplier conditions through the continuous dialog with credit insurers and suppliers. In addition, management invests in relationship to debt providers.

Above that, management proactively manages the net working capital.

Achieving break even on basis of adjusted EBIT is planned for the first quarter of 2021. In case the planned projects and restructuring measurements cannot be implemented in the full extent or do not lead to the expected outcome, the amount of cash and cash equivalents will not suffice to cover all payment obligations in 2021. Therefore, the continuation of the Company and the Group is at stake and solvency depends on the Group’s ability to collect further liquidity funds, e. g. via a further equity financing round or via raise of borrowed capital.

4. Opportunities and risk report

The risk management system of the windeln.de Group has been implemented in order 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 potential opportunities by using improved corporate decision-making.

4.1. Risk management process

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 SE installed a group-wide risk management system. The management board sets the Group’s risk strategy and approves the corresponding risk management structures and processes.
- The supervisory board ensures the effectiveness of the risk management system in place as part of its role to supervise the management board.
- The management board is supported by the risk management committee. This committee consists 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 identified and evaluated locally in each business unit by the heads of the individual business divisions and functions. However, 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 biannual basis and are then reported to the risk management officer who is part of the group controlling division. The risk management officer prepares a risk portfolio, which is then submitted to the risk management committee and the management board. The risk management officer is also responsible for the central coordination of the risk management process and supports the heads of each division with the evaluation of their respective risks.
- The installation and adequacy of the risk early warning system is checked by the external auditor. No material findings were made in this respect.

Instruments

- The Group wide risk policy, which has been defined by the management board of windeln.de SE and is available to all employees of the Group, serves as a guideline for dealing with risks and opportunities within the Group. Besides of information about the individual steps of the risk management process, the policy also includes information about roles and responsibilities in risk management process. 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 has been drawn up and shall help to identify all possible risks.
- A standardized report file is used in order to guarantee consistent capture and evaluation of the individual risks and opportunities. Furthermore, corresponding countermeasures which reduce the individual risks are mentioned in this file as well.
- The opportunities and risks of each department and business unit are reviewed as to whether they are still up-to-date on a biannual 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.
- Each risk is assessed in a gross assessment and in a net assessment. In the net assessment the already implemented countermeasures of each risk are considered and reduce the extent of damage and the occurrence probability of the respective gross risk.
- The identified risks are subsequently reported to the management board in full detail. However, new risks with a certain extent of damage are reported directly to the management board using a standard file as an immediate report.
- A workshop is held on a regular basis under the direction of the risk management officer and with all responsible heads of division in order to perform an in-depth evaluation of whether all captured risks are up-to-date and to identify any risks that have not yet been recognized.

4.2. 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 occurrence probability. On the other hand, planning risks result from extremely volatile budget items and therefore have a higher 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 for event risk

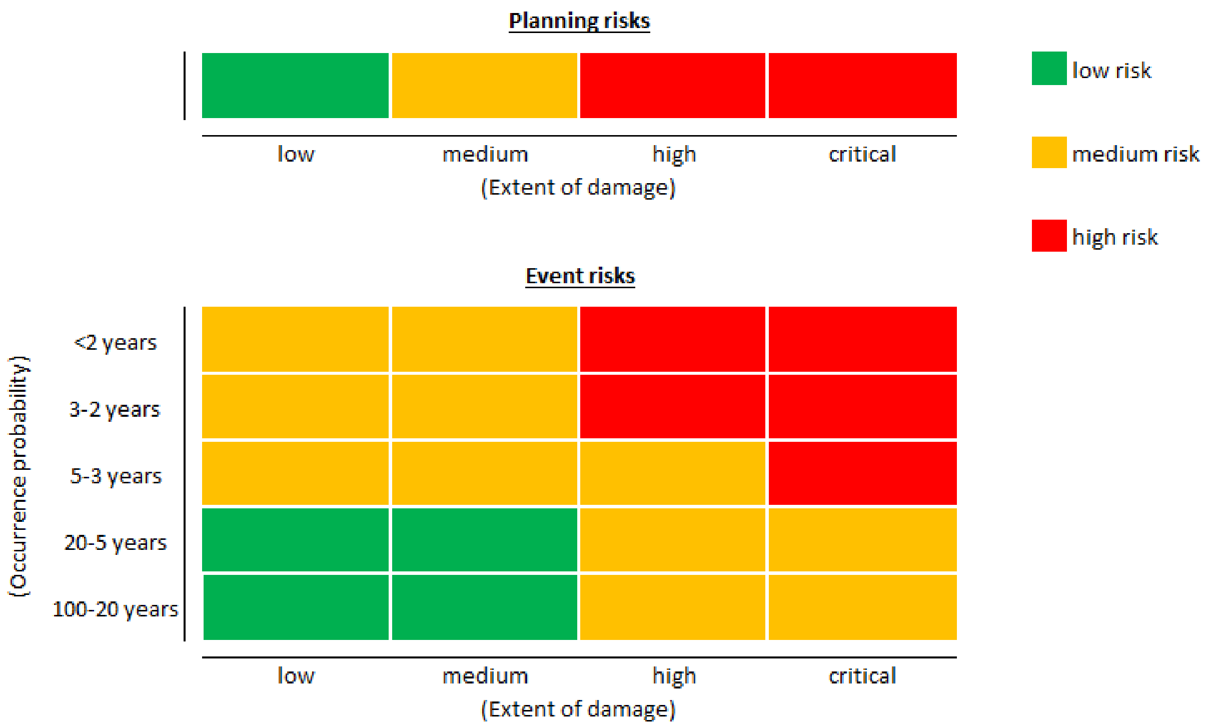
Class	Probability of occurrence	Description
1	0% - 4.9%	Occurrence possible once in 100 to 20 years
2	5% - 19.9%	Occurrence possible once in 20 to 5 years
3	20% - 29.9%	Occurrence possible once in 5 to 3 years
4	30% - 49.9%	Occurrence possible once in 3 to 2 years
5	50% - 100%	Occurrence possible at 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. EBIT is a significant factor for the cash requirements of the Group. Therefore, the following risk assessment is also a significant indicator for the liquidity risk of the Group. Please refer to note 6.4 "Liquidity risk" for further information.

Classes for extent of damage for event and planning risks

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

The following risk matrices are the result of the aforementioned classes for probability of occurrence, which is only relevant for event risks, and extent of damage in the net assessment:



Risks are classified as going concern risks if they bear a critical extent of damage (class 4), a high occurrence of probability (class 5), and in addition cannot be mitigated by means of appropriate measures.

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

The main risks for the Group relate to the Chinese market, in particular to the macroeconomic development in the People's Republic of China, and the development of the competitive situation.

In this context, risks related to the planned offering of new distribution channels for Chinese customers and the Group's dependency on key suppliers for milk formula products is one of the biggest risks for the Group. By establishing a strong partnership with its key suppliers, the Group seeks to reduce this risk. However, a deterioration of supplier conditions could have a strong negative impact on the Group's result.

With the postponed break even outlook, liquidity risks have significantly increased. The Group has set up various measures in 2019, and will obtain further equity funds in 2020. In addition, the management board is approaching providers of debt capital.

Liquidity risks are detailed in section 6.4 "Liquidity risk", and the corresponding risks relating the going concern of the Group are discussed in section 3 "Outlook".

4.3.1. Strategic risks

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 higher stock levels. In particular, a deterioration of the Chinese economy could have negative consequences on account of the great significance of the Chinese sales market for windeln.de Group. However, it is assumed that demand for products for babies and toddlers will continue, even in the event of a recession.

New laws for exports of baby food could also significantly harm the business in China. As possible changes in the Chinese law are difficult to predict and due to the high importance of Chinese market for the Group, the risk assessment is unchanged, and the risk is regarded as high.

A continuous monitoring of these risks as well as offering new sales channels, where the Chinese customers can buy in local currency, contribute to a reduction of the aforementioned risks; and the Group is constantly working on identifying further countermeasures in order to actively steer those risks. Compared to the prior year, the Group expects an unchanged extent of damage if the risk would occur and continues to assess the risk as high.

Competitive risks

The Group is exposed to fierce competition. New and existing competitors in the market may cause a decline in the price level as well as higher costs for online marketing. These would have a negative effect on revenue and even more on margins. Consequently, a decreasing demand could impact the Group's earnings and liquidity and might also lead to overstocks in the warehouses. In addition, new distribution channels and new cooperations might not achieve their planned revenue and profitability targets.

By establishing a strong partnership with its suppliers the Group tries to offer its customers an ideal range of baby and toddler products and in this way reduces the potential risk resulting from competition. Moreover, the Group is also expanding its sales and distribution channels and has established a second Chinese warehouse (Bonded Warehouse 2) to further invest in the Chinese market. Compared to the previous year, the assessment of competitive risks remains unchanged and is deemed to be high.

4.3.2. Opportunities and risks from operations

Opportunities and risks from virus epidemic

The virus epidemic emerged in China in January 2020 both holds opportunities and risk. Opportunities arise from the increased demand in hygiene products and a general stronger demand in high-quality European products. In addition, online retail channels benefit from customers' aversion to stationary trading. Risks may arise from limitations in Chinese distribution channel, e. g. limited operation of both bonded warehouses, limited freight routes into China and corresponding fee increases by freight carriers, and limited performance of local last-mile carriers.

For our European warehouse locations, our external warehouse provides have established emergency plans that will be activated in case of a further spread of the virus epidemic. If emergency plans become effective, there might be risks relating to limited warehouse and distribution capacities.

Currently, we see no restrictions in the European business. We only see few restrictions in the Chinese business since the majority of the customers of windeln.de Group and all of our warehouse facilities are located outside the affected provinces. In case of a spread of the virus epidemic, high risks may arise.

Supplier and product quality risks

As the Group is dependent on a limited number of suppliers, in particular for baby nutrition and diapers, it is subject to the risk that suppliers default or offer their products under deteriorate conditions. This would have a negative effect on revenues and in particular on product margins. Besides the risks, this also bears opportunities. 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. In case of a risk occurrence, the Group expects an unchanged extent of damage compared to previous year. Due to the low occurrence probability the risk is continued to be assessed as medium.

A failure in the estimation of order quantities is another risk for the Group. This could either lead to a high proportion of sold out products or to overstocks in the warehouse. If the overstock consists of difficult to sell products this could lead to a higher inventory valuation allowance which would have a negative impact on the operating result. Overall, the risk is assessed as low. However, if the inventory valuation allowance could be reduced in the future due to new developments such as an improved inventory management, this would have a positive effect on the Group's result. Thus, a potential reduction of the inventory valuation allowance might also represent an opportunity for the Group.

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 for this risk. The Group reduces this risk by investing in different systems and processes. Overall, the risk has decreased since the prior year and is now assessed as a low risk.

The envisaged implementation of a new shop architecture bears low risks for windeln.de, mainly from budget overruns. Potential negative impacts from poor implementation performance are mitigated through measures such as the continued operation of the current IT environment.

Logistic and payment 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. A delay of the planned German warehouse move may bear high risks for the Group. Potential might arise from cost increases due to parallel operation or from poor performance of the new provider and, as a consequence, lower customer satisfaction. The Group reduces this risk by detailed project management. Compared to the previous year the risk is unchanged and is estimated as a medium to high risk.

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. Furthermore, a higher than expected employee illness and turnover rate could lead to additional costs. After the developments in the past year, the occurrence probability has not changed, and the risk is continued to be assessed as high.

4.3.3. Financial risks

As an international company, the Group is subject to various tax and customs regulations. The risk 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 or wrong customs duties are declared, additional late payment penalties and fines may be issued. By implementing new data management processes in the respective systems (ERP system, product management system) the Group was already able to significantly reduce the risk. The risk is continued to be assessed as low.

After the accumulated impairment expenses recognized for domains, potential future impairments represent a minor risk to the Group. Under some circumstancesc a potential write-brack of the domains could also be a opportunity for the Group.

4.3.4. Legal and organizational 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. Overall, the legal and organizational risks are estimated to be a medium risk which have increased compared to the previous year due to new data protection guidelines.

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

Due to the necessary cost savings in human resources, the Group is continuously faced with the challenge to implement and improve internal processes.

5. Internal controls and risk management systems 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. A 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 SE. 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 basis 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 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.

6. Financial risk management and financial instruments

6.1. 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.

Risk management is performed by the corporate finance department. As in the prior year, a Risk Coordinator assumes that function as part of Group Controlling department. Additionally, a function of treasury management has been set up. Both the Risk Coordinator and the Head of Treasury identify and assess financial risks in close cooperation with the Group's operating units. The management board prescribes the principles for Group-wide risk management. Additionally, the board decides on policies for certain risks, such as foreign currency, interest rate and credit risks, and for the use of equity or debt instruments and the use of derivative and non-derivative financial instruments.

6.2. 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 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. This is particularly relevant for sales in the webshop "windeln.ch" (in CHF) and our Tmall shop (in CNY). Along with the centralization of procurement, logistics, marketing and administrative functions of the Group, cost of sales and operating expenses for those shops are incurred mainly in EUR. Foreign exchange risks arising from that setup are currently not hedged. However, an upvaluation of the functional currencies may lead to a chance from currency risks.

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. The windeln.de Group is currently exposed to such a risk at three of its subsidiaries, it is estimated to be low.

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 the recognition lease liabilities, that have no impact on cash flows. As of December 31, 2019, there are no interest rate risks from financial debts.

6.3. 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 rating criteria of the respective payment provider. In addition, internally developed shopping cart rules prevent fraud attempts. Trade receivables arising in connection with the "purchase on account" and "direct debit" transactions are sold to third-party foctoring partners as they arise; therefore the Group has no default risk for those transactions. All outstanding receivables are monitored on a regular basis and are subject to a three-tier dunning procedure. In order to reduce the risk, specific bad debt allowances and allowance for expected credit losses are recognized, based on the age structure of the trade receivables. Overdue and unsuccessfully dunned receivables are submitted to a service provider. Uncollectible amounts are fully derecognized with an effect on income.

In addition, there is a default risk for cash and cash equivalents and for time deposits if banks can no longer meet their obligations. This credit risk is mitigated by spreading deposits between a number of banks with good credit ratings. The windeln.de Group considers the overall risk to be very low.

6.4. 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.

As of December 31, 2019 and as of the publication date of the consolidated financial statement, there is no liquidity shortfall for the Group. A delay of the strategic measures initiated in 2018 and consistently continued in 2019, the occurrence of risk factors as presented in opportunities and risks report as well as a deviation from the business plan in 2020 could result in a material deterioration of the liquidity situation of the Group. Depending on the course of business, the Group may require to take up additional liquidity funds until the achievement of positive cash flows, e. g. through equity or debt instruments in order to ensure solvency and to have a sufficient liquidity buffer. We refer to note 3 "Outlook" with its descriptions about risks relating going concern of the Group.

7. Takeover related disclosures pursuant to Secs. 289a (1) and 315a (1)

7.1. Composition of issued capital

The Company's capital stock came to EUR 2,989,101 as of December 31, 2019. The capital stock is divided into 2,989,101 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. Every share has one vote.

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

As of the end of the financial year 2019, there were the following direct and indirect participations in the capital of windeln.de SE that exceeded the threshold of 10% of the voting rights:

Direct investments	
Summit Asset Management Company Limited	Cayman Island
Pinpoint International Group Limited	Seychelles
Thomas Siek	Germany
Indirect investments	
Weijian Miao	Hong Kong
Clemens Jakopitsch	Austria
Zhiyuan Zou	Hong Kong

7.3. 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 Art. 9 (1), 39 (2) and Art. 46 of the SE regulation (SE-Verordnung), Secs. 84 and 85 AktG and 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 (5) 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.

