windeln

Annual Report 2020

www.windeln.de

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windeln.de Group at a glance

Performance indicators (continuing operations only)	2020	2019 R	Change
Site visits (in thousands)[1]	**20,727**	25,745	-5,018
Mobile visit share (as % of site visits)	**87.0 %**	80.2 %	6.8 pp
Mobile orders (as % of number of orders)	**63.5 %**	60.5 %	3.0 pp
Active customers	**282,857**	304,530	-21,673
Number of orders	**481,673**	570,877	-89,204
Average orders per active customer (in number of orders)	**1.7**	2.1	-0.4
Share of repeat customer orders (as % of orders of last 12 months)	**65.4 %**	72.1 %	-6.7 %
Gross order intake (in kEUR)	**42,390**	52,206	-9,816
Average order value (in EUR)	**88.01**	91.45	-3.44
Returns (as % of gross revenues from orders)	**2.5 %**	2.7 %	-0.2 pp
Marketing cost ratio (as % of revenues)	**3.4 %**	4.0 %	-0.6 pp
Fulfilment cost ratio (as % of revenues)	**7.7 %**	13.2 %	-5.5 pp
Adjusted other SG&A expenses (as % of revenues)	**21.5 %**	23.1 %	-1.6 pp
Earnings position (continuing operations only)			
Revenues (in kEUR)	**76,067**	70,146	5,921
Gross profit (in kEUR)	**16,184**	17,967	-1,783
Gross profit (as % of revenues)	**21.3 %**	25.6 %	-4.3 pp
Operating contribution (in kEUR)	**7,792**	5,884	1,908
Operating contribution (as % of revenues)	**10.2 %**	8.4 %	1.8 pp
Adjusted EBIT (in kEUR)	**-8,565**	-10.316	1,751
Adjusted EBIT (as % of revenues)	**-11.3 %**	-14.7 %	3.4 pp
Financial position			
Cash flow used in operating activities (in kEUR)	**-7,070**	-11,567	4,497
Cash flow used in investing activities (in kEUR)	**-484**	257	-741
Cash flow from financing activities (in kEUR)	**7,714**	8,547	-833
Net increase in cash and cash equivalents	**160**	-2,763	2,923
Cash and cash equivalents at the end of the period (in kEUR)	**8,530**	8,377	153
Other			
Basic earnings per share (in EUR)	**-1.72**	-5.66	3.94
Basic earnings per share from continuing operations (in EUR)	**-1.10**	-4.32	3.22

pp = percentage points

All performance indicators and the section earnings position include amounts from continuing operations only. Since end of March 2020, the Southern European Bebitus business meets the requirements of a discontinued operation and is therefore presented as separate amount in the item "Profit or loss after taxes from discontinued operations" in the consolidated income statement. The presentation in the consolidated income statement was amended retrospectively.

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 and families with a presence in six European countries. Through its Chinese website, a flagship store at TMall Global and an online shop on the platform JD.com 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. Creating an attractive shopping experience that meets the needs of young families is the core of what we do. We continuously adapt our offer to our customer's needs. The online shops enable a structured sorting of the offer, filter functions for segmentation by brand, price and customer rating as well as a large number of product specifications. In order to provide 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, 2020, windeln.de had a total of 221 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, www.windeln.com.cn, windelnde.tmall.hk & windeln.jd.hk

To the shareholders

Letter from the management board

Ladies and Gentlemen, dear shareholders,

the year 2020 was unique in many aspects and has presented opportunities as well as challenges for our Company.

The outbreak of the Corona virus in March has caught us - like everyone else – off guard. The first lockdown has led to an increase in the order volume of our customers across all of our European shops. We have seen particularly strong demand for consumable products as customers wanted to avoid any unnecessary contact in the drugstore. We continue to meet the needs of our customers to shop online from the comfort and safety of their homes and to reliably provide them with the products they need for their families every day. Also, as a consequence of the pandemic, we opened a new line of business: the sale of hygiene products sourced in China to business customers. This new business generated sales of EUR 7.1m in April; further orders have been fulfilled in the months thereafter.

With regards to logistics, on the other hand, we initially had to deal with some challenges, i.e. an order backlog due to the high order volume and temporarily lower availability of foreign workers in the German warehouse. We were working hard to overcome this obstacle in due course. In addition, our service partner for the planned new warehouse in Germany, Kids Fashion Group GmbH & Co. KG, filed for bankruptcy after the outbreak of the Covid-19 pandemic. The new warehouse was planned to start operations in summer 2020. Of course, we were thrown back largely as a result of the insolvency of our partner, since the warehouse move was about to start and months of preparations and hard work were of no avail. Our operations team immediately started the intensive investigation into a new solution and we were glad to announce in the third quarter of 2020 that a new suitable external warehouse provider has been found and preparations for the move in the first half of 2021 are ongoing.

In March, our Supervisory Board appointed Xiaowei (Sean) Wei as a member of the Management Board. Concurrent with that change, a new office in Beijing, China was opened, and a local team was built up. As of December 31, 2020, a total of 43 employees were employed by windeln.de in China. From Q2 2020 going forward, we changed our reporting structure and report two Segments: Europe (which effectively includes the business in the German speaking region, DACH) and China. Even though both segments are highly interdependent this helps to increase transparency, better allocate resources and costs and therefore help steering our company towards sustainable profitability.

The development in our European business throughout the year was positive overall. Supported by the effects of the Corona pandemic as well as various promotions and internal projects, revenues (ex. Bebitus) increased by 6.5% to EUR 20.0m compared to 2019 with a simultaneous strong improvement in profitability. However, the process of reaching sustainable profitable growth is still ongoing.

Revenues in China grew meaningfully but lower than targeted in 2020 (growth rate of 9.1% to EUR 56.0m compared to 2019). The market in China has structurally changed significantly and market conditions are ever changing. Therefore, the local Chinese team in Beijing is crucial for the success of our Chinese business. However, despite the challenging market situation and the lower than targeted revenues, our Chinese business remains very attractive. In 2020, we initiated several measures to increase revenues in 2021 like our shop on the Chinese platform JD.com as well as the launch of the WeChat mini program, which are supposed to contribute to 2021 revenues significantly. Also, the process for duty-paid deliveries from Germany to China was redesigned and rolled out in December 2020, after it was inactive for several months due to new regulatory and technical requirements from Chinese customs.

Revenues in 2020 have also been impacted by a data security incident, especially in the DACH region. Details were published in September 2020. In June, some of our customer data were temporarily stored on an unprotected server due to a maintenance error, which has since been corrected. Thankfully, a misuse could not be proven within the scope of our comprehensive investigation. However, in this context we examined all processes in the Company and upgraded these where necessary to ensure full compliance with respect to data security. The security of data of our customers is of utmost importance to us.

In 2020, we carried out two capital increases. These were necessary given the long cash conversion cycles for the Chinese business, continued operating losses and the team build-up in this fast-changing but highly attractive market. In February 2020 we generated gross issue proceeds of EUR 6,205,372. In October 2020, we generated gross issue proceeds of EUR 3,386,193.

In January 2021, we had to update our EBIT break-even target, as the execution of growth plans in China takes more time and the fourth quarter 2020 was below our targets. We now target to reach adj. EBIT break-even on Group level in the full year 2022. This will be supported by ambitious growth plans as well as measures that improve our cost base and will be completed this year including the move of our Central warehouse and the finalization of the IT shop outsourcing.

At this point we would like to take this opportunity to thank our employees, partners and investors for their cooperation, commitment and trust throughout this special year 2020. It became clear once again how important it is to work together closely - although mostly virtually - and pull in the same direction across our international locations. We think our teams in Germany, China, Spain and Romania have done a very good job of working together across borders and boundaries. We are confident that with the dedication of our employees we are in a good position to tackle our projects and achieve our goals in 2021.