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

Repurchase of treasury shares

By resolution of the General Meeting on June 6, 2019, the management board was authorized, subject to the approval of the supervisory board, to acquire treasury shares for any permissible purpose up until June 5, 2024 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.

The management board was also authorized, subject to the approval of the supervisory board, to use certain derivatives to acquire windeln.de shares by June 5, 2024. 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, 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 June 5, 2024.

Authorized Capital 2018/1

The management board is authorized, subject to the approval of the supervisory board, to raise the capital stock once or several times up until June 24, 2023 by up to a total of EUR 15,500,000 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 2018). In the German commercial register, the authorized capital as of June 25, 2018, is named Authorized Capital 2018/I. The Management Board has voluntarily committed to using the Authorized Capital 2018/I only to an extent that does not exceed 50% of the Company's share capital at the time of utilization.

Conditional Capital 2016/II

The Company's capital stock has been increased contingently by up to EUR 555,206 by the issue of up to 555,206 new shares (Conditional Capital 2015/II). The Conditional Capital increase will only be conducted to a limited extent and serves exclusively to fulfil options that are issued on account of the General Meeting dated April 21, 2015 (confirmation of continued validity after the change of legal structure to a SE by the Annual General Meeting as of June 17, 2016) 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. In the German commercial register, the Conditional Capital as of June 17, 2016, is named Conditional Capital 2016/II. The management board has voluntarily committed to using the Conditional Capital 2016/II only to an extent that does not exceed 50% of the Company's share capital at the time of utilization.

Conditional capital 2018/I

The Company's capital stock has been increased contingently by up to EUR 1,200,000 by the issue of up to 1,200,000 new shares (Conditional Capital 2018). The Conditional Capital increase will only be conducted to a limited extent and serves exclusively to fulfil options that are issued on account of the General Meeting dated June 25, 2018 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 2018. In the German commercial register, the Conditional Capital as of June 25, 2018, is named Conditional Capital 2018/I. The management board has voluntarily committed to using the Conditional Capital 2018/I only to an extent that does not exceed 50% of the Company's share capital at the time of utilization.

Conditional Capital 2019/I

By resolution of the General Meeting dated June 6, 2019, the management board was authorized, subject to the approval of the supervisory board, to issue by June 5, 2024 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 25,000,000 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 3,226,629 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 SE under certain conditions and within defined limits. The capital stock was contingently increased accordingly by up to EUR 3,226,629 (Conditional Capital 2019). This authorization to issue bonds has not yet been exercised. In the German commercial register, the Conditional Capital as of June 6, 2019, is named Conditional Capital 2019/I. The management board has voluntarily committed to using the Conditional Capital 2019/I only to an extent that does not exceed 50% of the Company's share capital at the time of utilization.

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

None of the significant agreements of the Company are subject to a condition of a change of control of the Company.

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

The supervisory board and/or management board are entitled under the Long-Term Incentive Program (LTIP) granted to certain members of the management board and of other management staff 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).

8. Corporate governance statement

The corporate governance statement pursuant to Sec. 289f HGB is available on the Company's website at https://corporate.windeln.de/en/corporate-governance.

9. Remuneration report

Please refer to note 13.3 "Remuneration report" of the notes to the consolidated financial statements for further information on the remuneration of the management board and the supervisory board according to Sec. 315a (2) German Commercial Code (HGB).

Munich, March 13, 2020

windeln.de SE
Management board

Matthias Peuckert Dr. Nikolaus Weinberger Zhixiong Yan

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

kEUR	Notes	2019	2018
Continuing operations			
Revenues	9.1	82,344	104,818
Cost of sales	9.2	-61,878	-79,151
Gross profit		**20,466**	**25,667**
Selling and distribution expenses	9.2	-27,060	-44,751
Administrative expenses	9.2	-8,646	-8,626
Other operating income	9.1	775	954
Other operating expenses	9.2	-121	-806
Earnings before interest and taxes (EBIT)		**-14,586**	**-27,562**
Financial income	9.3	13	26
Financial expenses	9.3	-75	-29
Financial result		**-62**	**-3**
Earnings before taxes (EBT)		**-14,648**	**-27,565**
Income taxes	8.12	-7	446
Profit or loss from continuing operations		**-14,655**	**-27,119**
Profit or loss after taxes from discontinued operations	6.3	43	-10,573
PROFIT OR LOSS FOR THE PERIOD		**-14,612**	**-37,692**
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	11.1	27	484
OTHER COMPREHENSIVE INCOME OR LOSS, NET OF TAX		**27**	**484**
TOTAL COMPREHENSIVE INCOME OR LOSS, NET OF TAX		**-14,598**	**-37,208**
Basic earnings per share (in EUR)	**Fehler! Verweisquelle konnte nicht gefunden werden.**9.4	-5.66	-40.74*
Basic earnings per share from continuing operations (in EUR)	9.4	-5.67	-29.31*

* Prior year disclosures of earnings per share were restated in line with IAS 33 due to the capital decreases performed in January and December 2019. Please refer to note 9.4.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

kEUR	Notes	December 31, 2019	December 31, 2018
NON-CURRENT ASSETS			
Intangible assets	8.1	2,843	4,394
Fixed assets	8.2	631	123
Other financial assets	8.3	16	650
Other non-financial assets	8.4	149	177
Deferred tax assets	8.12	2	1
Total non-current assets		**3,641**	**5,345**
CURRENT ASSETS			
Inventories	8.5	7,339	6.820
Prepayments	8.5	1	-
Trade receivables	8.3	838	1,417
Income tax receivables	8.12	6	39
Other financial assets	8.3	2,719	2,557
Other non-financial assets	8.4	1,888	2,658
Cash and cash equivalents	8.6	8,377	11,136
Total current assets		**21,168**	**24,627**
TOTAL ASSETS		**24,809**	**29,972**

Equity and liabilities

kEUR	Notes	December 31, 2019	December 31, 2018
EQUITY			
Issued capital	8.7	2,989	31,136
Share premium	8.7	172,904	170,391
Accumulated loss		-160,734	-181,119
Cumulated other comprehensive income		200	186
Total equity		**15,359**	**20,594**
NON-CURRENT LIABILITIES			
Other provisions	8.9	-	2
Financial liabilities	8.10	101	15
Other financial liabilities	8.10	-	21
Total non-current liabilities		**101**	**38**
CURRENT LIABILITIES			
Other provisions	8.9	288	235
Financial liabilities	8.10	519	39
Trade payables	8.10	3,639	4,573
Deferred revenues	9.1	2,287	1,581
Income tax payables	8.12	1	2
Other financial liabilities	8.10	2,064	2,335
Other non-financial liabilities	8.11	551	575
Total current liabilities		**9,349**	**9,340**
TOTAL EQUITY AND LIABILITIES		**24,809**	**29,972**

CONSOLIDATED STATEMENT OF CASH FLOWS

kEUR	Notes	2019	2018
Profit or loss for the period		-14,612	-37,692
Amortization (+) / impairment (+) of intangible assets	8.1	1,706	8,289
Depreciation (+) / impairment (+) of fixed assets	8.2	753	252
Increase (+) / decrease (-) in other provisions	8.9	51	-83
Non-cash income (-) or expenses (+) from employee benefits	8.8	38	-458
Other non-cash expense (+) / income (-) items		1	8,451
Increase (-) / decrease (+) in inventories	8.5	-519	10,695
Increase (-) / decrease (+) in prepayments	8.5	-1	323
Increase (-) / decrease (+) in trade receivables	8.3	579	544
Increase (-) / decrease (+) in other assets	8.3, 8.4	834	2,523
Increase (+) / decrease (-) in trade payables	8.10	-934	-8,096
Increase (+) / decrease (-) in deferred revenues	9.1	706	-1,387
Increase (+) / decrease (-) in other liabilities	8.10, 8.11	-260	-1,557
Gain (-) / loss (+) from disposal of intangible and fixed assets	8.1, 8.2	-1	-34
Interest expenses (+) / income (-)	9.3	58	1
Income tax expenses (+) / income (-)	8.12	7	-453
Income tax paid (-) / received (+)	8.12	24	-47
Net cash flows used in operating activities		**-11,567**	**-18,729**
Proceeds (+) from sales of intangible and fixed assets	8.1, 8.2	1	25
Purchase (-) of intangible assets	8.1	-151	-285
Purchase (-) of fixed assets	8.2	-80	-86
Purchase (-) or proceeds (+) from financial investments	8.3	-	2,500
Payments (-) or refunds (+) from acquisition of subsidiaries	6.1, 6.2	70	264
Cash flows from divestiture of subsidiaries	6.3	400	-595
Interest received (+)	9.3	17	23
Net cash flows from investing activities		**257**	**1,846**
Proceeds (+) from issue of shares	8.7	10,138	5,242
Transaction cost (-) on issue of shares or capital decrease	8.7	-847	-114
Repayment (-) of lease liabilities	8.6, 10	-669	-51
Repayment (-) of financial liabilities	8.6, 8.10	-	-3,509
Interest paid (-)	9.3	-75	-25
Net cash flows from financing activities		**8,547**	**1,543**
Cash and cash equivalents at the beginning of the period	8.6	11,136	26,465
Net decrease in cash and cash equivalents		-2,763	-15,340
Change in cash and cash equivalents due to foreign exchange rates		4	11
Cash and cash equivalents at the end of the period	**8.6**	**8,377**	**11,136**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

kEUR	Notes	Issued capital	Share premium	Accumulated loss	Actuarial gains or losses from remeasurement of defined benefit pension plans	Exchange differences on translation of foreign operations	Other comprehensive income or loss	Total equity
As at January 1, 2019		**31,136**	**170,391**	**-181,119**	**3**	**183**	**186**	**20,594**
Total comprehensive income or loss of the period		-	-	-14,612	-	14	14	-14,598
Capital decrease	8.7	-34,997	-	34,997	-	-	-	-
Issue of share capital	8.7	6,850	3,288	-	-	-	-	10,138
Transaction costs	8.7	-	-813	-	-	-	-	-813
Share-based payments	8.8	-	38	-	-	-	-	38
As at December 31, 2019		**2,989**	**172,904**	**-160,734**	**3**	**197**	**200**	**15,359**
As at January 1, 2018		**28,472**	**168,486**	**-143,427**	**3**	**-301**	**-298**	**53,233**
Total comprehensive income or loss of the period		-	-	-37,692	-	484	484	-37,208
Capital decrease		-	-	-	-	-	-	-
Issue of share capital	8.7	2,664	2,577	-	-	-	-	5,241
Transaction costs	8.7	-	-164	-	-	-	-	-164
Share-based payments	8.8	-	-508	-	-	-	-	-508
As at December 31, 2018		**31,136**	**170,391**	**-181,119**	**3**	**183**	**186**	**20,594**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM JANAURY 1 TO DECEMBER 31, 2019

1. Corporate information

windeln.de SE (the "Company") is a stock corporation under European law whose shares are 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 228000. The registered offices of the Company are located at Hofmannstr. 51 in 81379 Munich, Germany.

windeln.de SE is the parent of the windeln.de Group ("windeln.de" or the "Group"). windeln.de SE and its subsidiaries are online retailers for baby and toddler products with operations in Germany and other European countries as well as in China. Business activities are transacted through the internet as well as a retail shop in Germany.

2. General principles

windeln.de SE 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 SE is obliged pursuant to Sec. 315e (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 2019 were prepared in accordance with the IFRSs and Interpretations of the IFRS IC as well as the supplementary provisions of Sec. 315e (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 13, 2020, 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. Basic accounting policies

3.1 Basis of presentation

The consolidated financial statements are prepared on the assumption of the entity's ability to continue as a going concern.

There are material uncertainties relating to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern. The Group is subject to material uncertainties regarding the achievement of planned increases in revenues and margins as well as further planned cost decreases whose occurrence is mandatorily necessary to ensure the achievement of a positive net cashflow. In case the planned projects and restructuring measurements cannot be implemented in the full extend or do not lead to the expected outcome, the amount of cash and cash equivalents will not suffice to cover all payment obligations in 2021. Therefore, the continuation of the Company and the Group is at stake and solvency depends on the Group's ability to collect further liquidity funds, e. g. via a further equity financing round or via raise of borrowed capital.

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. Assets and liabilities are accounted for using the disclosure and measurement rules in the relevant IAS or IFRS, which are explained in detail in notes 8 through 10.

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 SE. 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.

The financial year corresponds to a calendar year for all group entities. In 2018, Feedo Group was included in the consolidated financial statements until the date of its divestiture (August 24, 2018), also refer to note 6.3.

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 were adopted in fiscal year 2019:

Standard	Effective date	Impact on the Group's net assets, financial position and results of operations
IFRS 16 Leases	January 1, 2019	see note 10
Annual improvements to IFRSs (2015-2017 cycle)	January 1, 2019	none
IFRIC 23 Uncertainty over Income Tax Treatment	January 1, 2019	none

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	Endorsement
Amendments to references to the conceptual framework in IFRS standards	January 1, 2020	November 29, 2019
Amendments to IFRS 3 Business combinations	January 1, 2020	not yet endorsed*
Amendments to IAS 1 and IAS 8: Definition of materiality	January 1, 2020	November 29, 2019
IFRS 17 Insurance contracts	January 1, 2021	not yet endorsed*

* as of the preparation date of this Annual Report

The adoption of the above-mentioned changes or new standards is not expected to impact net assets, financial position or results of operations of the Group.

3.3 Significant accounting judgements 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 in notes 8 through 10.

4. 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.

windeln.de Group sells baby, toddler and children's products as an E-Commerce retailer. The product portfolio is homogenous in all sales market. As an e-commerce retailer, the Group offers its products on the Internet regardless of the customer's geographic location. In addition, merchandise is distributed to intermediates. A single Group-wide Ready to Ship business model is pursued. All shops are run on a uniform technical platform, and all shops operated by the legal entity windeln.de SE. Essential management functions of the Group are centralized, such as logistics, category management, operating procurement, marketing, customer service and administrative functions.

windeln.de is managed as a One-Segment-Group.

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.

Non-current assets in Germany amount to EUR 3,329k (December 31, 2018: EUR 3,966k), mainly domains in the amount of EUR 2,044k (December 31, 2018: EUR 2,159k).

5. Basis of consolidation

Accounting policy

The financial statements of the entities included in the consolidated financial statements were prepared on the basis of the parent's uniform accounting policies. No joint ventures or associate entities exist. The group parent, windeln.de SE, 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 IFRS 9 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.

Gains or losses from the deconsolidation of subsidiaries are recognized in the statement of comprehensive income.

Recognition in group financial statements

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. As of December 31, 2019, the Group's scope of consolidation includes windeln.de SE and the following subsidiaries:

Name	Interest of the Group	Pro rata equity (IFRS) in kEUR as of December 31, 2019	Purpose of the company
windeln.ch AG in liquidation, Uster, Switzerland	100%	0	The company was acquired on December 12, 2013, and is in the process of liquidation since July 10, 2018.
Bebitus Retail S.L.U., Barcelona, Spain	100%	-3,016	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 acquired on October 6, 2015.
windeln.ro labs SRL, Sibiu, Romania	100%	87	Programming activities and other IT and software services. The company was founded on October 6, 2015.

Name	Interest of the Group	Pro rata equity (IFRS) in kEUR as of December 31, 2019	Purpose of the company
Cunina GmbH, München, Deutschland	100%	-152	Retail and wholesale of baby and toddler products and of a complementary product range. The company was founded by means of a shareholders' agreement effective January 11, 2016, and by registration in the commercial register on April 6, 2016.
windeln Management Consulting (Shanghai) Co., Ltd., Shanghai, China	100%	-1	Service company in the Chinese market for marketing activities and for the development of further distribution channels. The company was founded on February 21, 2017.

Significant accounting judgments and estimates

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.