Munich, March 2021

Matthias Peuckert, Dr. Nikolaus Weinberger, Xiaowei Wei

Report of the supervisory board

Dear Shareholders,

In the financial year 2020, 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. In the fourth quarter 2020, an informal operating committee was set up in which members of the supervisory board discuss topics of the Company's business policy with the management board on a weekly basis. 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.

Attendance of the meetings of the Supervisory Board and the committees

A total of 17 supervisory board meetings took place in the financial year 2020. Two of those meetings were attended in person, and 15 of those meetings were held in conference calls. In addition, seven resolutions were approved by way of a circular procedure.

Mr. Clemens Jakopitsch attended all meetings of the supervisory board as well as all meetings of the nomination committee and the audit committee.

Mr. Weijian Miao attended 14 of the 17 meetings of the supervisory board.

Mr. Tomasz Czechowicz attended 12 of the 17 meetings of the supervisory board.

Ms. Xiao Jing Yu attend all meetings of the supervisory board as well as all meetings of the nomination committee.

Until his resignation from the supervisory board, Mr. Willi Schwerdtle attended all meetings of the supervisory board as well as all meetings of the nomination committee and the audit committee.

Until his resignation from the supervisory board, Dr. Edgar

Carlos Lange attended all meetings of the supervisory board as well as all meetings of the audit committee.

Since his election to the supervisory board, Mr. Maurice Reimer attended all meetings of the supervisory board as well as all meetings of the nomination committee and the audit committee.

Since her election to the supervisory board, Ms. Yafang Tang attended all meetings of the supervisory board as well as all meetings of the audit committee.

Main topics of discussion
In a conference call in mid of January 2020, the supervisory board dealt above all with the liquidity situation of the Company and the status of the capital increase resolved by the extraordinary general meeting of September 27, 2019. In two further conference calls in mid of February 2020, the management board informed the supervisory board about different allocation scenarios regarding the planned capital increase.

In a meeting in March 2020, the supervisory board approved the separate and consolidated financial statements and the respective management reports for the financial year 2019. The auditor, elected at the annual general meeting, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, who attended the meeting as well, reported about the results of its audit in detail. Furthermore, the supervisory board dealt with the financial results of January and February 2020, the withdrawal of Mr. Zhixiong Yan from the management board of the Company as well as the introduction of a new LTIP program for the management board and selected employees of the windeln.de Group. At the same time, the supervisory board resolved to appoint Mr Xiaowei Wei as management board member of the Company effective March 16, 2020. In a conference call at the end of March 2020, the supervisory board discussed the implications of the Corona pandemic on the operative business of the Company as well as the possibility to acquire further equity or debt capital.

In a conference call in mid of April 2020, the supervisory board dealt with the preliminary financial results of Q1 2020, the preparation of the annual general meeting 2020, the financial situation of the Company, as well as a potential divestiture of the subsidiary Bebitus.

In a conference call in early May 2020, the supervisory board discussed the agenda of the annual general meeting 2020 and the terms and conditions of a new LTIP program for the management board and selected employees of the windeln.de Group.

In a meeting at the end of June 2020 following the annual general meeting of the Company, the supervisory board elected a new chairman. Furthermore, the members of the nomination committee and the audit committee were newly elected. The management board informed the supervisory board about the development of the Company's China business, the financial results of May 2020, and the status of several strategic projects such as the outsourcing of the IT development to China and Romania, the relocation to new office premises in Munich at a more favorable rent, as well as the selling process regarding Bebitus.

In a conference call in mid of July 2020, the management board informed the supervisory board about the preliminary financial results of Q2 2020 and the liquidity situation of the Company. Furthermore, the supervisory board discussed in this conference call in detail the pending strategic projects of the Company as well as the possibility to generate further financing through another capital increase making use of the authorized capital approved by the annual general meeting of June 24, 2020.

In a conference call in mid of August 2020, the supervisory board addressed the half year report 2020, the current business and financial situation of the Company, as well as a potential further capital increase using the available authorized capital. In a conference call at the end of August 2020, the supervisory board discussed different strategic options in relation to the planned outsourcing of the IT shop system.

In a conference call in mid of September 2020, the management board informed the supervisory board about the status and further schedule of the planned capital increase. In another conference call at the end of September 2020, the supervisory board discussed in detail certain particulars of the capital increase.

In a conference call in mid of October 2020, the management board informed the supervisory board about the scope of subscription rights exercised by the shareholders as well as the volume of the subsequent private placement, and the supervisory board resolved to implement the capital increase. In this conference call, the supervisory board also assessed the Company's liquidity situation and possibilities for a further cost reduction.

In a conference call in early November 2020, the management board informed the supervisory board about the completion of the negotiations with the operator of the new central warehouse in Germany and the financial results of Q3 2020. The supervisory board also discussed an expansion of the Company's China business through a cooperation with further sales platforms as well as measures for extending the pharma, drugstore, and sanitary product portfolio of the Company through additional strategic sourcing options in China.

In a conference call in mid of November 2020, the management board informed the supervisory board about the financial results of October 2020 as well as the outcome of the first meeting of the newly introduced operating committee.

In a conference call in mid of December 2020, the supervisory board dealt with the financial figures of November 2020, the budget for the financial year 2021, the annual assessment of the performance of the management board members, as well as potential changes in the composition of the supervisory board.

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 Mr. Maurice Reimer as committee chairman, Mr. Clemens Jakopitsch and Ms. Yafang Tang. In the reporting year, the audit committee had three 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 2020 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 May 2020, the audit committee resolved to recommend KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, as auditor and Group auditor for the financial year 2020.
In a meeting in November 2020, the audit committee discussed the financial and liquidity position of the Company.

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. Clemens Jakopitsch as committee chairman, Mr. Maurice Reimer and Ms. Xiao Jing Yu. The nomination committee met three times in the reporting year.

At the first meeting of the year, in March 2020, the nomination committee addressed the withdrawal of Mr. Zhixiong Yan from the management board of the Company, the appointment of Mr. Xiaowei Wei as a new management board member of the Company, as well as the individual bonuses of the management board members in relation to the financial year 2019.

In another meeting in May 2020, the nomination committee dealt with the upcoming election of members of the supervisory board at the annual general meeting 2020.

In a meeting in September 2020, the nomination committee addressed the terms and conditions of a new LTIP program of the Company and the allotment of subscription rights to the management board members.

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 March 2020, 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.

Support regarding training and professional development measures
The Company provides comprehensive training materials to newly elected supervisory board members, which include, among other things, information about the duties and obligations of the supervisory board as well as applicable capital market law rules. Further onboarding measures are available to the supervisory board members upon request.

Audit of the separate and consolidated financial statements
During the meetings of the audit committee and the supervisory board on March 22, 2021, 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 2020 as well as the consolidated annual financial statement of the Group pursuant to International Financial Reporting Standards (IFRS) for fiscal year 2020 as well as the respective management reports for financial year 2020 were discussed in detail. The auditor's reports, windeln.de SE's annual financial statements for the financial year 2020, the Group's annual financial statements for the financial year 2020 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.

Based on the final conclusions of the audit committee's examination and based on the supervisory board's own examination, the supervisory board concurred with the auditor's final conclusions and determined that no objections are to be raised. The supervisory board approved the separate and consolidated financial statements and the respective management report for the financial year 2019 by means of a circular resolution on March 22, 2021. The financial statements of windeln.de SE are thus ratified.

Changes in the management and supervisory board
The composition of the management board changed in the financial year 2020 as follows: As of March 13, 2020, Mr. Zhixiong Yan left the management board of the Company. Mr. Xiaowei Wei was appointed as a member of the management board effective March 16, 2020.

The composition of the supervisory board of the Company changed in the financial year 2020, as Mr. Willi Schwerdtle and Dr. Edgar Carlos Lange resigned from their offices as supervisory board members effective by the end of the annual general meeting scheduled for June 24, 2020. Mr. Maurice Reimer and Ms. Yafang Tang were newly elected to the supervisory board at that general meeting. Mr. Tomasz Czechowicz resigned from his office as supervisory board member effective December 23, 2020.

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 untiring commitment in the financial year 2020 in the collective interest of all stakeholders of our Company.

Munich, March 2021

On behalf of the supervisory board

Clemens Jakopitsch, chairman of the supervisory board

Corporate governance statement and report

windeln.de is convinced that good and transparent corporate governance that meets national and international standards is a key factor in the Company's long-term success. Corporate governance is therefore part of windeln.de's philosophy and a requirement for all operating segments. The management board and supervisory board consider themselves obliged to 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 2020. The following declaration of conformity was issued in March 2021:

The last declaration of conformity pursuant to Sec. 161 AktG regarding the recommendations of the "Government Commission German Corporate Governance Code" (hereinafter the "Code") was made in March 2020 and was 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 following declaration is based on the Code in its version of December 16, 2019 as published in the official section of the Federal Gazette (Bundesanzeiger) on March 20, 2020.

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 March 2020, 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:

- Recommendation D.7: According to the Code's recommendation, the supervisory board shall meet without the management board on a regular basis. If necessary, consultations in the supervisory board take place without the management board. However, the management board members of windeln.de SE attended the monthly meetings and conference calls of the supervisory board in the reporting period as guests, without being present at the discussion of agenda items concerning them directly, such as remuneration topics. As a consequence, this recommendation is not complied with in its entirety. The supervisory board takes the view that the current format of supervisory board meetings is efficient and appropriate when considering the challenges that windeln.de SE still faces. It also supports the trust-based cooperation between the management board and the supervisory board. The Company completed two capital increases in the reporting period to improve its financial position, and further introduced a number of efficiency enhancement and cost reduction initiatives. The management board informed the supervisory board in detail about the status of implementation in the course of the meetings and conference calls, and the management board and supervisory board had candid and intensive discussions, subsequently. This enabled the management board to directly incorporate the input and concerns of the supervisory board into the further implementation steps. The supervisory board is convinced to fulfil its monitoring authority in its entirety with the current formant of supervisory board meetings.

- Recommendation F.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 2020. Due to organizational and time-related additional efforts in connection with the capital increase carried out in February 2020, windeln.de SE postponed the publication of the financials for Q1 2020 to May 28, 2020. For similar reasons, the publication of the financials for Q1 2021 will be postponed to May 27, 2021.

- Recommendation G.11: According to the Code's recommendation, the supervisory board shall be permitted to retain or reclaim variable remuneration, if justified. This recommendation is not complied with in respect of the short-term variable remuneration components of the management board members. The long-term, stock-based remuneration of the management board is governed by the terms and conditions of the long-term incentive program 2020 that was resolved upon at the Annual General Meeting on June 24, 2020. These terms and conditions provide for a so-called malus adjustment allowing the supervisory board, in its reasonable discretion, to reduce awards from the LTIP or to cancel them completely in the case of a serious violation of duties or failure to comply with compliance requirements on the part of a management board member. There is no comparable rule in respect of the short-term variable remuneration components of the management board. Given that the short-term variable remuneration only represents a small relative portion of the target total remuneration of the management board, the supervisory board believes that the objective behind Recommendation G.11 is already met with the malus adjustment in the long-term incentive program 2020, so that a further clawback is not required.

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, 2020, 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.

Together with the management board, the supervisory board ensures that a long-term succession planning is in place for filling management board positions. When assessing candidates for a position on the management board, the supervisory board believes that their personalities, professional expertise in the relevant management board function, leadership qualities, experience in the e-commerce sector, and their track records are the principal criteria to be applied. When appointing new management board members, the supervisory board takes diversity into account in terms of internationality, gender, and age. As to which individual is actually to be selected for an open position on the management board the supervisory board will decide after consideration of all relevant circumstances.

The supervisory board has set an age limit of 65 years for the members of the management board of windeln.de SE.

The supervisory board of windeln.de SE
As of December 31, 2020, the supervisory board was made up of the following members, all of whom were elected by the general meeting: Mr. Clemens Jakopitsch (chairman, member since June 25, 2018), Mr. Weijian Miao (deputy chairman, member since June 6, 2019), Mr. Maurice Reimer, Ms. Xio Jing Yu (member since June 6, 2019) and Ms. Yafang Tang. At the Annual General Meeting on June 24, 2020, Mr. Maurice Reimer and Ms. Yafang Tang were elected as successors of Mr. Willi Schwerdtle and Dr. Edgar Carlos Lange, who had resigned from their offices as supervisory board members effective the end of the Annual General Meeting scheduled for June 24, 2020. Furthermore, Mr. Tomasz Czechowicz resigned from his office as supervisory board member effective December 23, 2020. The supervisory board as a whole has excellent knowledge of the e-commerce business. The supervisory board considers all members of the supervisory board to be independent according to Recommendation C.7 of the Code.

All supervisory board members have 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 Mr. Maurice Reimer (committee chairman), Mr. Clemens Jakopitsch and Ms. Yafang Tang as members. Dr. Edgar Carlos Lange and Mr. Willi Schwerdtle left the audit committee in the reporting period. In his role as financial expert, the chairman of the audit committee, Mr. Maurice Reimer, 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 nomination committee currently includes Mr. Clemens Jakopitsch (committee chairman), Mr. Maurice Reimer and Ms. Xio Jing Yu as members. Mr. Willi Schwerdtle 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.

The members of the supervisory board have assessed in the past how effective they fulfil their duties, using structured questionnaires for this purpose. As a result of this self-assessment, for instance, the profile of skills and expertise for the supervisory board was adjusted, putting greater emphasis on expert knowledge and experience in the e-commerce area. In order to further intensify the dialogue between the supervisory board and the management board, an informal operation committee was introduced in the fourth quarter of 2020, in which members of the supervisory board discuss selected topics of windeln.de SE's business policy with the management board on a weekly basis.

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. Securitites Trading Act (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 24, 2020. 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 22, 2021 to discuss the 2020 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, 2020 (HGB) as well as the consolidated financial statements and group management report of windeln.de SE as of December 31, 2020 (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 the 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 the financial year 2015. The performance-based variable remuneration component was extended in 2017 and adjusted to the amended strategy of the company in 2018. A new LTIP with stock price based performance targets and a term until 2024 was resolved upon in the financial year 2020. 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 ("Marktmissbrauchs-verordnung"; "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 2020, the following transactions were reported to windeln.de SE:

Company / Person	Financial instrument	Transaction type	Price (in EUR)	Volume (in EUR)	Date
Clemens Jakopitsch	DE000WNDL201	Purchase	**2.50**	2,500,000	May 28, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	**2.50**	1,458,750	June 25, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	**2.50**	687,500	June 30, 2020
Maurice Reimer	DE000WNDL128	Purchase	**1.20**	268,312	October 29, 2020
Maurice Reimer	DE000WNDL128	Purchase	**1.20**	13,740	October 29, 2020

The windeln.de SE share

Capital market environment

The financial markets were largely shaped by the coronavirus pandemic in 2020. While the start of the stock markets in 2020 was promising and the leading German index DAX was able to record a new high at the beginning of February, the outbreak of the corona pandemic in March and related drastic measures by governments worldwide - such as travel and assembly bans as well as business closures – caused a drop in the DAX of almost 40%. The uncertainty about the course of the pandemic and the characteristics of the virus also affected the stock markets in the second quarter. As a consequence of the pandemic, economic data such as the growth rate of the gross domestic product (GDP) collapsed and unemployment rates skyrocketed. The share price fall as a result of the Corona crisis hardly spared any asset class. Even the market for precious metals, which is actually seen as a safe haven, suffered severely at times. However, there were also some profiteers from the crisis in the stock market.