6. Notes on the subsequent measurement from the acquisition of subsidiaries

6.1 Subsequent accounting of the acquisition of Bebitus Retail S.L.U.

All commitments from subsequent purchase prices or share-based compensation from the acquisition of Bebitus Retail S.L.U. were settled after the final payment in 2018. A legal dispute from the acquisition of Bebitus Retail S.L.U. resulted in the recognition of a provision. See note 8.9.

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

Accounting policy

Claim assets from the acquisition of Feedo Sp. z o.o. are measured at amortized cost; changes in amortized cost are recognized in profit or loss.

Claims from the purchase price amendment

As of July 3, 2015, 100% of the shares in Feedo Sp. z o.o. and its subsidiaries (hereinafter referred to as "Feedo Group" or "Feedo") were purchased. In the years 2016 through 2018, several agreements on adjustments of subsequent purchase price payments (Earn Outs) and refund claims were signed. We refer to the disclosures made in the Annual Reports 2016 to 2018.

The claim with a nominal value of EUR 70k receivable from one of the founders and recognized as claim asset as of December 31, 2018, was fully and duly redeemed in the second quarter of 2019. Additionally, another claim against an investor with a nominal value of EUR 28k exists as of December 31, 2018 and 2019. Deducting expected credit losses pursuant to IFRS 9, both claims had a carrying amount of EUR 41k as of December 31, 2018. The remaining claim against the investor was fully impaired as of December 31, 2019.

6.3 Divestiture of Feedo Sp. z o.o.

Accounting policy

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Notes on the transaction

On July 20, 2018, windeln.de signed an agreement about the divestiture of Feedo Group – comprising the legal entities Feedo Sp. z o.o. located in Warsaw, Poland, and MyMedia s.r.o. located in Prague, Czech Republic – with all assets (including domains) and liabilities to Dětská galaxie s.r.o., a subsidiary of AGS 92 s.r.o. The agreement became effective on August 24, 2018. windeln.de receives a sales price of EUR 400k that is contractually due for payment two years after the closing conditions are met. The sales price was interest-bearing and was settled by the buyer through an early payment in June 2019.

All closing conditions of the transaction were fulfilled on August 24, 2018. On that day, windeln.de Group’s control over Feedo Group ended, resulting in the deconsolidation of all assets and liabilities of the disposal group.

In addition, Feedo Group meets the requirement of a discontinued operation in accordance with IFRS 5. As a result, profit or loss of the Feedo Group is presented in the separate position “Profit or loss after taxes from discontinued operations“ in the consolidated income statement. The results of operations and financial position of discontinued operations are outlined as follows:

kEUR	2019	2018
Discontinued operations		
Revenues	-	14,103
Operating expenses and other operating income	29	-16,919
Earnings before interest and taxes (EBIT)	**29**	**-2,816**
Profit or loss after interest and taxes	**43**	**-2,815**
Loss from divestiture of the disposal group before taxes	-	-9,370
Attributable tax benefit	-	1,612
Profit or loss after taxes from discontinued operations	**43**	**-10,573**
Net cash flows:		
Net cash flows used in operating activities	-	-3,674
Net cash flows used in investing activities	417	-42
Net cash flows from / used in financing activities	-	-13

The profit in 2019 results from the remeasurement of claim assets on the historic purchase price (EUR 29k, see note 6.2) and interest income from the deferred sales price payment (EUR 14k). Please refer to our Annual Report 2018 on detailed information on the 2018 amounts.

7. Fair value hierarchy

Accounting policy

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Recognition in group financial statements

As of December 31, 2019, and December 31, 2018, neither assets nor liabilitie4s were measured at fair value. There were no reclassifications between the different levels in the reporting period.

8. Notes to the consolidated statement of financial position

8.1 Intangible assets

Accounting policy

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 five years (for ERP software) or three years (other software than ERP). 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 their 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.

Internet domains

These are purchased intangible assets with an indefinite useful life that are not amortized. An indefinite useful life is applied, because internet domains are not subject to technical, technological or commercial obsolescence. 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.

Domains are tested for impairment if whenever there is an indication that a domain may be impaired. Additionally, once a year as of November 30, each individual domain is tested for impairment, either on the level of the separate asset, or on the level of the respective cash-generating unit (CGU), if the CGU contains a goodwill. Pursuant to IAS 36, an impairment loss is recognized on the carrying amount of a domain as soon as the estimated fair value of the asset (less cost of disposal) 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 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 “Internet 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 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.

Impairment testing of goodwill takes place once a year as of 30 November. Additionally, 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.

Recognition in group financial statements

kEUR	Goodwill	Software, licenses and similar assets	Software from finance leases	Software from right-of-use assets	Capitalized software development costs	Internet domains	Customer bases	Prepayments on intangible assets	Total
Cost as of December 31, 2018	**942**	**1,478**	**54**	**-**	**3,769**	**13,197**	**244**	**-**	**19,684**
Adoption of IFRS 16	-	-	-54	54	-	-	-	-	-
Cost as of January 1, 2019	**942**	**1,478**	**-**	**54**	**3,769**	**13,197**	**244**	**-**	**19,684**
Currency differences	20	-	-	-	-	66	3	-	89
Additions	-	2	-	-	84	-	-	65	151
Reclassifications	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-247	-	-247
as of December 31, 2019	**962**	**1,480**	**-**	**54**	**3,853**	**13,263**	**-**	**65**	**19,677**
Accumulated amortization and impairment as of December 31, 2018	**420**	**868**	**23**	**-**	**2,697**	**11,038**	**244**	**-**	**15,290**
Adoption of IFRS 16	-	-	-23	23	-	-	-	-	-
Accumulated amortization and impairment as of January 1, 2019	**420**	**868**	**-**	**23**	**2,697**	**11,038**	**244**	**-**	**15,290**
Currency differences	13	-	-	-	-	66	3	-	82
Additions (amortization)	-	285	-	18	762	-	-	-	1,065
Additions (impairment losses)	529	-	-	-	-	115	-	-	644
Disposals	-	-	-	-	-	-	-247	-	-247
as of December 31, 2019	**962**	**1,153**	**-**	**41**	**3,459**	**11,219**	**-**	**-**	**16,834**
Carrying amount									
as of December 31, 2018	522	610	31	-	1,072	2,159	-	-	4,394
as of December 31, 2019	**-**	**327**	**-**	**13**	**394**	**2,044**	**-**	**65**	**2,843**

kEUR	Goodwill	Software, licenses and similar assets	Software from finance leases	Capitalized software development costs	Internet domains	Customer bases	Prepayments on intangible assets	Total
Cost as of January 1, 2018	**923**	**1,461**	**56**	**3,489**	**27,610**	**318**	**19**	**33,876**
Currency differences	19	-	-	-	-321	8	-	-294
Additions	-	-	-	280	-	-	5	285
Reclassifications	-	24	-	-	-	-	-24	-
Derecognition of the disposal group (change in scope of consolidation)	-	-7	-	-	-14,092	-82	-	-14,181
Other disposals	-	-	-2	-	-	-	-	-2
as of December 31, 2018	**942**	**1,478**	**54**	**3,769**	**13,197**	**244**	**-**	**19,684**
Accumulated amortization and impairment as of January 1, 2018	**-**	**577**	**5**	**1,728**	**10,260**	**304**	**-**	**12,874**
Currency differences	-	-	-	-	-187	8	-	-179
Additions (amortization)	-	297	18	969	-	14	-	-1,298
Additions (impairment losses)	420	-	-	-	6,571	-	-	6,991
Derecognition of the disposal group (change in scope of consolidation)	-	-6	-	-	-5,606	-82	-	-5,694
Other disposals	-	-	-	-	-	-	-	-
as of December 31, 2018	**420**	**868**	**23**	**2,697**	**11,038**	**244**	**-**	**15,290**
Carrying amount								
as of December 31, 2017	923	884	51	1,761	17,350	14	19	21,002
as of December 31, 2018	**522**	**610**	**31**	**1,072**	**2,159**	**-**	**-**	**4,394**

Own work capitalized in the reporting period 2019 of EUR 84k (2018: EUR 242k) relates to capitalized development costs. This position includes in-progress development projects of EUR - as of the end of the reporting period (December 31, 2018: EUR 113k). Additionally, development costs of EUR 2,005k were recognized as expense in the fiscal year 2019 (2018: EUR 2,523k).

In 2019, following impairments were made:

- The regular reassessment of the expected useful lives of 13 separate internet domains with carrying amounts between EUR 1k and EUR 21k resulted in an impairment expense of EUR 115k in total.
- The CGU Switzerland, the regular annual impairment rest indicated an impairment expense of EUR 529k that is fully attributable to Goodwill. The assessment is based on the negative value in use and a pre-tax discount rate of 12.3%.

The amortization and impairments of intangible assets are recognized in the consolidated income statement as follows:

kEUR	2019	2018
Cost of sales from continuing operations	30	34
Selling and distribution expenses from continuing operations	1,139	7,607
Administrative expenses from continuing operations	540	634
Profit or loss from discontinued operations	-	14
Amortization and impairment of intangible assets	**1,709**	**8,289**

There are no restrictions on rights of disposal of intangible assets. None of the capitalized intangible assets were pledged as collateral for liabilities.

Significant accounting judgments and estimates

Intangible assets with definite useful life

At the end of each reporting period, the Group must assess whether there are indications that the carrying amount of an intangible asset item could be impaired. This assessment requires an estimate of the recoverable amount of the asset in question. 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.

Intangible assets with indefinite useful life

Determining the value in use (goodwill) or fair value (domains) 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, royalty rates, 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 or domain 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.

Notes on the annual impairment tests

The carrying amounts of the intangible assets with indefinite useful lives requiring impairment testing are summarized as follows:

kEUR	Carrying amount of internet domains	Carrying amount of goodwill
Switzerland	123	535
Spain	1,048	-
Portugal	771	-
	1,942	**535**

Switzerland comprises a goodwill and the domain windeln.ch. Business operations in Spain and Portugal use the internet domains bebitus.com/es and bebitus.pt. In France, the internet domain bebitus.fr is used, however, the carrying amount of this internet domain is nil. Each country generates independent cash inflows and, therefore, qualifies as cash-generating unit (CGU).

The Group performed its annual impairment test as of November 30, 2019. In a first step, the fair value less costs of disposal of domains is determined, using an income approach valuation method. If the carrying amount of the asset exceeds its fair value, domains are tested on the level of their CGU. For the test of domains on CGU-level (if applicable) and for the test of goodwill, the recoverable amount of the CGU is determined by calculating the value in use, which is based on the projected cash flows of the webshops.

The calculation of the domains' fair values and the cash flow projections used in the determination of the CGU's value in use stem from the latest financial plans for the period of five years as formally approved the supervisory board until November 30, 2019. They are adjusted by latest estimations gained after the formal supervisory board approval. 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 two-year transition period with falling growth rates and increasing EBITDA margins. This state was extrapolated using a perpetual growth rate of 1.3%.

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

	Switzerland	**Spain**	**Portugal**
expected EBITDA margin	4.6%	-	-
average growth rate in the forecast period	6.5%	12.1%	15.7%
eternal growth rate	1.3%	1.3%	1.3%
discount rate	12.3%	17.3%	16.5%

The assumed growth rates are based on experience and past values as well as expectations concerning future market developments in the individual countries. In order to assume growth rates, overall market expectations were combined with expected market shares of the windeln.de Group, that eventually resulted in the expected market development of the individual countries. In addition to market growth, the expected EBITDA margin is a significant assumption; it is based on historic experience and on economies of scale from the Group growth. The EBITDA margin is mainly affected by the operating contribution (gross margin reduced by fulfilment costs and marketing costs). The forecasts are reviewed for their budget adherence. Overruns or shortfalls of the actual values compared to the previously planned values are considered in the current planning process which is the basis for the latest impairment test.

The average growth rates in perpetual annuity correspond to the customary market assessments. 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.

Based on the expectations and findings presented, all domains were tested on their asset level. Since each domain's fair value significantly exceeds its carrying amount, there were no indications of testing on CGU level.

Sensitivities

In the annual impairment test, indicators for impairment were identified, leading to a full impairment of the goodwill Switzerland in the amount of EUR 529k. The results of that 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. The table below shows the impacts on the carrying amounts of intangible assets with indefinite useful lives und the hypothetical assumption of

- a reduction in the average growth rate for the extrapolation of cash flows outside of the planning period from 1.3% to 0.0% (1),
- a 1.0% increase in pre-tax interest rates (2), and
- the maximum plan deviation resulting in an impairment loss (3)

	Increased impairment in case of		
kEUR	reduction in average growth rate (1)	increase in pre-tax interest rates (2)	plan deviation (3)
Domain windeln.ch	-	-	95%
Domain bebitus.com/es	-	-	79%
Domain bebitus.pt	-	-	80%

8.2 Fixed assets

Accounting policy

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 as assets under construction.

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
- Right-of-use assets expected lease term (2 to 6 years)
- Leasehold improvements expected lease term (5 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.

Recognition in group financial statements

kEUR	Leasehold improvements	Technical equipment and machinery	Furniture and fixtures	Furniture and fixtures from finance leases	Right-of-use assets: Furniture and fixtures	Right-of-use assets: Office spaces	Total
Cost as of December 31, 2018	**6**	**12**	**995**	**148**	**-**	**-**	**1,161**
Adoption of IFRS 16	-	-	-	-148	148	1,057	1,057
Cost as of January 1, 2019	**6**	**12**	**995**	**-**	**148**	**1,057**	**2,218**
Currency differences	-	-	-1	-	-	-2	-3
Additions	-	-	70	-	111	25	206
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-4	-55	-	-10	-	-69
as of December 31, 2019	**-**	**8**	**1,009**	**-**	**249**	**1,080**	**2,352**
Accumulated depreciation as of December 31, 2018	**3**	**12**	**913**	**110**	**-**	**-**	**1,038**
Adoption of IFRS 16	-	-	-	-110	110	-	-
Accumulated depreciation as of January 1, 2019	**3**	**12**	**913**	**-**	**110**	**-**	**1,038**
Currency differences	-	-	-1	-	-	-	-1
Additions (depreciation)	0	-	85	-	42	606	733
Additions (impairments)	-	-	-		-	20	20
Reclassifications	-	-	-	-	-	-	-
Disposals	-	-4	-55	-	-10	-	-69
as of December 31, 2019	**-**	**8**	**942**	**-**	**142**	**626**	**1,721**
Carrying amount							
as of December 31, 2018	3	-	82	38	-	-	123
as of December 31, 2019	**3**	**-**	**67**	**-**	**107**	**454**	**631**

kEUR	Leasehold improvements	Technical equipment and machinery	Furniture and fixtures	Furniture and fixtures from finance leases	Assets under construction	Total
Cost as of January 1, 2018	**10**	**452**	**1,152**	**196**	**4**	**1,814**
Currency differences	-	-3	-3	-	-	-6
Additions	-	28	43	-	-	71
Derecognition of the disposal group (change in scope of consolidation)	-	-408	-103	-15	-4	-530
Other disposals	-4	-57	-94	-33	-	-188
as of December 31, 2018	**6**	**12**	**995**	**148**	**-**	**1,161**
Accumulated depreciation as of January 1, 2018	**4**	**133**	**936**	**116**	**-**	**1,189**
Currency differences	-	-3	-3	-	-	-6
Additions	3	57	151	41	-	252
Derecognition of the disposal group (change in scope of consolidation)	-	-118	-83	-14	-	-215
Other disposals	-4	-57	-88	-33	-	-182
as of December 31, 2018	**3**	**12**	**913**	**110**	**-**	**1,038**
Carrying amount						
as of December 31, 2017	6	319	216	80	4	625
as of December 31, 2018	**3**	**-**	**82**	**38**	**-**	**123**

Depreciation of fixed assets is recognized in the consolidated income statement as follows:

kEUR	2019	2018
Cost of sales from continuing operations	53	2
Selling and distribution expenses from continuing operations	414	76
Administrative expenses from continuing operations	286	101
Profit or loss from discontinued operations	-	73
Depreciation of fixed assets	**753**	**252**

As of December 31, 2019, there are contractual commitments for the acquisition of fixed assets in the amount of EUR 1k (December 31, 2018: no commitments). Unused office spaces capitalized as right-of-use assets pursuant to IFRS 16, were impaired at an amount of EUR 20k. As in the prior year, there are no indications of impairment pursuant to IAS 36 as of the date of preparing the financial statements.