In addition to the pharmaceutical and health sectors and numerous technology companies, delivery services and mail order companies also benefited from the new conditions in everyday life. However, the quick reaction to the collapse of the stock markets through monetary and fiscal policy measures and aid packages worth billions led to an unexpectedly rapid recovery in the economy and the stock market in the summer. While the DAX was at 8,441 points at its low in March, it was already able to record over 13,000 points in July and remained at this high level in August and September. However, as a result of the sharp rise in the number of corona cases in October, the second lockdown, the Brexit negotiations and the US elections, the overheated stock market collapsed again. Confidence only rose again among investors when the approval of the first vaccines against Covid-19 became known. As a result, share prices rose again at the end of the year, supported by good corporate results, increase in GDP growth rates, the conclusion of the Brexit negotiations and the adoption of a billion-dollar aid package in the US.

The windeln.de SE share

The windeln.de SE share has been traded on the Frankfurt Stock Exchange since May 6, 2015 in the Prime Standard. On the first trading day of the past financial year, the closing price was EUR 1.55 (information based on XETRA). The annual high was reached in the second quarter on April 10, 2020 at EUR 5.72. The share had its annual low on December 10, 2020 at a price of EUR 1.19. On the last trading day of the year, the share closed at EUR 1.42 on December 30, 2020.

Basis data
(as of December 31, 2020)

WKN	WNDL20 und WNDL12
ISIN	DE000WNDL201 and DE000WNDL128
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
Share price as of January 2, 2020*	EUR 1.55
High for the period on April 20, 2020*	EUR 5.72
Low for the period on December 10, 2020*	EUR 1.19
Share price as of December 30, 2020*	EUR 1.42

* XETRA final rates

Research Analysts

Institute	Montega AG
Analyst	Henrik Markmann

Capital measures and market capitalization

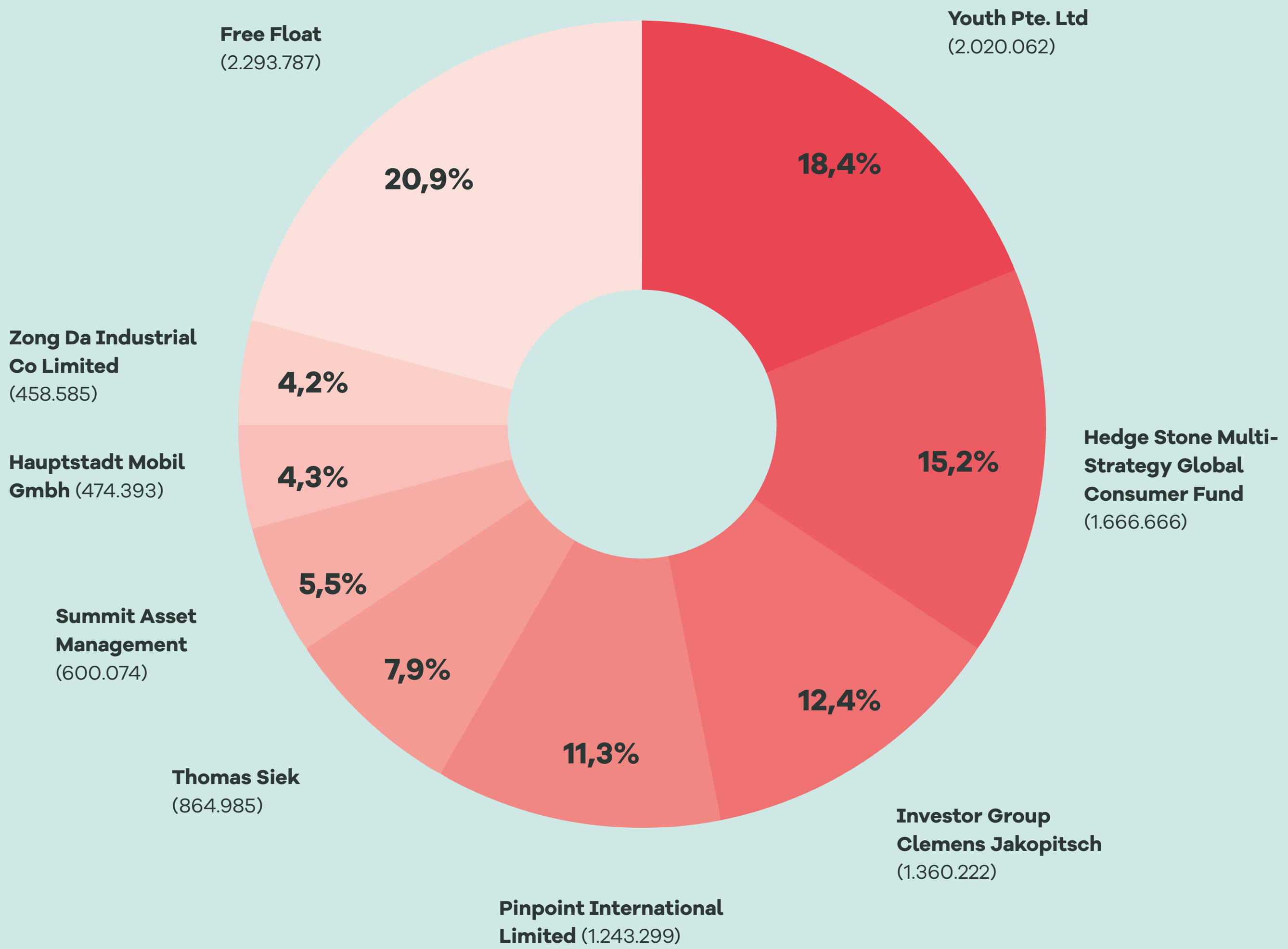
The number of windeln.de SE shares at the beginning of 2020 was 2,989,101, each representing a pro rata amount of the share capital of EUR 1.00.

On February 19, 2020, a capital increase was entered, with which the share capital of windeln.de SE was increased by EUR 5,171,144 to a total of EUR 8,160,245. The shares were placed at a price of EUR 1.20, so that the company received gross proceeds of EUR 6,205,372. This capital measure is due to a capital increase with subscription rights against a cash contribution.

On October 22, 2020, a capital increase was entered, with which the share capital of windeln.de SE was increased by EUR 2,821,828 to EUR 10,982,073. The shares were placed at a price of EUR 1.20, so that the company received gross proceeds of EUR 3,386,193. This capital measure is due to a capital increase with subscription rights against a cash contribution.

On the basis of the 10,982,073 shares outstanding, the market capitalization on December 31, 2019 was EUR 15.59 million.

Shareholder structure and free float



As of December 31, 2020
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%): 20.9%

Investor Relations (IR)

The management of windeln.de SE maintains an intensive dialogue with the capital market. The management board of windeln.de attaches great importance to regular and transparent communication with the company's shareholders and stakeholders. The ultimate goal is to keep investors informed about the latest corporate developments. 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 the Management Board took place within the framework of capital market conferences, individual meetings and numerous telephone appointments. windeln.de participated in the following investor conferences: Hamburg Investor Day HIT, Summer Summit (virtual) and autumn conference (virtual).