8.3 Financial assets

Accounting policy

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 9.1.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (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

For purposes of subsequent measurement, financial assets are classified in four categories:
(1) Financial assets at amortized cost (debt instruments)
(2) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
(3) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
(4) Financial assets at fair value through profit or loss

(1) Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

This category is the most relevant to the Group.

(2) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Currently, no financial instruments of the Group fall into this measurement category.

(3) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 “Financial Instruments: Presentation” and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Currently, no financial instruments of the Group fall into this measurement category.

(4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Currently, no financial instruments of the Group fall into this measurement category.

Derecognition

A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Uncollectible trade receivables are derecognized after statutory limitation periods – as applicable in the respective countries of delivery – have expired or when a court decision is obtained. In Germany, trade receivables are derecognized after they have undergone an unsuccessful dunning process and when they could not be collected through an external collection service provider.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Unless stated otherwise, the credit risk of a financial asset is deemed to have significantly increased if the financial asset is more than 30 days overdue.

For the impairment of financial assets in windeln.de Group, 12-month-ECLs have insignificant relevance as they are only applicable for other financial assets and cash positions that have only a minor risk exposure. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix separating trade receivables into maturity bands and measuring each band separately. Measurement is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

<u>Recognition in group financial statements</u>

Trade receivables

All trade receivables are due for payment for a period of up to one month. They are not subject to interest, and there are no restrictions on rights of disposal. As of December 31, 2019, and 2018, trade receivables were as follows:

kEUR	December 31, 2019	December 31, 2018
Gross carrying amount	2,898	3,695
Impairment loss	-2,060	-2,278
	838	**1,417**

As of December 31, 2019, impairment charges of EUR 246k were recognized due to default risks (December 31, 2018: EUR 641k). The account for impairment losses developed as follows:

kEUR	2019	2018
As of January 1	2,278	2,786
Addition	246	641
Utilization	-464	-1,135
Reversal	-	-14
As of December 31	**2,060**	**2,278**

Maturity bands used for the measurement of expected credit losses as of December 31, 2019, break down as follows:

Maturity band	Gross carrying amount (kEUR)	Credit impaired
Not overdue up to 30 days overdue	458	No
31 to 90 days overdue	80	No
more than 90 days overdue	2,360	Yes
	2,898	

The write-downs due to uncollectible receivables amount to EUR 464k in the 2019 reporting period (2018: EUR 1,135k).

On a regular basis, receivables not yet past due and not yet impaired are sold to third parties, leading to derecognition from the statement of financial position. 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.

Some of the overdue receivables are collected by collection service providers. The impaired receivable remains in the Group’s books until the receivable is either collected or finally deemed irrecoverable and derecognized from the Group’s books.

Other financial assets

kEUR	December 31, 2019	December 31, 2018
Purchase price receivables from divestiture of subsidiaries	-	403
Restricted cash	-	226
Lease and other deposits	16	21
Other non-current financial assets	**16**	**650**
Accrued advertising contributions and supplier rebates	1,183	1,715
Creditors with debit balances	714	90
Lease and other deposits	580	625
Restricted cash	226	-
Compensation from seller guarantees	-	41
Sundry	16	86
Other current financial assets	**2,719**	**2,557**
Other financial assets	**2,735**	**3,207**

Accrued advertising contributions and supplier rebates 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 or invoiced advertising contributions and supplier rebates etc. Restricted cash comprises a rent guarantee pledged as a security for an office lease agreement.

Compensation from seller guarantees stems from a review process of the issued seller guarantees in the course of which windeln.de SE and the sellers of the Feedo Group agreed on a compensation payment. The purchase price from the divestiture of Feedo Group was received in 2019. See details in notes 6.2 and 6.3.

Additional information on financial instruments

The following table shows the carrying amounts and fair values of the financial assets (except for cash and cash equivalents) and the allocation of financial statement positions to the measurement categories:

	December 31, 2019		December 31, 2018	
kEUR	Carrying amount	Fair value	Carrying amount	Fair value
Debt instruments at amortized cost:				
Trade receivables	838	838	1,417	1,417
Other financial assets	2,735	2,735	3,207	3,207
Debt instruments at fair value through OCI:				
---	-	-	-	-
Equity instruments at fair value through OCI:				
---	-	-	-	-
Financial assets at fair value through profit or loss:				
---	-	-	-	-
Financial assets	**3,573**	**3,573**	**4,624**	**4,624**
current	3,557	3,557	3,974	3,974
non-current	16	16	650	650

Due to the short-term maturities of trade receivables and other current financial assets, the fair values less impairment for these items are assumed to be equal to the carrying amounts.

Other current financial assets include cooperative shares of EUR 14k (December 31, 2018: EUR 14k). Those assets qualify as "financial assets at fair value through profit or loss" but are recognized at cost because they cannot be measured at fair value and because of their immaterial amount.

Significant accounting judgments and estimates

The portfolio-based allowance for trade receivables requires a definition of the maturity bands of the age structure, which is an accounting estimate. The applied write-down percentage is estimated based upon historical default quotas.

8.4 Non-financial assets

kEUR	December 31, 2019	December 31, 2018
Prepaid expenses	149	177
Non-current non-financial assets	**149**	**177**
VAT receivables	1,473	2,105
Prepaid expenses	320	402
Right to recover possession of goods	94	147
Sundry	1	4
Current non-financial assets	**1,888**	**2,658**
Non-financial assets	**2,037**	**2,835**

The right to recover possession of goods concerns the estimated returns after the end of the reporting period. See note 9.1.

The items contained in prepaid expenses involve payments made for services that will not be provided until after the end of the reporting period, as well as prepaid transaction fees for future equity transactions. See note 8.7.

As of December 31, 2019, and December 31, 2018, the Group did not hold any securities.

8.5 Inventories and prepayments

Accounting policy

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.

Recognition in group financial statements

kEUR	December 31, 2019	December 31, 2018
Gross merchandise	7,707	7,564
Impairment of merchandise	-368	-744
Inventories	**7,739**	**6,820**

Inventories are impaired due to a decline in net realizable values and to slow-moving stock. No inventories are pledged as securities for liabilities.

Prepayments of EUR 1k were made for upcoming deliveries of merchandise. As of December 31, 2018, no prepayments were recognized.

Significant accounting judgments and estimates

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.

8.6 Cash and cash equivalents

Accounting policy

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, that are subject to insignificant risks of change in value. They are measured at nominal value. Any interest incurred on debit bank balances are reported in administrative expenses, see note 9.2.

Utilized overdraft facilities are reported as liabilities to banks under “current financial liabilities” in the statement of financial position. Time deposits qualify as cash equivalents if they can be cancelled within three months, and if they are subject to an insignificant risk of change in value. Otherwise, they are recognized under “other current financial assets” or “other non-current financial assets”.

If access to cash positions held by the Group is restricted and the restriction expires within three months, those cash positions are recognized within cash. Otherwise, they are recognized as restricted cash within "other current financial assets" or "other non-current financial assets".

Recognition in group financial statements

kEUR	December 31, 2019	December 31, 2018
Cash at banks	8,332	11,112
Restricted cash	40	10
Cash on hand	5	14
Cash and cash equivalents	**8,377**	**11,136**

Most of the bank balances are interest free or earn low levels of interest.

Notes on 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, cash flows from operating, investing and financing activities are separated 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.

The ***negative cash flow from operating activities*** is attributable to the net loss for the year adjusted for non-cash effects. The main non-cash effects in 2019 are:

- Depreciation, amortization and impairment of fixed and intangible assets in the amount of EUR 2,462k
- Share-based compensation expenses of EUR 38k

The ***positive cash flow from investing activities*** is primarily attributable to cash payments of EUR 400k for the purchase price of the sale of Feedo Group and EUR 70k from the settlement of claim assets from the purchase of Feedo Group. Regular payments for investments in fixed and intangible assets amount to EUR 231k in 2019.

Positive cash flows from financing activities result mainly from the capital increase in the first quarter of 2019 in the amount of EUR 10,138k, reduced by transaction fees of EUR 847k for equity transactions. As a consequence of the adoption of IFRS 16, payments from lease agreements – presented as operative cash outflows ini 2018 – are recognized as payments from financing activities in 2019. The reconciliation of cash flows from financing activities to the development of financial liabilities breaks down as follows:

kEUR	Money market loans	Lease liabilities	Other financial debt	Total financial liabilities
As at January 1, 2018	**3,500**	**106**	**28**	**3,634**
Currency differences (non-cash)	-	-1	-1	-2
Additions (non-cash)	-	-	-	-
Repayment (cash-effective)	-3,500	-51	-9	-3,560
Derecognition of the disposal group (change in scope of consolidation)	-	-	-18	-18
Other non-cash changes	-	-	-	-
As at December 31, 2018	**-**	**54**	**-**	**54**
Adoption of IFRS 16	-	1,110	-	1,110
As at January 1, 2019	**-**	**1,164**	**-**	**1,164**
Currency differences (non-cash)	-	-2	-	-2
Additions (non-cash)	-	127	-	127
Repayment (cash-effective)	-	-669	-	-669
As at December 31, 2019	**-**	**620**	**-**	**620**

8.7 Equity

Accounting policy

Capital increases and capital decreases

In capital increases against cash contribution or contribution in kind, the imputed share in the capital stock of EUR 1.00 per share is recognized as issued capital. Additional assets received as cash contribution or contribution in kind are recognized within share premium as premium from capital increases. Capital decreases result in a reduction of both issued capital and accumulated losses if the corresponding resolution of the General Meeting stipulates the coverage of losses as the purpose of the capital decrease in the sense of Sec. 222 Stock Corporation Act (AktG).

The issued capital reported in the consolidated financial statements corresponds to the share capital as stipulated in the Articles of Association of the Group's mother company windeln.de SE.

Transaction costs in equity transactions

Pursuant to IAS 32.37, the directly attributable costs in connection with equity transactions (e. g. capital increases, capital decreases) must be accounted for as a deduction from 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 is 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 are 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.

Prepaid transaction fees are accrued as non-financial asset, and reclassified to equity as of the date of the equity transaction.

Recognition in group financial statements

Equity transactions

At an ***Extraordinary General Meeting on January 9, 2019***, it was resolved to reduce the share capital of windeln.de SE by way of an ordinary capital reduction by a reverse stock split at a ratio of 10 : 1 from EUR 31,136,470 to EUR 3,113,647. This measure was intended to give the Company the opportunity to raise capital on the capital market by issuing new shares, as the share price is intended to level off above EUR 1.00, the statutory minimum issue amount for capital increases. The merger of the shares reduced the number of shares in the Company without affecting the assets of the Company.

Furthermore, it was resolved to increase the share capital of the Company by up to EUR 9,000,000 to EUR 12,113,647. The opportunity to implement a capital increase was used for a capital increase against cash contributions while respecting the subscription rights of the shareholders.

With entry in the commercial register on March 14, 2019, the subscription rights capital increase resolved by the Extraordinary General Meeting on January 9, 2019, successfully completed. The share capital was increased by issuing a total of 6,850,023 no-par value bearer shares, each with a nominal value of EUR 1.00 and with a dividend entitlement from January 1, 2018, against cash contribution of EUR 6,850,023 from EUR 3,113,647 to EUR 9,963,670. Based on the fixed subscription price of EUR 1.48 per share, this resulted in gross issue proceeds of EUR 10,138k.

On ***June 6, 2019***, the ***Annual General Meeting*** resolved to revoke the existing authorization to issue convertible and/or warrant bonds, profit participation rights and/or income bonds (or combinations of these instruments) of up to EUR 300,000,000 and the Conditional Capital 2016/I of EUR 7,997,804 created to service the convertible and/or warrant bonds. At the same time, the management board was authorized, with the approval of the supervisory board, to issue convertible bonds and / or warrant bonds, profit participation rights and / or income bonds (or combinations of these instruments) with a total nominal value of up to EUR 25,000,000 and to grant the holders or creditors of these bonds conversion or warrant rights (also with conversion or warrant obligations) for a total of up to 3,226,629 new bearer shares of the Company with a proportionate amount of the share capital of up to EUR 3,2226,629 in total (Conditional Capital 2019/I).

Furthermore, the resolution of the Annual General Meeting of June 6, 2019 authorized the management board to acquire until June 5, 2024, with the approval of the supervisory board, treasury shares in a volume of up to 10% of the share capital at the time of the resolution or – in case that number is lower – of the share capital at the time the authorization is exercised for all legally permissible purposes. The management board was additionally authorized to use, with the approval of the supervisory board, certain types of derivatives in the acquisition of treasury shares. The acquisition of treasury shares using these derivatives is limited to a maximum of 5% of the share capital at the time the Annual General Meeting adopted the resolution. Treasury shares acquired using derivatives count towards the 10% threshold of the aforementioned authorization. The term of the derivatives must be chosen in such a way that the acquisition of shares using derivatives does not take place after June 5, 2024.

In a further ***Extraordinary General Meeting*** held on ***September 27, 2019***, the shareholders of windeln.de SE approved to reduce the Company's share capital from EUR 9,963,670 by EUR 6,974,569 to EUR 2,989,101 through an ordinary capital reduction by way of a reverse share split at a ratio of 10 : 3.

In addition, the Extraordinary General Meeting correspondingly resolved to increase windeln.de SE's reduced share capital of EUR 2,989,101 by up to EUR 10,000,000 to up to EUR 12,989,101 by issuing up to 10,000,000 new ordinary bearer shares with no-par-value against contribution in cash with indirect subscription rights for existing shareholders.

The capital decrease, as resolved by the of the Extraordinary General Meeting on September 27, 2019, became effective by entry in the commercial register on December 18, 2019.

After the equity transactions described above, the Authorized Capital 2019/I amounts to EUR 15,500,000, the Conditional Capital 2016/II and 2018/I stand unchanged to the prior year at EUR 555,206 and EUR 1,200,000, and the Conditional Capital 2019/I amounts to EUR 3,226,629.

Issued capital

As of December 31, 2019, the issued capital of the Group parent amounts to EUR 2,989k (December 31, 2018: EUR 31,136k). It has been fully paid in and comprises 2,989,101 (December 31, 2019: 31,136,470) no-par value bearer shares. The number of shares outstanding at the beginning and at the end of the period reconciles as follows:

	Resolution by the General Meeting	Effective date (commercial register)	Number of shares
As of January 1, 2019			**31,136,470**
Capital decrease	January 9, 2019	January 14, 2019	-28,022,823
Capital increase	January 9, 2019	March 14, 2019	6,850,023
Capital decrease	September 27, 2019	December 18, 2019	-6,974,569
As of December 31, 2019			**2,989,101**

Share premium

As of December 31, 2019, the share premium amounts to EUR 172,904k (December 31, 2018: EUR 170,391k) and breaks down as follows:

kEUR	December 31, 2019	December 31, 2018
Premium from financing rounds and/or IPO	171,204	167,916
Capital increases from company funds	-25,232	-25,232
Contributions in kind	4,465	4,465
Costs of equity transactions	-6,487	-5,674
Share-based payments	28,914	28,876
Premium from exercise of stock options	40	40
Share premium	**172,904**	**170,391**

Accumulated loss

The accumulated loss results from losses carried forward from prior periods and the result for the current reporting period. The accumulated loss is reduced by the capital decreases processed in January and December 2019.