Conference calls and webcasts were held for shareholders, research analysts and other capital market participants on the occasion of the publication of the annual and quarterly results. The corresponding presentations and recordings of the webcasts are available on the company's website in the Investor Relations section. The board of directors and the IR department were available for questions and personal discussions.

For investors, analysts and the interested public, the website www.corporate.windeln.de offers further information that is continuously updated. In addition to the financial reports, mandatory announcements and corporate news, visitors to the website will also find current company presentations there. 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

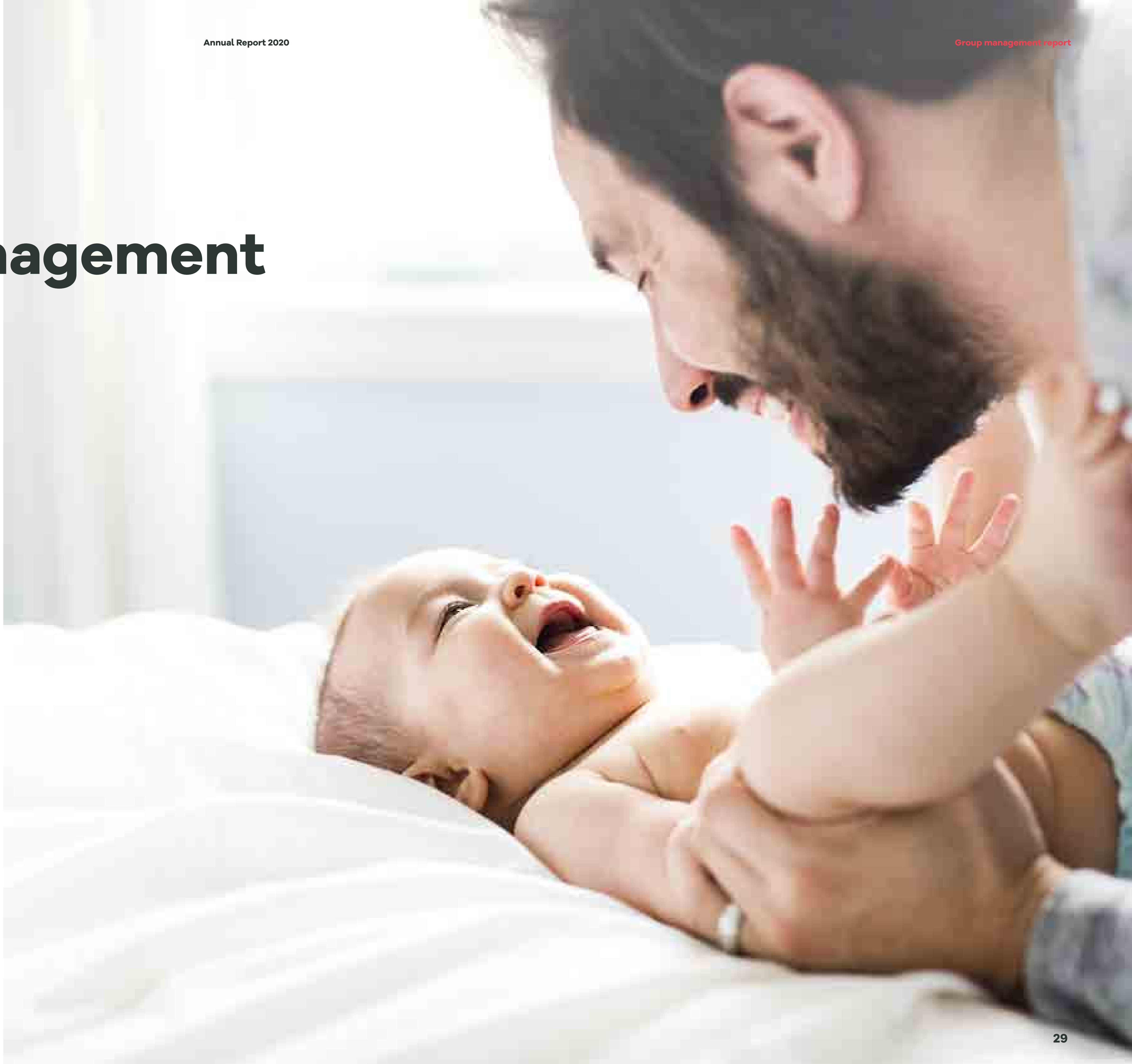
Full Year 2020 financial results	25 March 2021
1st quarter 2021 financial results	27 May 2021
Frühjahrskonferenz (Small- & Mid Cap conference)	May 2021
Half Year/2nd quarter 2021 financial results	12 August 2021
Herbstkonferenz (Small- & Mid Cap conference)	September 2021
3rd quarter 2021 financial results	11 November 2021

Investor Relations Contact

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

Group management report

For the business year
january 1 to december 31, 2020



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 group-wide with around 500 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 since 2016, through a flagship store, the Group is present on the Chinese online platform Tmall Global ("windelnde.tmall.hk") as well since December 2020 via a store in the Chinese platform JD.com („windeln.jd.hk"). Addtionally, we ship to intermediaries.

Currently, windeln.de supplies its customers from six warehouses (Großbeeren near Berlin/Germany; Barcelona/Spain; Ginsheim-Gustavsburg near Frankfurt am Main/Germany, Guangzhou/China and two in Ningbo/China). This fulfilment network offers the possibility to serve all markets efficiently. In addition, the Group has leased part of a showroom area of a store in Munich (Germany) for certain brands.

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 actively seeking, 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.

In addition to the end-customer business and the business with intermediaries, the Group has operated a business since 2020 which includes the sale of hygiene articles (such as respiratory protection masks) to business customers.

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.

The Group announced in March 2020 that a sale of the Bebitus shops was being examined. Therefore, various talks were held with potential interested parties during the reporting period. A sale of the domains, inventories and other assets to an interested party in fiscal year 2021 is highly likely.

China
Since 2012, windeln.de has also been active in the Chinese cross-border e-commerce market, where foreign baby products are 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. In addition, an online shop was launched on the popular Chinese one-stop shopping platform JD.com in December 2020. The JD.com platform provides access to more than 400 million customers.

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 (e.g. live-streaming-events) 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. At the end of 2020, a second bonded warehouse was opened in Ningbo to service the new shop on JD.com that has been launched in December 2020.

At the beginning of 2020, in the course of a management change and the appointment of Sean Wei as a member of the Management Board, it was decided to build up a local team in Beijing. This team consisted of 43 employees as of December 31, 2020, and is primarily responsible for the tasks of marketing, IT development, and the development of new channels.

At the end of 2020, an online store was opened on the popular Chinese one-stop shopping platform JD.com (windeln.jd.hk) to sell high-quality products from Germany to Chinese customers online. With this additional sales channel, windeln.de aims to attract new Chinese customers and increase revenues.

In 2020, around 74% of Group sales from continuing operations were generated with Chinese customers (2019: 73%).

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 500 suppliers. In 2018, optimized listing rules were introduced at the European level, which ensure a continued improvement 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. In 2020, the Group has consistently continued to optimize its assortment and liquidate old goods.

"Green" products are very popular with customers in Germany, Austria and Switzerland. Whether natural cosmetics, organic food or eco diapers, the growth rate for sustainable brands is very high. The cloth diaper category, for example, is growing at least 60% annually. For this reason, „green" brands are the focus of the Group. The range of sustainable brands shall be continuously expanded. In 2020, some brands have already been added to the product portfolio. In 2021, further „green" brands are to be listed. For the first time, a campaign called „Green Week" was successfully carried out in June 2020 and is to be repeated annually. In 2021, a sustainability landing page is also planned, presenting the portfolio of our sustainable brands and educating customers about the benefits of sustainable brands.

1.1.3. Fulfilment/operations

windeln.de SE currently has a total of six logistics centers, which are used for time- and cost-efficient deliveries. In 2020, these were spread across the locations Großbeeren near Berlin (Germany), Barcelona (Spain), Ginsheim-Gustavsburg near Frankfurt am Main (Germany), Guangzhou and two in Ningbo (three Chinese bonded warehouse locations). In this context, the Group continues to pursue its asset-light strategy, defined by the operational management of all logistics centers by external service providers. windeln.de signed a contract with a new logistics service provider for the central warehouse in Germany in November 2020 for cost and efficiency reasons. The move to a new warehouse should have already taken place in 2020 but could not be carried out due to the surprising insolvency of the originally chosen new partner at the beginning of 2020. The warehouse move is now scheduled for the first half of 2021. As part of the Multi-Channel Sales Strategy, windeln.de SE opened a new Chinese bonded warehouse in Ningbo for the JD web platform in December 2020.

In addition to the logistics centers, windeln.de further optimized the dropshipment method for supplying its customers in 2020 so that costs could be reduced, and processes were set up in a more efficient way. It also allows additional producers to be set up. The dropshipment model enables the Group to ship goods directly from the manufacturer to the customer without having to use its own logistics centers. This enables the Group to save on warehouse capacity while at the same time adding to its product portfolio.

Despite the operational outsourcing of logistics, all key fulfilment processes are controlled centrally by Group employees and thus represent the 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 2.5% for the Group in 2020. 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 three customer service centers, of which two are located in Europe and one in China, 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.

Until July 2020, the supply chain management worked with a self-developed individual software based on statistical models. Since August 2020, an external software has been in use that allows the stock levels to be optimized, taking into account seasonality and the delivery performance of the suppliers.

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.

To keep pace to the latest technological developments, windeln.de is working on a replacement of the internally developed shop infrastructure by a third-party solution. windeln.de plans to create a better customer experience by outsourcing the shop infrastructure, to react flexibly to future technical innovations and to save costs in the long term. Furthermore, the internally developed product information system is currently being outsourced to an external solution as well.

windeln.de maintains sophisticated systems for the collection of large amounts of data on the browsing and shopping behavior 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.

The most important technical developments in 2020 are explained below:

- Since February 2020, the store www.windeln.com.cn offers the payment method WeChat Pay, which is popular in China. Since May 2020, this payment method has been available for the mobile store on Android, and since June 2020 also for iOS devices.
- In the first quarter of 2020, the customer invoicing method was updated for the last two shops. The customers of our Swiss and Chinese shops now receive their invoices digitally via the customer portal „MyAccount", they were previously provided in paper form.
- In 2020, the shops www.bebitus.pt (Q1 2020) and www.windeln.ch (Q3 2020) were connected to the external price automation tool with the aim of further optimize the margin.
- At the beginning of March 2020, the Android app of our Chinese web store was successfully launched in the Huawei Appstore.
- Furthermore, our EDI system was converted to a cloud-based solution in the first quarter 2020. As a result, the system stability could be increased and, in the future, less internal resources will be needed to support the system.
- The speed of our Chinese webshop, desktop version as well as mobile App, could be stabilized and significantly improved due to different measures.
- The implementation of the new external store software was completed in August 2020 for the first sales channel.
- The launch of the new Product Information System (PIM) for product data maintenance took place in November.
- The process for duty-paid deliveries from Germany to China (SPDC) was relaunched and rolled out in December 2020.
- The launch of a windeln.de store on the Chinese platform JD.com took place in December 2020.

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. In 2020, the marketing area was characterized by the increased use of influencer marketing on popular social media platforms.

In order to enrich the existing expert knowledge with other trending topics such as yoga and mindfulness, the expert network for the social media platforms and the windeln.de magazine was expanded accordingly. The windeln.de app is also continuously being improved with relevant topics, categories and products in order to make the buying process easier for customers. Furthermore, the baby app was supplemented with content elements from the windeln.de magazine in order to provide customers with additional relevant information on the development of their baby on a weekly basis.

For the Chinese market, all marketing activities have been controlled by windeln.de itself again, as the cooperation with the external marketing partner LangTao has been terminated. Since then, windeln.de has been working in particular on acquiring new customers via various marketing channels, such as search engine marketing, referrals, Wechat communities, social media, etc.

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. Accordingly, numerous areas of the webshop were revised in terms of both design and functionality, such as the introduction of the new Beauty category, the revision of the homepage and the promotion pages, and the introduction of new product comparison tables to help customers select the right product. The optimization of existing customer relationship management measures, such as the revision of newsletter campaigns, was also undertaken in 2020. All measures are intended to gradually prepare repeat customers for the introduction of a new corporate design and a new corporate identity, which is planned for 2021.

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, 2020, the Group had 218 employees (December 31, 2019: 210 employees). The number of employees in the Group is slightly higher compared to prior year. As part of the expansion of the sites in Shanghai and Beijing, China, there has been a shift in personnel from Germany to China.

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 2020, windeln.de Group-wide employed people from 28 countries. Women make up to 54% of the Group's workforce. The average age of the workforce 2020 was 34 years, whereby the age of the 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, behavior and decisions of employees.

1.2. Group structure

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

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 four 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
Until the first quarter of 2020, the board managed the operating business as a One-Segment-Group on Group level. In the second quarter of 2020, responsibilities and reporting structures were amended, resulting in two operating segments. Segment "Europe" comprises all business activities of the webshops and www.windeln.de and www.windeln.ch and their numerous countries of delivery; and in addition the Southern European operations under the name Bebitus which is intended to be discontinued. Segment "China" comprises all business activities on the Chinese market through various distribution channels.

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 actively 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 further 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 2021.

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.

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, the cancelled warehouse move, one-time foreign exchange effects from the deconsolidation of windeln.ch AG and impairments of purchased intangible assets (if applicable in the reporting period). In the prior year, additional adjustments were made for costs from reorganization measures and acquisitions.

Since Q2 2020, the management board has managed the Group on the segment levels "Europe" and "China".

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. 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