8.8 Employee benefits

8.8.1 Share-based payments

Share-based compensation as component of employee remuneration

Accounting policy

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 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.

To motivate and retain key employees, windeln.de SE introduced a total of four 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. Amongst others, a stock exchange listing of the company (IPO exit) qualifies as an exit event.

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 subsequently 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 SE. 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.

The vesting period has lapsed for all granted stock options in 2018 and 2019 without exercises of stock options. Revenue growth targets were not achieved, and the reference stock price of the windeln.de share was below the minimum exercise price of EUR 10.20.

Description of LTIP 2015-2017 – SO and RSU

In 2015, the Company launched a long-term incentive plan (LTIP 2015-2017) and from 2015 to 2017, 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 SE 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.

Description of LTIP 2018-2020 – SO and RSU

In 2018, the Company launched another long-term incentive plan (LTIP 2018-2020) and entered into corresponding agreements with employees of the Group in 2018 and 2019. 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 SE 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 1/48 of the options granted, beginning with the calendear year in which the options were granted; thereafter they obtain a vested right of 1/48 per month over a total period of four years, beginning with the calendar year in which the options were granted. 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 stock options and restricted stock units 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 was determined as the historical volatility (over a period similar to the life of the options) of comparable public 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. The risk-free interest rates were determined based on the interest on German government bonds over a similar period. 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(share price on exercise date - 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 for VSOP 1-2, LTIP 2015-2017-RSU, LTIP 2015-2017-SO, LTIP 2018-2020-RSU and LTIP2018-2020-SO at the grant date:

		LTIP 2015-2017		**LTIP 2018-2020**	
	VSOP 1-2	**RSU**	**SO**	**RSU**	**SO**
Expected volatility (%)	37.46% - 40.80%	38.14% - 43.93%	38.28% - 41.91%	45.80% - 47.88%	44.51% - 47.88%
Risk-free interest rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Expected dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Expected life of options (years)	0.25 - 4	4	4 – 4.5	4	4 – 4.67
Average share price on the measurement date (in EUR)	13.25	3.19 – 14.69	3.19 – 10.63	1.26 – 2.17	1.26 – 2.17

The subscription rights recognized in equity changed as follows:

		LTIP 2015-2017		LTIP 2018-2020	
	VSOP 1-2	RSU	SO**	RSU	SO
Outstanding at the beginning of the reporting period (January 1, 2019)	**147,338**	**102,538**	**241,878**	**22,108**	**66,322**
Adjustment of subscription rights due to the reverse stock split on January 14, 2019 in relation 10 : 1*	14,732	10,232	24,172	2,210	6,631
Granted during the reporting period	-	1,131	2,831	3,266	9,821
Exercised during the reporting period	-	-	-	-	-
Forfeited during the reporting period	-	-228	-13,527	-102	-305
Expired during the reporting period	-	-	-	-	-
Outstanding - subtotal	**-**	**11,135**	**13,476**	**5,374**	**16,147**
Adjustment of subscription rights due to the reverse stock split on December 18, 2019 in relation 10 : 3* **Outstanding at the end of the reporting period (December 31, 2019)**	**4,416**	**3,315**	**4,031**	**1,604**	**4,835**
Exercisable at the end of the reporting period (December 31, 2019)	4,416	1,822	-	-	-

* considering contractual rounding to a full share

** In 2018, management has estimated that the performance target for LTIP 2015-2017 relating to the average revenue growth during the 4-year vesting period will most likely not be met. As of December 31, 2019, this estimation is unchanged for the stock options granted in 2016 and 2017. Therefore, management concludes that stock options (SO) granted in 2016 and 2017 with those specific performance targets, are not fully vested. Pursuant to IFRS 2, this assumption was incorporated into the quantity of the stock option plan. For the stock options granted in 2015 and on January 1, 2016, the defined performance targets were finally not met, and options forfeited.

The weighted average exercise price (in EUR) for stock options is as follows:

	VSOP 1-2	LTIP 2015-2017 SO	LTIP 2018-2020 SO
For stock options outstanding at the beginning of the reporting period (January 1, 2019)	**1.05**	**7.88**	**1.37**
Adjustment of the exercise price due to the reverse stock split on January 14, 2019 in relation 10 : 1	10.50	78.83	13.66
For stock options granted during the reporting period	-	62.23	7.04
For stock options exercised during the reporting period	-	-	-
For stock options forfeited during the reporting period	-	117.68	13.66
For stock options expired during the reporting period	-	-	-
Weighted average exercise price - subtotal	**10.50**	**36.36**	**9.63**
Adjustment of the exercise price due to the reverse stock split on December 18, 2019 in relation 10 : 3* **For stock options outstanding at the end of the reporting period (December 31, 2019)**	**35.00**	**121.21**	**32.11**
For stock options exercisable at the end of the reporting period (December 31, 2019)	35.00	-	-

The weighted average remaining contractual life for the stock options outstanding as of December 31, 2019, is 1.13 years. The weighted average fair value of the restricted stock units granted in 2019 was EUR 79.10, after modifications due to the capital decreases. The weighted average fair value of the stock options granted in 2019 was EUR 19.02, after modifications due to the capital decreases. Considering the capital decreases in January and December 2019, the exercise price range for the equity-settled stock options outstanding as of December 31, 2019, is EUR 7.27 to EUR 346.67, if an exercise price has been set.

Presentation of financial impacts

In 2019, a total expense of EUR 38k was recognized for share-based payment obligations from stock option programs. In 2018, an income of EUR 321k was recognized due to the above mentioned estimation on the achievement of performance targets and the resulting adjustment of the quantity of the stock option plan LTIP 2015-2017. In both years, expenses or income fully relate to equity-settled share-based payments.

As of December 31, 2019, a figure of EUR 11,980k is reported in the share premium from equity-settled share-based payment obligations from stock option programs (December 31, 2018: EUR 11,942k).

Significant accounting judgments and estimates

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. 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.

Additionally, management assumptions on the occurrence probability of defined performance targets impact the quantity of the stock option plan. Regular budget analyses and forecast updates are used to assess the probability.

Share-based payment commitments in the course of acquisitions

In addition, as part of the acquisition of Feedo Group, shares with contingent return obligations were issued that fall within the scope of IFRS 2. Parts of contingent considerations in connection with the acquisition of Feedo Group and Bebitus also fall within the scope of IFRS 2 and/or IAS 19. For further details, reference is made to the prior year's Annual Reports.

8.8.2 Bonus plans

Accounting policy

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 a contractual obligation to pay a bonus exists.

Recognition in group financial statements

Bonus liabilities are recognized within other current financial liabilities. See quantitative disclosures note 8.10.

8.9 Provisions

Accounting policy

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

Recognition in group financial statements

kEUR	Current provisions	Non-current provisions	Total
As of January 1, 2019	235	2	237
Addition	192	-	192
Reversal	-27	-	-27
Utilization	-112	-2	-114
As of December 31, 2019	**288**	**-**	**288**

As of December 31, 2019, current provisions were mainly recognized for a legal dispute, see details below, and for expense compensations

Other financial obligations

Obligations

As of December 31, 2019, future obligations from goods ordered but not yet delivered amounted to EUR 5,666k (December 31, 2018: EUR 5,460k).

Litigation, guarantees and contingent liabilities

Two employees of Bebitus Retail S.L.U. have participated on the purchase price (incl. Earn Outs) of the legal entity through an Incentice Plan amounting to 0.5% each. In 2018, the last Earn Out tranche – based on the final settlement agreement – was paid. End of 2018, these two employees have sued the Group for unfair treatment from the final settlement agreement which resulted in a lower purchase price. The Group counters the risk through recognition of a provision in the amount of the difference between actually paid purchase price and the historic purchase price without purchase price adjustments.

Except for the legal dispute described above, there are no legal disputes as of December 31, 2019 and 2018. As of December 31, 2019 and 2018, no guarantees have been provided, and there were no contingent liabilities.

Significant accounting judgments and estimates

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.

8.10 Financial liabilities

Accounting policy

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Currently, there are no liabilities or derivatives in windeln.de Group that are designated as hedging instruments

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(1) 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 financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the income statement. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

(2) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective-Interest-Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the 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 EIR. The EIR amortization is included as finance costs in the income statement. This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

Offsetting of financial instruments

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

Recognition in group financial statements

Trade payables

As of December 31, 2019, trade payables amount to EUR 3,639k (December 31, 2018: EUR 4,573k), they are due within one year, and they 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 90 days.

Financial liabilities

Financial liabilities comprise solely lease liabilities that are measured pursuant to IAS 17 as of December 31, 2018, and pursuant to IFRS 16 as of December 31, 2019. The adoption of IFRS 16 and the measurement as of December 31, 2019, is outlined in note 10.

Other financial liabilities

kEUR	December 31, 2019	December 31, 2018
Accrued rent-free period	-	21
Other non-current financial liabilities	**-**	**21**
Bonus liabilities	607	346
Debtors with credit balances	476	778
Other personnel-related liabilities	418	551
Liabilities for supervisory board	217	229
Audit of financial statements and tax advisory services	208	123
Expected refund obligations for returns	61	91
Liabilities for other advisors	36	145
Accrued rent-free period	-	32
Sundry	41	40
Other current financial liabilities	**2,064**	**2,335**
Other financial liabilities	**2,064**	**2,356**

Debtors with credit balances relate to customer credits due to overpayment or filed returns. Expected refund obligations for returns are described in note 9.1. Other current liabilities do not bear interest.

Accrued rent-free periods are not recognized under IFRS 16 as of December 31, 2019. The adoption of IFRS 16 is described in note 10.

Additional information on financial instruments

The following table shows the carrying amounts and fair value of all financial liabilities and the allocation of financial statement positions to the measurement categories:

kEUR	December 31, 2019 Carrying amount	December 31, 2019 Fair value	December 31, 2018 Carrying amount	December 31, 2018 Fair value
Financial liabilities at amortized cost:				
Trade payables	3,639	3,639	4,573	4,573
Other financial liabilities	2,064	2,064	2,356	2,356
Financial liabilities at fair value through profit or loss:				
---	-	-	-	-
Total financial liabilities, without lease liabilities	**5.703**	**5.703**	**6.929**	**6.929**
current	5.703	5.703	6.908	6.908
non-current	-	-	21	21

Due to the short-term maturities of trade payables and other current financial liabilities, the fair values for these items are assumed to be equal to the carrying amounts.

Disclosures on capital management

The Group's capital management targets are mainly related to maintaining the short, mid and long-term liquidity and financing of the Group. The main focuses are on providing sufficient cash balances until the achievement of a positive free cash flow and an active management of net working capital. The applicable measures comprise financing activities through equity or debt instruments, improvements in the expenditure structure, optimization of inventories and management of supplier conditions.

windeln.de SE is not subject to any capital requirements under its articles of incorporation and bylaws.

The Group permanently monitors its liquidity position through rolling forecasts and manages actively the amount of its net working capital, in particular the amount of inventories on stock. Currently, an automated purchasing tool is being implemented in order to optimize procurement and the storage period using inventory turnover ranges. The is expected to go live in the second quarter of 2020.

8.11 Non-financial liabilities

Non-current non-financial liabilities do not exist. Current non-financial liabilities break down as follows:

kEUR	December 31, 2019	December 31, 2018
Liabilities from social security, wage and church taxes	237	281
VAT liabilities	183	71
Liabilities from customs authorities	131	210
Other	-	13
Current non-financial liabilities	**551**	**575**

8.12 Income taxes and deferred taxes

Accounting policy

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 legal entities 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 liabilities 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, if no goodwill is recognized in tax books. 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.

The expected Group tax rate is calculated for each year using a mixed calculation of the individual tax rates of all companies included in the consolidated financial statements.

Recognition in group financial statements

The major components of income tax expense and benefits for the financial years 2019 and 2018 are:

kEUR	**2019**	**2018**
Current income taxes	8	15
Actual income taxes	**8**	**15**
Deferred taxes from temporary differences	-1	-2.078
Deferred taxes from tax losses	-	2
Deferred taxes	**-1**	**-2,076**
Income tax benefit (-) and expense (+)	**7**	**-2,061**
thereof from continuing operations	7	-446
thereof from discontinued operations	-	-1,615

Current taxes in Germany are calculated by applying a uniform corporate income tax rate including solidarity surcharge of 15.8% (2018: 15.8%) 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 17.0% (2018: 17.1%), resulting in an overall tax rate in Germany of 32.9% (2018: 32.9%). windeln.de SE's deferred tax assets and liabilities were measured using the aggregate tax rate of 32.9% (December 31, 2018: 32.9%).

To calculate current taxes and deferred tax assets and liabilities in other countries, the following tax rates are applied:

Romania – 16.0%
Switzerland – 20.7%
Spain – 25.0%
China – 5.9%

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 2019 and 2018 is as follows:

kEUR	2019	2018
Earnings before income taxes from continuing operations	-14,648	-27,565
Earnings before income taxes from discontinued operations	43	-12,188
Earnings before income taxes	**-14,605**	**-39,753**
Expected income tax benefit (-) and expense (+)	-4,633	-11,423
Unused tax losses without deferred tax assets	4,759	9,084
Unrecognized deferred tax assets arising on temporary differences	6	43
Goodwill impairment	109	105
Transaction costs recognized in equity	-278	-37
Non-deductible operating expenses	105	202
Tax-free foreign dividends	-63	17
Other effects	2	-52
Effective tax benefit (-) and expense (+)	**7**	**-2,061**
Expected tax rate (in %)	31.7%	28.7%
Effective tax rate (in %)	-0.0%	5.2%

Deferred taxes break down as follows as of the reporting date:

kEUR	December 31, 2019	December 31, 2018
Tax-loss carry-forwards	48,825	44,351
Inventories	80	150
Other current provisions	28	6
Other non-current provisions	-	123
Other current financial liabilities	3	18
Current financial liabilities	161	13
Non-current financial liabilities	25	5
Trade receivables	-	35
Intangible assets	99	99
Other	5	21
Deferred tax assets	**49,226**	**44,821**
Intangible assets	129	480
Fixed assets	194	23
Other	17	22
Deferred tax liabilities	**340**	**525**
After netting:		
Deferred tax assets (total)	**48,886**	**44,296**
Deferred tax liabilities (total)	-	-
Thereof recognized in the statement of financial position (deferred tax assets)	2	1
Thereof recognized in the statement of financial position (deferred tax liabilities)	-	-

German loss carry-forwards for corporate income tax totaled EUR 147,274k (December 31, 2018: EUR 132,729k), German loss carry-forwards for trade tax totaled EUR 144,075k (December 31, 2018: EUR 129,975k), and foreign tax-loss carry-forwards totaled EUR 3,835k (December 31, 2018: EUR 4,641k).

Deferred tax assets on German loss carry-forwards and termporary differences only have to be recognized in the amount in which deferred tax liabilities are recognized, because windeln.de SE and Cunina GmbH have no profit history. Deferred tax assets on German tax-loss carryforwards of EUR 47,617k (December 31, 2018: EUR 42,912k) and deferred tax assets on temporary differences of EUR 337k (December 31, 2018: EUR 274k) were not recognized as of December 31, 2019. German tax-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 carry-forward options, management expects it will be possible to use the German loss carryforwards in full.

No deferred tax assets were recognized on foreign tax-loss carry-forwards in Spain due to the loss histories of Bebitus Retail S.L.U. Tax-loss carry-forwards in Spain can be used for an unlimited period. Due to the existing cost-plus-agreement, carry-forwards can be utilized gradually. Unrecognized deferred tax assets on tax-loss carry-forwards as of December 31, 2019 amounted to EUR 920k in Spain (December 31, 2018: EUR 1,159k in Spain).

In China, a tax-loss carry-forward was incurred in 2019. Tax-loss carry-forward can be used within the next five years against future profits. Due to current uncertainties about the usability of the tax-loss carry-forward, deferred tax assets in the amount of EUR 9k were not recognized as of December 31, 2019.

Due to the liquidation process of windeln.ch AG, all deferred taxes on tax-loss carry-forwards were derecognized in 2018. As in the prior year, there are no loss carry-forwards in Romania.

As of December 31, 2019 and 2018, no deferred tax liabilities were recognized on temporary differences associated with investments in subsidiaries.

Significant accounting judgments and estimates

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. 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.

9. Notes to the consolidated statement of comprehensive income

9.1 Revenues and other operating income

Accounting policy

Revenue and other operating income are recognized when the performance obligations of the customer contract are satisfied, in accordance with the provisions of IFRS 15. A performance obligation is satisfied when the customer obtains control of the promised goods or the promised service. Revenue from the sale of goods is recognized when the goods have been delivered and the risks of ownership of the goods have been transferred to the buyer. 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.

Revenue is recognized in the amount of the transaction price of the customer contract, excluding taxes and other duties. Revenue is recorded net of sales deductions and expected returns. The transaction price is allocated to the single performance obligations of the customer contract.

Receivables from customers are generally due for immediate repayment. End customers are granted a payment term of 14 days for goods purchased on account. If customer payment transactions are made with payment service suppliers, the maximum payment term is 21 days from the order date. Receivables from customers do not include financing components, they are not variable.

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.

Expected returns

Customers are generally granted a 14 to 30-day right of return for sales transactions. In the Christmas business, return periods are partially extended. 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.

Irrespective of the right of return, windeln.de meets statutory warranty obligations. No guarantees are granted beyond the minimum statutory requirements. Warranty claims from customers are refunded by windeln.de, and then recharged to the original equipment manufacturer.

Loyalty bonus programs

windeln.de Group offers loyalty bonus programs that allow customers to collect loyalty points each time they shopped or each time they made a successful referral. Additionally, loyalty points are granted for reasons of goodwill. The loyalty points collected can be used to obtain rebates on future purchases within 24 months. Unredeemed loyalty points qualify as an unsatisfied performance obligation, that no revenue is recognized for.

The transaction price of the customer contract is allocated between the products sold and the loyalty points issued, with the transaction price allocated to the points equal to their relative stand-alone selling price. The relative stand-alone selling price of the points is calculated based on the rebates granted when redeeming the loyalty points, taking historical redemption rates into account. The relative stand-alone selling price of the points issued is deferred, thus reducing revenue, and recognized as revenue when the points are redeemed or when they expire.

Savings and customer benefit plans

Until 2018, windeln.de SE gave 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.

A baby starter box (“Storchenbox”) contains basic equipment for babies and additionally vouchers that can be redeemed in a future purchase with a discount.

The upfront fees generated from the sale of the savings and customer benefit plans qualify as an unsatisfied performance obligation. They are deferred within deferred revenues, and recognized as revenues ratably over the validity period of the individual savings plans or as a one-time revenue on the day of the voucher redemption.

Recognition in group financial statements

Revenues

The Group’s revenue is mainly generated through the sale of baby and toddler products in Germany, China and other European countries.

kEUR	2019	2018
Revenues from continuing operations by type		
Revenue from the sale of merchandise	81,731	104,536
Revenue from other services	613	282
	82,344	**104,818**
Revenues from continuing operations by region		
Germany, Austria, Switzerland (DACH)	17,898	24,212
China	51,260	56,737
Other / rest of Europe	13,186	23,869
	82,344	**104,818**

Contract assets as conditional right to consideration for the transfer of goods do not exist. Refund obligations for returns are recognized within other current financial liabilities and amount to EUR 61k as of December 31, 2019, (December 31, 2018: EUR 91k). The corresponding right to recover possession of goods is recognized within current non-financial assets and amounts to EUR 94k as of December 31, 2019, (December 31, 2018: EUR 147k).

Contract liabilities are summarized within deferred revenues that represent the Group's unsatisfied performance obligations to customers. They stem from customer credits due to prepayments for outstanding shipments, purchased vouchers, loyalty bonuses and prepaid but unfulfilled performance obligations from savings and customer benefit plans. Contract liabilities developed as follows:

	Deferred revenues			
kEUR	**for outstanding shipments**	**for purchased vouchers**	**for loyalty bonuses**	**for savings and customer benefit plans**
As of January 1, 2018	**2,268**	**279**	**488**	**22**
thereof recognized as revenue from continuing operations in 2018	2,167	124	281	16
thereof recognized as revenue from discontinued operations in 2018	101	-	7	-
As of December 31, 2018	**1,111**	**248**	**195**	**27**
thereof recognized as revenue from continuing operations in 2019	1,111	150	122	20
thereof recognized as revenue from discontinued operations in 2019	-	-	-	-
As of December 31, 2019	**2,005**	**180**	**90**	**12**

As an additional contract liability, accrued losses from rebate obligations to customers in the amount of EUR 9k are recognized within provisions (December 31, 2018: EUR 29k, see note 8.9).

The satisfaction of performance obligations from outstanding shipments happens within few days after the balance sheet date. Performance obligations from purchased vouchers are satisfied within the statutory period of limitation. For loyalty bonuses and savings plans, performance obligations exist for a maximum of 24 months, for customer benefit plans for a maximum of 36 months. The transaction price of the respective performance obligations is the prepaid fee from customers. The transaction price of performance obligations from loyalty bonuses is furthermore determined upon historical redemption rates.

There are no unsatisfied performance obligations, that are not included in the transaction prices. The practical expedient of IFRS 15.121 is not applied.

Other operating income

kEUR	**2019**	**2018**
Time-barred customer overpayments or liabilities to suppliers	311	203
Income from subleases	208	29
Gains from currency differences	119	538
Income from sales to suppliers	28	77
Other	109	107
Other operating income from continuing operations	**775**	**954**

Significant accounting judgments and estimates

The obligations from the loyalty points program are measured based on various estimates and assumptions. Pursuant to IFRS 15 "Revenue from Contracts with Customers", loyalty points issued and not yet redeemed are recognized at the relative stand-alone selling price. The relative stand-alone selling price 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 rules for taking part in loyalty points program.

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.

For the recognition of revenues from savings plans, judgement was made that all customers use the savings plans ratably over the validity period.

9.2 Operating expenses

Accounting policy

Operating expenses are recognized in profit or loss when the purchased item is received or when a service is rendered.

Recognition in group financial statements

kEUR	2019	2018
Cost of sales from continuing operations		
Cost of materials	60,536	77,863
Personnel expenses	757	835
Handling fees	411	301
Amortization and depreciation	83	36
Other cost of sales	91	116
	61,878	**79,151**
Selling and distribution expenses from continuing operations		
Logistics expenses	9,293	14,473
Personnel expenses	7,328	9,985
Marketing	3,663	5,051
Rental expenses	1,947	3,249
thereof warehouse rent	*1,748*	*2,645*
Amortization, depreciation and impairments	1,553	7,683
Payment processing	1,121	1,576
External services	796	1,126
Sales commissions and compensation for expenses	526	361
Bad debts / valuation allowances	246	530
Other selling and distribution expenses	587	717
	27,060	**44,751**
Administrative expenses from continuing operations		
Personnel expenses	4,404	4,488
IT environment	1,125	870
Legal and consulting costs	857	848
Amortization, depreciation and impairments	826	735
Closing expenses and audit fees	274	259
Supervisory board remuneration including out-of pocket expenses	227	202
Insurance	173	210
Rental expenses	130	297
External services	77	36
Other administrative expenses	553	681
	8,646	**8,626**
Other operating expenses from continuing operations		
Losses from currency differences	121	648
Expenses from sales to suppliers	-	68
Losses from the disposal of non-current assets	-	5
Other	-	85
	121	**806**

Expenses for defined benefit obligations and other accrued employee benefits

kEUR	2019	2018
Wages and salaries	10,937	14,470
Share-based payments	38	-321
Share-based payments in connection with acquisitions	-	179
Social security expenses	1,514	2,309
Personnel expenses	**12,489**	**16,637**
thereof from continuing operations	12,489	15,308
thereof from discontinued operations	-	1,329

In 2019, the Group had an average of 214 permanent employees (2018: 297) and 2 working students (2018: 15). The contributions to the statutory pension insurance schemes amount to EUR 711k (2018: EUR 1,180k).

In the past the Company issued virtual stock options, stock options, and restricted stock units to various employees as remuneration components, see note 8.8.

9.3 Financial result

Accounting policy

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

Recognition in group financial statements

kEUR	2019	2018
Interest and similar income	13	26
Financial income from continuing operations	**13**	**26**
Interest expense on lease liabilities	75	4
Other interest and financial expenses	-	25
Financial expenses from continuing operations	**75**	**29**
Financial result from continuing operations	**-62**	**-3**

Interest expense on lease liabilities increases due to the adoption of IFRS 16 as described in note 10.

9.4 Earnings per share

Accounting policy

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. Treasury shares do not qualify as shares in circulation and are therefore excluded from the weighted average number of shares during the period, in which they are held by the company.

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 plus the share equivalents that result in dilution. If the number of ordinary shares outstanding increases as a result of a share split or decreases as a result of a reverse share split (capital decrease), the calculation of earnings per share for all periods presented is adjusted retrospectively.

Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or loss per share from continuing operations.

Recognition in group financial statements

Basic earnings per share	2019	2018 R
Profit or loss from continuing operations (kEUR)	-14,655	-27,119
Profit or loss from discontinued operations (kEUR)	43	-10,573
Profit or loss for the period (kEUR)	**-14,612**	**-37,692**
Basic weighted average number of shares (thousands)	2,584	925
Earnings per share from continuing operations (EUR)	**-5.67**	**-29.31**
Earnings per share from discontinued operations (EUR)	**0.01**	**-11.43**
Earnings per share (EUR))	**-5.66**	**-40.74**

As per IAS 33, the impact potential ordinary shares were not considered in the determination of diluted earnings per share if they were antidilutive. Therefore, diluted earnings per share equal basic earnings per share.

Restatement

Due to the capital decreases performed in January and December 2019, prior year disclosures of earnings per share were restated in line with IAS 33.

Basic earnings per share	As presented 2018	Adjustment	Adjusted 2018 R
Profit or loss from continuing operations (kEUR)	-27,119	-	-27,119
Profit or loss from discontinued operations (kEUR)	-10,573	-	-10,573
Profit or loss for the period (kEUR)	**-37,692**	**-**	**-37,692**
Basic weighted average number of shares (thousands)	30,838	-29,913	925
Earnings per share from continuing operations (EUR)	**-0,88**		**-29.31**
Earnings per share from discontinued operations (EUR)	**-0,34**		**-11.43**
Earnings per share (EUR))	**-1,22**		**-40.74**

At an Extraordinary General Meeting on January 9, 2019, it was resolved to reduce the share capital of windeln.de SE by way of an ordinary capital reduction by a reverse stock split at a ratio of 10 : 1 from EUR 31,136,470 to EUR 3,113,647. In a further Extraordinary General Meeting held on September 27, 2019, the shareholders of windeln.de SE approved to reduce the Company's share capital from EUR 9,963,670 by EUR 6,974,569 to EUR 2,989,101 through an ordinary capital reduction by way of a reverse share split at a ratio of 10 : 3.

The resolutions of both Extraordinary General Meetings became effective by entry in the commercial register on January 14, 2019, and on December 18, 2019. The merger of the shares reduces the number of shares in the Company. If the number or ordinary shares outstanding decreases as a result of a reverse stock split, the calculation of earnings per share for all periods presented shall be adjusted retrospectively.

10. Leasing

Accounting policy

Until the 2018 financial year, lease agreements were classified as either finance leases or operating leases. From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentives receivable,
- variable lease payment that are based on an index, initially measured using the index as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that windeln.de would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- expected costs restoration or disassembling if contractually required.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets have a value of up to EUR 5,000.

Adoption of the new leasing standard IFRS 16

IFRS 16 "Leases" was adopted as of January 1, 2019. According to the new standard, leased office spaces in Munich, Barcelona and Sibiu and the store in Grünwald are capitalized as right-of-use assets, and corresponding financial liabilities are recognized. Until 2018, those lease agreements were accounted for as operating leases pursuant to IAS 17. Considering minimum lease terms and contractual renewal options, lease terms of 20 to 40 months from January 1, 2019, were assumed. The weighted average incremental borrowing rate applied to those lease liabilities as of January 1, 2019, is 8.3%.

Warehouse spaces provided by our logistics partners do not qualify as capitalizable right-of-use assets. Other leases such as technical equipment or office equipment are below the quantitative threshold of EUR 5,000, have a short remaining lease term of max. twelve months, do not qualify as an identifiable asset, or they were already capitalized as finance leases pursuant to IAS 17.

At the date of adoption, the practical expedients were applied, i. e. a single discount rate was applied to a portfolio of leases, and short-term and low-value lease agreements were excluded from capitalization. For those lease agreements that were previously classified as finance leases, the carrying amount of the lease asset pursuant to IAS 17 and the carrying amount of the lease liability pursuant to IAS 17 immediately before the adoption of IFRS 16 were recognized as right-of-use asset and lease liability pursuant to IFRS 16. The measurement principles of IFRS 16 are applied only afterwards. Comparative periods are not restated.

The future minimum lease obligations from operating leases of EUR 1,163k as of December 31, 2018 reconcile to the lease liabilities as of January 1, 2019, as follows:

kEUR	
Minimum future lease obligations from operating leases as of December 31, 2018	**1,163**
Short-term lease agreements, recognized on a straight-line basis	-25
Low-value lease agreements, recognized on a straight-line basis	-18
Recognition of renewal options beyond the minimum lease term	81
Discount of the future lease payments using the incremental borrowing rate	-91
Finance lease liabilities measured under IAS 17 as of December 31, 2018	54
Lease liabilities as of January 1, 2019	**1,164**
thereof non-current	507
thereof current	657

The adoption of IFRS 16 has led to following adjustments of the opening balances as of January 1, 2019:

kEUR	Measurement pursuant to IAS 17 as of Dec. 31, 2018	Adoption of IFRS 16	Measurement pursuant to IFRS 16 as of Jan. 1, 2019
Fixed assets	123	1,057	1,180
Non-current financial liabilities	15	492	507
Current financial liabilities	39	618	657
Other non-current financial liabilities	21	-21	-
Other current financial liabilities	2,335	-32	2,303

The adoption of IFRS 16 has led to additional net expenses of EUR 19k in the fiscal year 2019, compared to the measurement pursuant to IAS 17. Earnings before interest and taxes (EBIT) had cost reductions of EUR 50k, whereas the financial result was impacted by additional expenses of EUR 69k. In the consolidated statement of cash flows, payments from lease agreements in the amount of EUR 688k were recognized in H1 2019 within cash flows from financing activities, that would have been recognized as cash flows from operating activities under the previous accounting of IAS 17. The adoption of IFRS 16 had no effect on the Group's equity as of January 1, 2019.

Recognition in group financial statements

As of December 31, 2019, there are agreements for software, furniture and fixtures (including vehicles) and office spaces that qualify as leases under IFRS 16. Some of the lease agreements renew automatically, if not cancelled within a certain cancellation term. Some of the agreements contain renewal options. Variable lease obligations do not exist. There were no sale and leaseback transactions in 2019.

Currently, unused office spaces are sublet, whereby not all of the risks and rewards of the underlying lease agreement are transferred to the sublessee.