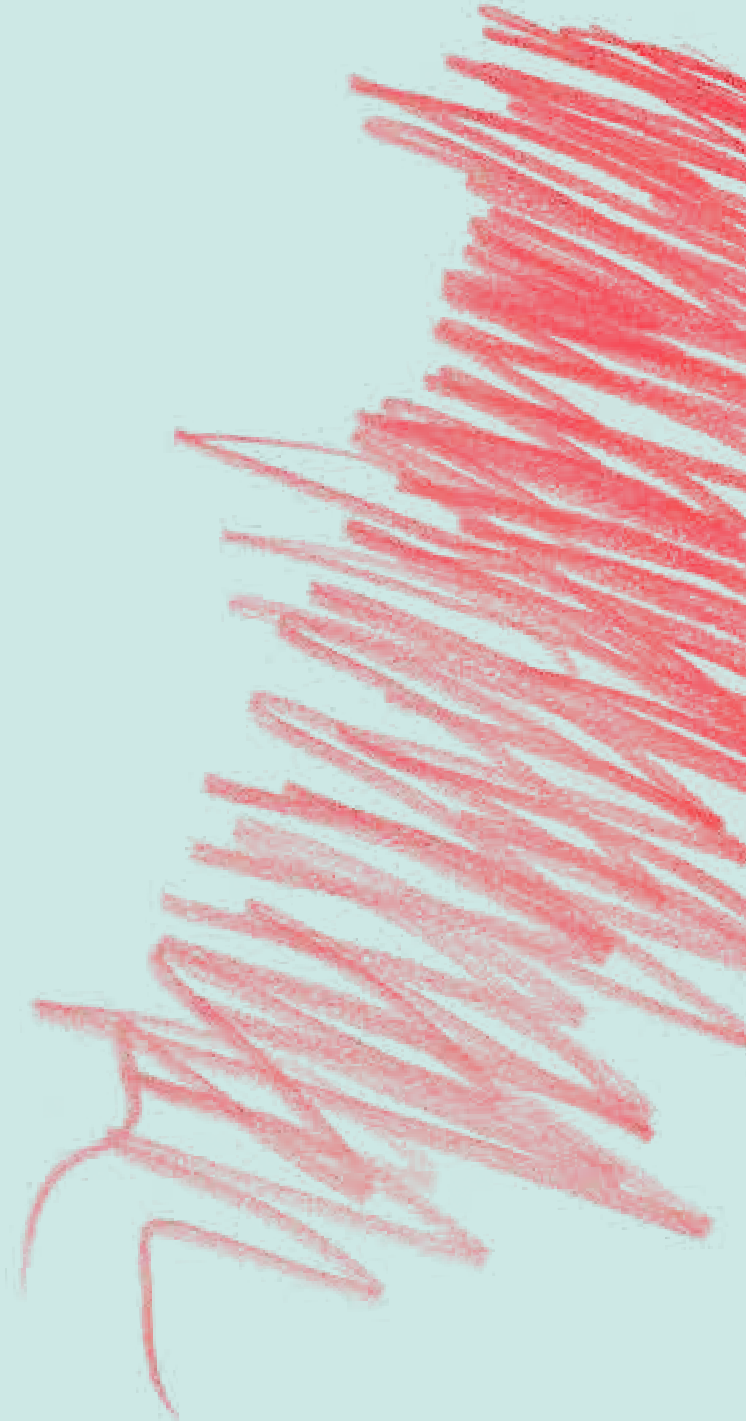
It was decided in 2020 that the self-developed shop architecture of windeln.de will be replaced by a third-party solution in order to reduce IT expenses and to enable changes in a faster and more efficient way. The implementation of the new shop software was successfully finalized for one distribution channel in August. However, the implementation for all other channel is still ongoing and will be finalized in 2021.

For similar reasons, the self-developed Product Information System is being replaced by a third party solution. The basic version of the system went live for China, Germany and Switzerland in November 2020. In order to be able to rely on that system only and enjoy the benefits of the change, the missing functionalities need to be migrated, which will be finalized in 2021.

In order to further decrease IT expenses, the relocation of the Group's entire IT development activities from Munich to Sibiu, Romania has been concluded in 2020.

In the 2020 financial year, the Group did not provide any software development that could be capitalized. The Group does not perform any research activities.

The most important technical developments in 2020 are outlined in note 1.1.4 "Technology infrastructure".



2. Report on economic position

2.1. Macroeconomic conditions

Overall, the corona pandemic caused the German economy to experience one of the deepest crises of the German post-war period in 2020. Compared to the previous year, the gross domestic product (GDP) has shrunk by 5.0 % according to the Federal Statistical Office.[1] According to estimates by the Federal Statistical Office, however, despite the corona crisis, retail sales increased by 5.1 % compared to 2019.[2] The closure of parts of the local retail trade was largely offset by online sales. For 2021 it is expected that the German economy will recover and that GDP will increase again by around 4.5 percent.[3]

E-commerce continues to be an exceptionally successful industry, which benefited greatly from the corona pandemic in 2020 and achieved total sales of EUR 77.6 billion in Germany (growth of around 18.7 % compared to 2019).[4] In 2020, around 12 % of retail sales were generated in the e-commerce sector.[5] For 2021, online retail sales are forecast to grow by 8.4 % to EUR 84.1 billion.[6]

As a result of the corona crisis, GDP in the European Union also decreased by 6.4 % in 2020.[7] The retail volume in the European Union for 2020 fell by 0.6 % compared to the previous year.[8] On the other hand, e-commerce in Europe grew disproportionately in 2020 due to Corona and achieved sales of around EUR 376 billion (+ 21 % compared to 2019).[9] A continued high growth rate of 9.5 % is expected for 2021.[10] The number of online users is expected to increase by 5.4 % to EUR 507 million in 2021.

Despite the corona crisis, the economy in China grew by 2.3 % in 2020.[11] A volume of around EUR 990 billion was recorded in e-commerce in 2020. Estimates assume further strong growth of 12.8 % in 2021 with an increase in the number of online users by 6.6 % to 987 million people.[12]

Due to the continuously positive growth figures for e-commerce in Germany, Europe and China, the group continues to see growing market opportunities for the e-commerce business model.

The withdrawal of the United Kingdom from the European Union (“Brexit”) has no direct impact on the Group. In the 2020 financial year, windeln.de SE only supplied products to the United Kingdom or purchased from there to a very minor extent. There are no plans to expand business there in the future either.

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

German and European market
In 2020 the value of the e-commerce market for baby and toddler in Germany was around EUR 2.4 billion and is estimated to grow by 9.4 % to EUR 2.6 billion in 2021.[13] The number of online users is expected to increase by 11 % to 16.6 million users in 2021, thus reflecting the further shift from offline to online purchases in this category.[14] According to estimates by the Federal Statistical Office, the birth rate in Germany has decreased slightly compared to 2019 due to less immigration.[15]

Sales in the baby, toddler and children's supplies segment in Europe in 2020 amounted to around EUR 13.7 billion, which corresponds to an increase of + 17.9 % compared to the previous year. An average annual growth of 4.7 % is expected through 2025. The number of users is expected to increase by 12.2 % to around 108 million users in 2021.[16]

The use of the medium Internet as a platform for offering goods offers some convenience 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 individualization is highly predictable. Furthermore, the ability to shop anytime, anywhere with convenient home delivery is a significant convenience compared to traditional offline shopping. This is particularly true in times of the corona pandemic, in which the Great importance is attached to the safety factor.

Mobile devices

Customers in online retailing are increasingly buying via mobile devices. The rising sales via mobile devices offer great opportunities for online trading. Smartphones and tablets offer customers a comfortable 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 customers.

54 percent of worldwide orders online were processed via mobile devices in Q4 2019. In Germany, the share of mobile devices in online shopping was 48 percent in Q4 2019, ahead of the share of stationary computers (44 percent) and mobile tablets (8 %).[17]

Cross-border e-commerce market in China

windeln.de is also active in the Chinese cross-border e-commerce (CBEC) market. Chinese customers buy directly from foreign online merchants in this market segment. The volume of Chinese cross-border e-commerce (imports and exports) was fueled by Corona in 2020 and amounted to around USD 260 trillion, which corresponds to a growth of 31 % year-on-year. Imports rose by 16 % to USD 88 billion.[18] Estimates assume further steady growth in the next few years.

In 2020, the value of the e-commerce market for baby and toddler needs in China was around EUR 98 billion with a forecasted average growth rate of over 9 % by 2025; in the drugstore and health segment, online sales were around EUR 56 billion. In a global comparison, China has the highest sales in the two categories.[19] With the increasing disposable income of the Chinese population and a rapidly growing middle class of currently 350 million people, the demand for high-quality products from Europe, including Germany, is also growing.[20] 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.[21]

Politicians also want to facilitate cross-border e-commerce with foreign companies and had already made the administration systems for customs, taxes, import, payment and accounting easier in 2019.[22] In 2020, further measures to promote cross-border e-commerce were decided. China announced the construction of 46 additional CBEC pilot zones in addition to the 59 existing zones in which companies receive favorable tax rates. The Chinese customs also optimized the processes to facilitate the return of products.[23]

Overall, an increasing number of Chinese consumers shopping through cross-border e-commerce channels is very likely.[24] That is also a result of the steadily growing purchasing power of the middle class in China.[25]

Infant formula remains one of the most sought-after and purchased products for babies and toddlers in China. Safety is the most important factor here.[26] This is still a result of the melamine scandal that led to several infant deaths in China in 2008. In 2019, the volume of infant formula imported to China was 356,000 tons, up from 333,000 tons in the previous year, and this trend is expected to continue over the next few years.[27]

For these reasons, the group believes that the market for baby products via CBEC in China will continue to grow continuously in the coming years.