Right-of-use assets have developed as follows:

kEUR	Software	Furniture and fixtures	Office spaces
Carrying amount as of January 1, 2019	**31**	**38**	**1,057**
Currency differences	-	-	-2
Additions	-	111	25
Depreciation, amortization and impairment	-18	-42	-626
Disposals	-	-	-
Carrying amount as of December 31, 2019	**13**	**107**	**454**

Lease liabilities have developed as follows:

kEUR	
Carrying amount as of January 1, 2019	**1,164**
Currency differences	-2
Additions	127
Total cash outflow for leases	-744
thereof repayment	*-669*
thereof interest	*-75*
Interest expense on lease liabilities	75
Carrying amount as of December 31, 2019	**620**

Further disclosures:

kEUR	2019
Expense for short-term leases with lease terms between one and twelve months	26
Expense for low-value leases with lease terms of more than twelve months	136
Income from subleasing right-of-use assets	142

Significant accounting judgments and estimates

The carrying amounts of lease liabilities and right-of-use assets are highly dependent on expected lease terms and the expected use of renewal options. Both expectations represent an accounting judgment that is reviewed by the Group's management at each closing date. In particular, measurement of lease liabilities and right-of-use assets as of the date of adoption on January 1, 2019, is based on the expectations and forecasts prevailing at that point of time. Hindsight information gained after that date have not impacted the measurement as of the date of adoption.

At the date of adoption, a single discount rate was applied to a portfolio of leases. The allocation of lease agreements to the respective portfolio is an accounting judgment made by the Group.

If the interest rate implicit in the lease agreement cannot be readily determined, the Group's incremental borrowing rate is applied. Currently, the Group has no interest-bearing liabilities; therefore, the determination of the incremental borrowing rate is subject to estimates.

11. Financial risk management

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 corporate finance department. As in the prior year, a Risk Coordinator assumes that function as part of Group finance department and the function of treasury management. Both the Risk Coordinator and the Treasury Manager identify and assess financial risks in close cooperation with the Group's operating units. The management board prescribes the principles for Group-wide risk management. Additionally, the management board prescribes policies for certain risks, such as financing activities with equity and debt instruments, measures on hedging risks from foreign currencies, interest rate and credit risks; and the use of derivative and non-derivative financial instruments.

The main financial liabilities used by the Group comprise lease liabilities, trade payables and other financial 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 financial receivables as well as cash and cash equivalents resulting directly from its operating activities, from cash received from shareholders in financing rounds.

11.1 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.

11.1.1 Currency risk

Accounting policy

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:

		Average rate (1 EUR = 1 CU FC)		Closing rate (1 EUR = 1 CU FC)	
Country	**Currency**	**2019**	**2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Switzerland	CHF	1.1124	1.1550	1.0854	1.1269
Poland	PLN	n/a	4.2428	n/a	4.3014
Czech Republic	CZK	n/a	25.5698	n/a	25.7240
People's Republic of China	CNY	7.7355	7.8081	7.8205	7.8751
Romania	RON	4.7453	4.6540	4.7830	4.6635

Recognition in group financial statements

The currency risk can be broken down into two 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 three of its subsidiaries, although the risk to the Group is classified as low on account of the size of these entities. These four entities are merely service companies without their own external revenues. Currently, 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.

windeln.de SE generates revenues in China through the Chinese Tmall platform (https://windelnde.tmall.hk). Transactions are concluded in Renminbi Yuan (CNY). Receivables from customers arise in CNY, incoming customer payments are converted to EUR by the payment provider, so that the company does not hold cash deposits in CNY. Due to the short payment terms and the low amount of CNY receivables, currency risks are low, and they are currently not hedged. Sales to Chinese customers via the "www.windeln.cn.com" shop are transacted exclusively in EUR.

Furthermore, in the "www.windeln.ch," shop, windeln.de SE generates revenues in Swiss francs (CHF), cost of sales and operating expenses, however, are primarily incurred in EUR. The arising foreign exchange risks are currently not hedged.

The windeln.de Group also currently undertakes procurement in other currencies. 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	Financial assets (+) or liabilities (-) exposed for foreign exchange risks	FX rate as per December 31, 2019 (1 EUR = 1 CU FC)	Effect on net profit 2019 at +10% (in kEUR)	Effect on net profit 2019 at -10% (in kEUR)
CHF	440	1.0854	-40	49
CNY	53	7.8205	-2	5

The Group's risk from exchange rate fluctuations for all other currencies not presented here is of no material significance.

Since forward exchange contracts to hedge cash flows or net investments in foreign subsidiaries do not exist, there are no related earnings effects on equity based on the sensitivity analysis.

11.1.2 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.

As of December 31, 2019 and 2018, there are no financial debts or financial investments. Therefore, there are no interest rate risks from these financial instruments. Declining or negative interest rates on bank deposits may impose an interest rate risk; however, due to the cash amount as of December 31, 2019, the risk is regarded insignificant.

11.2 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 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.

Default risks for the windeln.de Group mainly relate to trade receivables from private end customers and payment providers. In order to reduce default risks, only safe payment methods are applied, e. g. credit card transactions with 3D Secure or PayPal transactions with seller protection. Trade receivables arising in connection with the "purchase on on account" and "direct debit" transactions are sold to a third-party provider as they arise. Larger sales transactions always require payments in advance. The default risk relating to payment providers is mitigated through diversification of the number of providers. Outstanding receivables from customers are monitored on a regular basis and go through a three-stage dunning process. In addition, a framework agreement with a collection service provider has been concluded. To reduce the credit risk, flatrate specific bad debt allowances are recognized for overdue receivables, and expected credit losses are recognized for undue receivables. Overdue receivables that have still not been paid after dunning and remitted positions from the collection service provider are derecognized in full and expensed.

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.

11.3 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. Momentarily, sufficient cash deposits are available in order to cover net cash outflows from operating activities. Depending on the business development, the Group may need further financial funding until the achievement of positive cash flows; either in form of equity instruments or debt instruments in order to secure the Group's solvency and to have a liquidity buffer.

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, 2019	**5,677**	**576**	**117**
Lease liabilities	190	360	-
Trade payables	3,639	-	-
Other financial liabilities	1,848	216	-

12. Related party disclosure

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 SE.

Pursuant to the principles in IAS 24, the members of the management board and the supervisory board of windeln.de SE are classified as key management personnel. No shareholder of windeln.de SE 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 5. windeln.de SE 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. If outstanding balances exist at the year-end, those 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 2019 and 2018.

Transactions with key management personnel

The members of windeln.de SE'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 note 13.

In 2019, supervisory board member Weijian Miao acted as lessor of office spaces to the Group entity windeln Management Consulting (Shanghai) Co., Ltd., for a short period of time. In 2019, windeln.de SE entered into a commission agreement with supervisory board member Clemens Jakopitsch relating to the capital increase 2020. From this agreement, no commission fees were incurred in 2019. Furthermore, in 2019 key management personnel have purchased goods in the amount of EUR 1k in the regular course of business (2018: EUR 1k). As of December 31, 2019 and 2018, there were no outstanding receivables from the sale of goods to key management personnel.

Transactions with other related parties

In the financial years 2019 and 2018, no goods were sold close family members of key management personnel in the normal course of business. In the financial years 2019 and 2018, there were no loans from or to related parties.

13. Corporate boards and remuneration

13.1 Management board

Name	Professioin	External mandates
Dr. Nikolaus Weinberger	CFO of windeln.de SE and responsible for Finance & Controlling, Corporate Communication, Legal Affairs, Human Resources, Technology, Product Management, Business Intelligence and Facility Management units	None
Matthias Peuckert (since May 1, 2018)	CEO of windeln.de SE and responsible for Marketing, Category Management, Logistics, Customer Service, Procurement, Strategy and Projects units	None
Zhixiong Yan (since May 17, 2019)	Member of the management board of windeln.de SE and responsible for the strategy and development of new sales channels in the Chinese market	None

13.2 Supervisory board

Name	Profession	External mandates
Willi Schwerdtle, Chairman	Independent business consultant, Partner at WP Force Solutions GmbH	- Eckes AG (member of the supervisory board)
Weijian Miao, Deputy chairman (since June 6, 2019)	Business owner	- Sinrich (Hong Kong) Group Co., Ltd. (Chairman of the board of directors) - Shanghai Shunzhen Investment Co., Ltd. (Chairman of the board of directors) - Jiangsu Xinbang Finance Leasing Co., Ltd. (Chairman of the board of directors) - Jiangsu Tenghai Finance Leasing Co., Ltd. (Chairman of the board of directors)
Dr. Christoph Braun, Deputy chairman (until June 6, 2019)	Managing Director of Acton Capital Partners GmbH	- Grandview GmbH (managing director) - Momox GmbH (chairman of the advisory board) - Sofatutor GmbH (chairman of the advisory board) - Cluno GmbH (chairman of the advisory board) - Vimcar GmbH (member of the advisory board) - Oetker Digital GmbH (member of the advisory board)

Name	Profession	External mandates
Dr. Edgar Carlos Lange	CFO at Lekkerland AG & Co. KG	- Lekkerland Group (managing director and supervisory board member in various entities of the Group) - Comsol AG (member of the supervisory board) - Conway – The Convenience Company S.A. (member of the advisory board)
Xiao Jing Yu (since June 6, 2019)	Consultant	None
Dr. Hanna Eisinger (until June 6, 2019)	Managing director of Get2trade GmbH Managing director of Geharon GmbH	None
Clemens Jakopitsch	Independent business consultant	- mybet Holding SE (deputy chairman of the supervisory board) - United Mobility Technology AG (deputy chairman of the supervisory board) - Nanorepo AG (member of the supervisory board)
Tomasz Czechowicz	Chief Executive Officer at MCI Capital S.A., MCI Capital TFI S.A. and Private Equity Managers S.A.	- MCI Venture Projects Sp. z o.o. VI S.K.A. (member of the management board) - MCI Venture Projects Sp. z o.o. IX S.K.A. (member of the management board) - MCI Venture Projects Sp. z o.o. (Chief Executive Officer) - MCI Fund Management Sp. z o.o. (Chief Executive Officer) - ATM S.A. (member of the supervisory board) - Mobiltek S.A. (member of the supervisory board) - Eurokoncept Sp. z o.o. (chairman of the supervisory board) - Wearco Sp. z o.o. (member of the supervisory board) - PEM Asset Management Sp. z o.o. (Chief Executive Officer)

The profession describes the main occupation of the supervisory board member as of December 31, 2019, or at the day of resignation.

External mandates comprise memberships in supervisory boards and other controlling bodies as of December 31, 2019, pursuant to Sec. 285 No. 10 German Commercial Code (HGB) and Sec. 125 No. 1 Stock Corporation Act (AktG). Additionally, they include active positions as board members or managing directors as of December 31, 2019. Non-voting positions as board observers are not disclosed as external mandates.

13.3 Remuneration report

Outline of management board compensation

The Company does not present a breakdown of remuneration by individual management board members. As per Sec. 314 No. 3 and 286 No. 8 HGB, 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 extraordinary shareholder meeting on April 21, 2015.

Total compensation comprises fixed and variable components, 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.

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 depend on the achievement of certain company targets (revenues, adjusted earnings before interest and taxes, Free Cash Flow). Based on target achievement of 100% (target bonus), this bonus component amounts to EUR 272k for the year 2019 for those board members that were appointed as of December 31, 2019.

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 362k for the year 2019 for those board members that were appointed as of December 31, 2019. The bonus for each member of the management board is capped at 200%.

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 commitments were made in 2015, one cash-settled (stock options) and one equity-settled (restricted stock units, RSUs). In 2019, the cash settled compensation was not exercised on settlement date, as on one hand the exercise conditions (growth target) was not fulfilled and on the other hand the share price of the windeln.de share was below the defined exercise price as on the exercise date. The commitment was as recognized with an amount of EUR 0.00 of December 31, 2018, therefore there was no further profit or loss impact in 2019. The equity settled compensation can be exercised with 554 RSUs (number modified accordingly under consideration of the two capital decreases in 2019).

For two members of the management board, in 2016 a portion of their prior year bonus was compensated through the issuance of RSUs in accordance with the Long Term Incentive Program. All board members that were employed as of the grant date, received stock options and RSUs in 2016, 2017 and 2018. Details on the prior years are available in the prior year’s publications. All commitments are accounted for under the assumption of equity settlement. As of the end of the period, for program LTIP 2016 in total 880 RSUs (number modified accordingly under consideration of the two capital decreases in 2019) can be exercised. 645 stock options (number modified accordingly under consideration of the two capital decreases in 2019) from program LTIP 2016 are forfeited as of balance sheet date as performance condition (growth target) was not fulfilled.

In April 2019, 10,500 stock options and 3,500 RSUs were granted to the then active members of the management board. The fair values as of the grant date and the reporting date for commitments made in 2019, that are all planned to be settled in real equity instruments (shares), amount to EUR 15k. The fair value of the stock options granted in prior years and the RSUs that are to be settled in real equity instruments (shares) is unchanged to the fair value at the grant date. Therefore, reference is made to the prior years’ publications. Details of the respective programs are outlined in note 8.8.1.

The share-based compensation expense recognized in the comprehensive income statement in 2019, amounts to EUR 39k. In 2018, an income in the amount of EUR 151k was shown due to adjustments in the quantity structure due to revenue growth targets which will probably not be fulfilled. For the equity-settled share-based payment obligations, an amount of EUR 785k was recognized in the share premium as of December 31, 2019.

One-time remuneration “Incentive 2019”

In the first half year of 2019, windeln.de SE has entered into compensation contracts, so called “Incentive 2019”, with the management board.

Two management board members agreed that half of their individual bonus entitlement for the year 2018 (EUR 31k) will not be paid in cash in the first quarter of 2019. Instead, the entitlement will be settled in shares of the Company; maturity date will be postponed to September 30, 2019. In addition, both management board members receive a bonus in a fixed EUR-amount which will be settled in shares of the Company and which has a maturity date as of September 30, 2019. One management board member receives a sign-on bonus in a fixed EUR-amount which will be settled in shares of the Company and which has a maturity date as of September 30, 2019.

The management board members have agreed to convert their claims regarding the Incentive 2019 upon request by the Company into new shares of the Company, apart from an estimated amount which will be necessary to settle tax and social security liabilities. At the same time, the beneficiaries benefit from a discounted subscription price. Furthermore, the agreements stipulate a lock-up period for the new shares until September 30, 2020.

The subscription price, which will be determined by the Company for the determination of the number of the issued shares, must be at least EUR 1.00 per share and may not exceed the discounted minimum subscription price in case the discounted minimum subscription price is higher than EUR 1.00. The discounted minimum subscription price is equal to 75% of the reference price (weighted average price of the Company’s shares in the seven trading days before maturity date). If the reference price is above, but the discounted minimum subscription price is below EUR 1.00, the subscription price will be EUR 1.00 per share. If the reference price is below EUR 1.00, there will be no capital increase and the Company is obligated to pay the contribution claim in cash.

As of September 30, 2019, the reference price was below EUR 1.00, therefore, the settlement will be in cash.

In total, in 2019 for the management board an amount of EUR 655k was recognized as expense for the additional bonus respectively the sign-on bonus.

Benefits in kind

Benefits in kind received by two management board members comprise the use of company cars.

Below, the expense recognized in the financial years 2019 and 2018 is broken down by type of compensation:

kEUR	2019	2018
Fixed salary components	755	829
Variable salary components	211	117
Expenses for share-based payments	39	151
Expenses for vacation accruals	4	8
Incentive 2019	655	-
Benefits in kind and social security expenses	54	57
Total	**1,718**	**1,162**

The Group also grants the management board members adequate insurance coverage, in particular a D&O insurance policy with a deductible in accordance with the provisions of the German Stock Corporation Act (AktG).

Supervisory board remuneration

Supervisory board compensation was amended by the Annual General Meeting held on June 25, 2018, and comprises defined, non-performance-based annual payments. It is based on the responsibility and scope of activities of each supervisory board member. 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 annual supervisory board remuneration amounts to EUR 25k or EUR 60k in the case of the chairman. Committee members receive an additional annual payment of EUR 5k, the chairman of a committee receives twice that amount. In addition to the aforementioned compensation, appropriate out-of-pocket expenses incurred in connection with supervisory board activities are refunded, as well as VAT on the compensation and the outof-pocket expenses if incurred by foreigners who are not liable to German tax. A total expense of EUR 227k was recognized for supervisory board compensation for the financial year 2019 (2018: EUR 202k). One member of the supervisory board waived its compensation in 2018.

The supervisory board members are covered by a Group D&O insurance policy.

14. Audit fees

The expense for the auditors' fee in the fiscal year 2019, KPMG AG Wirtschaftsprüfungsgesellschaft, München, including out-of-pocket-expenses, breaks down as follows:

kEUR	2019	2018
Audit services	149	-
Other assurance services	-	-
Tax advisory services	-	-
Other services	-	-
Total fee	**149**	**-**

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, elected as new auditor from fiscal year 2019 onwards by the Annual General Meeting held on June 6, 2019,

15. Corporate governance declaration

windeln.de SE 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 https://corporate.windeln.de/en/corporate-governance.

16. Events after the reporting date

Accounting policy

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.

Transactions after the reporting date

To keep pace to the latest technological developments, windeln.de is working on a replacement of the currently internally managed shop architecture by a third-party solution. Additionally, the internally developed product information system is being migrated to an external solution. Both agreements have been signed in February 2020 or became effective in February 2020

For the warehouse move – envisaged in the second quarter of 2020 – the necessary logistics agreement with a new warehouse provider were signed in February 2020. In opposite to the previous logistics agreements accounted for as a service agreement, the new contract qualify as a lease in conjunction with IFRS 16 and will result in the recognition of a a lease liability in the amount of EUR 1,239k and a capitalizable right-of-use asset of up to EUR 1,489k.

On February 19, 2020, windeln.de completed the share capital increase as approved by the Extraordinary General Meeting on September 27, 2019. The share capital will be increased against cash contributions from currently EUR 2,989,101, divided into 2,989,101 no-par value bearer shares, by EUR 5,171,144 by issuing 5,171,144 new shares, each representing a pro rata amount in the share capital of EUR 1.00 per share and with dividend entitlement starting January 1, 2019 ("New Shares"), to EUR 8,160,245. The subscription price was set at EUR 1.20 per New Share, so that the gross proceeds of the capital measure amount to EUR 6,205,373.

The 100% owned subsidiary windeln.ch AG in liquidation with registered offices in Uster, Switzerland, was deregistered from the Swiss commercial register on March 2, 2020. The deconsolidation in 2020 will lead to a one-time foreign exchange gain of approximately EUR 200k from the derecognition of foreign exchange differences, that had previously been recognized within other comprehensive income.

Munich, March 13, 2020

Matthias Peuckert Dr. Nikolaus Weinberger Zhixiong Yan

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

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 material opportunities and risks associated with the expected development of the Group.

Munich, March 13, 2020

Matthias Peuckert Dr. Nikolaus Weinberger Zhixiong Yan

INDEPENDENT AUDITOR'S REPORT

To windeln.de SE, München

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of windeln.de SE, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2019 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of windeln.de SE for the financial year from January 1, 2019 to December 31, 2019.

In accordance with German legal requirements we have not audited the content of those components of the group management report specified in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1, 2019 to December 31, 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor´s report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibility under those requirements and principles is further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Material uncertainty regarding the continuation of business activities

We refer to chapter 3.1 Basis of presentation of group's notes, as well as the disclosures within chapter 6.4 Liquidity risk and 3 Outlook of the group management report, in which the legal representatives describe, that the group is exposed to significant uncertainties with respect to the achievement of planned increases in revenues and margins as well as further planned cost reductions, whose occurrence is mandatorily necessary to ensure the achievement of a positive net cash flow.

As part of our audit, we identified the appropriateness of the company's ability to continue as a going concern as well as the appropriate presentation of the material uncertainty in connection with going concern in the consolidated financial statements as a significant risk and performed the following audit procedures: With the involvement of our restructuring specialists, we gained an understanding of the planning process and discussed the significant assumptions of the planning with the responsible management. We also challenged the group's forecasting quality by comparison of the past's financial years planning with the results achieved and analyzed deviations. As a result of not met forecasts, we have made, particularly for important assumptions, such as the development of sales and margins, assessments. Due to the increasing importance of the business with intermediaries, we analyzed the order backlog as of December 31, 2019 and compared the order intake in the first two months of 2020 with the planning. Furthermore, we compared whether the assumptions are consistent with internal explanations and external market estimates. We have assessed the measures for procurement of liquidity provided by the legal representatives and if they are sufficiently probable and feasible. We also assessed the reliability of the underlying data. To take the existing forecast uncertainty into account, we analyzed the effects of risks, which result in particular from the ambitious planning assumptions, on going concern by calculating alternative scenarios.

We do not give a separate opinion on these matters.

The assumptions made by the management board of the parent company and the presentation in the notes to the consolidated financial statements and the group management report are reasonable.

If the planned projects and cost reductions cannot be implemented in the full extent or do not lead to the expected outcome, the financial resources in the course of 2021 will not be sufficient to fully meet the payment obligations. In this context, the going concern of the company and of the group is at risk and the ability to continue as going concern will depend on its ability to collect further liquidity funds, e.g. though a further equity financing or through borrowed capital in order to maintain its solvency.

As stated in chapter 3.1 Basis of presentation of group's annex and chapter 6.4 Liquidity risk and 3 Outlook of group management's report, this events and circumstances indicating a significant uncertainty regarding going concern, which can raise significant doubts in view of group's ability to continue operating and which represents a risk to the existence of the company within the meaning of section 322 (2) sentence 3 HGB.

Our audit opinions have not been modified in this regard.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matters described in the section "Material uncertainty regarding the continuation of business activities", we have determined the issues described below as the particularly important audit matters to be disclosed in our auditor's report.

Impairment testing of Goodwill and internet domains

For information on the accounting and valuation principles applied to intangible assets with indefinite useful live goodwill and internet domains, information on book values, the amount of the impairment, and the assumptions used, please refer to section 8.1 of the notes to the consolidated financial statements.

RISK FOR ANNUAL STATEMENT
As at December 31, 2019 book values– after realized impairment – amounts to KEUR 0 regarding goodwill and KEUR 2,044 for internet domains.

The goodwill and the Internet domains are checked annually at the level of the cash-generating units or at the level of the individual asset regarding the need of impairment. For this purpose, the book value is compared with the recoverable amount of the respective cash-generating unit or the individual asset. If the book value is above the recoverable amount, there is a need for impairment. The recoverable amount is the higher of the fair value less cost to sell and the value in use of the cash-generating unit or the individual asset. The key date for the impairment test is November 30, 2019.

The impairment test of goodwill and the internet domains is complex and is based on several discretionary assumptions. These include, among other things, the expected business and earnings development for the next five years, the assumed long-term growth rates, license prices (for Internet domains) and the discount rate used.

The assumed growth of the CGU Swiss will be significantly lower than in the previous year. Against this background, goodwill of KEUR 529 was impaired in the financial year. In addition, domains in the amount of KEUR 115 were impaired since they will not be used in the future.

There is a risk for the consolidated financial statements that the impairment as at tested date was not recognized in an appropriate amount.

OUR APPROACH IN AUDITING
With the involvement of our valuation specialists and our specialists for restructuring, we assessed, among other things, the appropriateness of the key assumptions and the company's calculation method applied. We discussed the expected business and earnings development as well as the assumed long-term growth rates and license prices with the planning officers. In addition, we coordinated with other internally available forecasts and the last budget drawn up by the legal representatives and approved by the Supervisory Board, which was available on the valuation date and adjusted to the current business development. We also assessed the consistency of the assumptions with external market assessments.

We also analyzed the Group's forecasting quality to date by comparing the planning for the past financial years with the actually achieved results and analyzed deviations. We compared the assumptions and parameters underlying the discount rate, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data.

In order to ensure the mathematical correctness of the used valuation model, we have reproduced the company's calculations, with the involvement of our valuation specialists, on the basis of risk-oriented selected elements.

To take the existing forecast uncertainty and the early cut-off valuation date for the impairment test into account, we examined the effects of possible changes in the discount rate, earnings development and long-term growth rate on the recoverable amount by calculating alternative scenarios and compared them with the management’s case (sensitivity analysis).

OUR CONCLUSION
The calculation method used for the impairment test of goodwill and internet domains is appropriate and in line with the valuation principles to be applied.

The assumptions and parameters of the company on which the valuation is based are appropriate.

Accrual of sales from the sale of merchandise via a Chinese online platform and from sales to intermediaries

Regarding the applied accounting and valuation policies we refer to note 9.1 of the group’s notes to the consolidated statement. Explanations of the business development can be found in the group management report section 2.4.

RISK FOR ANNUAL STATEMENT
Within consolidated financial statement of windeln.de SE sales of EUR 82.3 million are recognized. The revenues are realized by selling merchandise to private consumers and intermediaries. The revenues have a major impact on group’s result and are a major key performance indicator.

Due to the large number of business transactions for sales via a Chinese online platform, which delivery is done from third-party warehouses, as well as a high individual volume for sales to intermediaries in the last quarter 2019, there is a risk for the consolidated financial statements that the sales revenues in the past financial year will be too high and therefore are not recognized for the respective period.

OUR APPROACH IN AUDITING
In order to check the existence of sales revenues and the periodic sales recognition to intermediaries, we assessed the design and implementation as well as the effectiveness of the internal controls with regard to the order acceptance, the outgoing goods as well as the delivery and the invoicing. In order to check the existence and the period-specific sales recognition via the Chinese online platform, we assessed the design and implementation of the internal controls with regard to the monitoring of sales.

In addition, we assessed the appropriate timing and the amount of the recorded sales revenues by comparing the invoices with the corresponding orders, contracts and external proof of delivery. The selection of the random sample for revenues is based on a mathematical-statistical methodology, which were recorded in the fourth quarter of 2019.

For the third-party warehouses, we obtained confirmations from the service providers as at accounting date and compared them with the company's inventory.

OUR CONCLUSION
windeln.de SE's approach regarding the periodic accruals for the net sales from merchandise by a Chinese online platform and sales to intermediaries is overall appropriate.

<u>Other Information</u>

Management respectively supervisory board are responsible for the other information. The other information comprises the following components of the group management report, whose content was not audited:

- The sections of the management report that have not been audited in terms of content listed in the appendix to the auditor's report.

The other information comprises the other sections of the annual statement. The other information comprises not the consolidated financial statement, the substantially audited group management’s report disclosures as well as our auditor’s report.

Our audit opinions on the consolidated financial statements and the group management report do not extend to the other information, and accordingly we do not provide an audit opinion or any other form of audit conclusion.

In connection with our auditor’s report, we have the responsibility to read the other information and to appreciate whether the other information

- material discrepancies regarding the consolidated financial statements, the content of the audited group management report or our knowledge obtained during the audit, or
- appear otherwise significantly misrepresented.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 6, 2019. We were engaged by the supervisory board on December 16, 2019. We have been the group auditor of the windeln.de SE without interruption since the financial year 2019.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Rainer Rupprecht.

Munich, March 13, 2020
KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

gez. Rupprecht	gez. Thummert
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Annex to auditor's report: Not audited for content components and cross-references of the management report

We have not audited the content of the following components of the management report:

- the management's statement which is referred to in the management report
- the following information which is not related to the management report. Information in the management report that is not related to the management report is information that is not required according to article 289, 289a or articles 289b to 289f HGB.
  - Note 1.1.4 Technology infrastructure
  - Note 1.1.5 Marketing and customer acquisition
  - KPIs in Note 2.2 Sector-specific environment – market for products for babies, toddlers and children, section "Mobile devices"
  - Note 2.3 Course of business, Section „Bonded Warehouse 2"
  - Note relevant KPIs, which are displayed within Note 2.6 Other non-financial performance indicators

SERVICE

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 offered products, the effectiveness of our marketing campaigns and the popularity of our online shops. Measured by Google Analytics.

Mobile visit share
We define mobile visit share (as % of site visits) as the number of visits via mobile devices (smartphones and tablets) to our mobile optimized websites and mobile apps divided by the total number of site visits in the measurement period. Site visits of our online magazine are excluded. Measured by Google Analytics.

Mobile orders
We define mobile orders (as % of number of orders) as the number of orders via mobile devices to our mobile optimized websites and mobile apps divided by the total number of orders in the measurement period. Measured by Google Analytics.

Active customers
We define active customers as the number of unique customers placing at least one order in one of our shops 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’’. Cancellations are deducted from the number of orders.

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 last 12 months.

Share of repeat customer orders
We define orders from repeat customers as the number of orders from customers who have placed at least one previous order, irrespective of returns. The share of repeat customer orders represents the number of orders from repeat customers in the last twelve months divided by the number of orders in the last twelve months.

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 (as % of gross revenues from orders)
We define returns (as % of gross revenues from orders) as the returned amount in Euro divided by gross revenues from orders in the measurement period. Since Q2 2016 including Bebitus returns. Gross revenues from orders are defined as the total aggregated Euro amount spent by our customers minus cancellations but irrespective of returns. The Euro amount does not include value added tax.

Adjusted marketing cost ratio
We define marketing cost ratio as marketing costs divided by revenues in the measurement period. Marketing costs, which are recognized within selling and distribution expenses in the consolidated income statement, mainly consist of advertising expenses, including search engine marketing, online display and other marketing channel expenses, as well as costs for the marketing tools of the Group. Marketing expenses incurred in 2018 in the shop pannolini.it are adjusted until the shop’s closure.

Adjusted fulfilment cost ratio
We define adjusted fulfilment cost ratio as adjusted fulfilment costs divided by revenues for the measurement period. Fulfilment costs consist of logistics and warehouse rental expenses which are recognized within selling and distribution expenses in the consolidated income statement. Adjusted fulfilment costs exclude costs and income in connection with the reorganization or closure of warehouse locations.

Adjusted other SG&A expenses (as % of revenues)
We define adjusted other SG&A expenses as adjusted other SG&A expenses divided by revenues. The other SG&A expenses comprise selling and distribution expenses, excluding marketing costs and fulfilment costs, and administrative expenses as well as other operating income and expenses. Adjusted other SG&A expenses exclude expenses and income in connection with share-based compensation, reorganization measures, acquisitions, the warehouse move, impairment expenses for purchased intangible assets (if applicable in the reporting period) and expenses of the shop pannolini.it until the shop's closure in 2018

Operating contribution
We define operating contribution as adjusted gross profit reduced by adjusted marketing costs and adjusted fulfilment costs. The adjustments of gross profit relate to expenses for share-based compensation. In 2018, income and expenses of the shop pannolini.it are adjusted until the shop's closure.

IMPRINT

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Disclaimer
This annual report contains forward-looking statements, which are based on assumptions and estimates of the management of windeln.de SE. Even if the company management is of the opinion that these assumptions and estimates are correct, the future actual development and the future actual results may differ considerably from these assumptions and estimates due to various factors. These factors include, among others, those mentioned in the Risk Report on pages 39 to 45. These factors may also include, for example, changes in the macroeconomic situation, the legal and regulatory framework in Germany and the EU, and changes in the industry.

windeln.de SE does not assume any guarantee or liability that the future development and the actual results achieved in the future will correspond with the assumptions and estimates expressed in this annual report. Windeln.de SE neither intends nor assumes any separate obligation to update forward-looking statements in order to adapt them to events or developments after the date of this report.

The Annual Report is also available in German and can be downloaded in both languages from the Internet at corporate.windeln.de. In the event of deviations, the German version of the annual report takes precedence over the English translation.

windeln.de