Despite the structural attractiveness of the Chinese market, demand is volatile as it reacts to changes in the market such as new legal or regulatory requirements, 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 continue to increase in the future.

2.3. Course of business

Overall, the windeln.de Group was able to achieve moderate results in the business year. Financial year 2020 was defined by the current COVID 19 pandemic.

The pandemic has led to consumers temporarily making more purchases online from home. For example, incoming orders in segment Europe in March 2020 increased by 42 % to EUR 2.9 million compared to the previous month. During the same period in 2019, the increase was only 14 %. Compared to the previous year, the gross domestic product (GDP) has shrunk by 5.0 % according to the Federal Statistical Office. [28] According to estimates by the Federal Statistical Office, however, despite the corona crisis, retail sales increased by 5.1 % compared to 2019.[29] Compared to this, windeln.de could increase revenues by 8 %. The increase was less significant than expected. This was mainly due to lower than forecast growth in the end customer business in China.

There were temporary non-deliveries from our warehouses in China, especially at the beginning of February. The backlog of orders was reduced by the beginning of March. In our warehouse in Barcelona, from which the Bebitus shops are supplied, there was no backlog of orders at any time.

Due to low air freight capacities and increased shipping costs, no duty-paid goods were shipped from Germany to China from the German warehouse in Großbeeren from the middle of the first quarter of 2020. As before, Chinese customers could also order goods duty unpaid. The shipment of duty-paid goods to China is now also possible again.

In spring, the pandemic led to delays at our warehouse in Großbeeren, Germany. There were temporarily fewer employees working there, as foreign employees were not allowed to enter the country from Poland. As a result, there was an order backlog of several days at the end of March and beginning of April, which affected orders from the DACH region in particular, but also some Chinese orders. The situation eased at the end of April, so that there is no backlog of orders.

In connection with COVID 19, windeln.de sold hygiene products to corporate customers on a larger scale in the 2020 business year. These transactions are a new continuing sales channel.

In 2020, windeln.de received public subsidies in the amount of EUR 30k as Corona emergency aid.

Currently, the Group is not experiencing any significant negative consequences from the COVID 19 pandemic. Employees mainly work from home, business operations continue to be fully maintained.

On the earnings side, EBIT improved by 22% compared to the previous year to minus EUR 8,669k. Improved margins in the European business as well as the reduction of inventories and the associated cost savings in logistics and warehousing costs contributed to the improvement.

The China segment was positively influenced by VAT adjustments on deliveries from previous years, which resulted in a turnover of EUR 3,926k and a contribution to earnings of EUR 2,853k in the 2020 financial year.

The cash outflow from operating activities improved significantly in 2020 (2020: minus EUR 7,070k; 2019: minus EUR 11,567k). The reduction in net working capital and the improvement in the result for the period from minus EUR 14,612k to minus EUR 13,748k contributed significantly to this. As a result of this and the two capital increases in the first and fourth quarters of 2020, cash and cash equivalents are slightly above the level of the previous year.

Further relevant events are described below:

Planned sale of Southern European Bebitus business
windeln.de SE intends to discontinue the Bebitus business comprising the three web shops www.bebitus.com, www.bebitus.pt and www.bebitus.fr. Bebitus cannot cover their overhead expenses and are thus generating negative earnings before interest and taxes (EBIT). The management board and the supervisory board of windeln.de SE decided to assess the sale of the Bebitus business. windeln.de has engaged an external service provider to assess the success of a potential sale. As the result of this assessment was positive, at the end of March 2020, the management board decided on a plan to sell the Bebitus business.

The initial plan intended a divestiture of the complete Bebitus business comprising all assets (including domains) and liabilities. In the course of the bidding process initiated in Q2 2020, we learnt that potential buyers would purchase only specific assets from Bebitus operations. Therefore, we modified our valuation as of June 30, 2020, compared to March 31, 2020, and classified only those assets as held for sale, whose divestiture is deemed highly probable. The other assets and liabilities of the Bebitus operations are classified as held for abandonment. In Q4 2020, the Group started negotiations with an interested party. The sale of significant assets of the Bebitus operation is likely.

After deciding on a plan to sell the Bebitus operation in March 2020, the requirements of IFRS 5 are met. The assets are therefore classified and presented as "assets held for sale" on the face of the statement of financial position and measured at fair value less costs of disposal. In addition, the Bebitus business meets the requirements of discontinued operation pursuant to IFRS 5. As a result, profit or loss of the Bebitus operations are presented in a separate item "profit or loss after taxes from discontinued operations" in the consolidated income statement. Prior year periods were adjusted retrospectively.

In the first six months of 2020, the Bebitus operations generated revenues EUR 12,606k (2019: EUR 12,198k), an operating contribution of EUR 344k (2019: minus EUR 122k) and an adjusted EBIT of minus EUR 2,719k (2019: minus EUR 3,492k).

Signing of logistics agreements
In February 2020, a logistics agreement with the logistics provider Kids Fashion Group GmbH & Co. KG ("KFG") was signed; the agreement was intended to initiate the warehouse move from Großbeeren to Lauterbach in Q2 2020. In the first quarter 2020, an investment subsidy for warehouse equipment of EUR 250k was paid to KFG in line with the contract. In early April 2020, KFG filed for bankruptcy. Thereupon, the prepaid investment subsidy of EUR 250k was written off. windeln.de prolonged the contract with the previous warehouse provider FIEGE Logistik Stiftung & Co. KG. ("Fiege") for the Großbeeren site until March 31, 2021; the pevious agreement had expired in the second quarter of 2020.

Radial GmbH („Radial") was selected to succeed the warehouse service provider Fiege via a tender process. Radial is a wholly owned subsidiary of the Belgian Post and operates fulfilment centres specialised in e-commerce worldwide. The contract with Radial for the Halle an der Saale location was signed in November 2020 and concluded for a contract term of four years. The move to the new location is planned for the period from the beginning of February to the end of March 2021. In addition to relocation costs and costs for parallel operation for two warehouse locations, one-off contract costs of EUR 102k will be incurred for the period before the new warehouse is fully commissioned. After the warehouse has been relocated, monthly cost savings can be realised both in storage costs and transport costs.

Progress in envisaged projects in the IT area
To keep pace to the latest technological developments, the Group made significant efforts in 2020 to replace the currently internally managed shop architecture as well as the internally developed Product Information Management System by third-party solutions. 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 and flexible adaptation of future technical enhancements. Two agreements with external service providers have been signed in February 2020 respectively became effective in February 2020.

- A contract for a new shop architecture is structured as a rental license granting us a right-of-use that qualifies as an identifiable asset pursuant to IFRS 16; it is accounted for as right-of-use asset and lease liability. The implementation could be finalized for the first distribution channel in August 2020; after Go-Live it is subject to regular amortization. In order to mitigate incremental investments for the other distribution channels, the agreement was amended in Q3 2020. The minimum lease term was extended to four years, and future implementation fees are due for payment ratably over the contract period. Like the previous contract, the amended agreement is structured as a rental license granting us a right-of-use that qualifies as an identifiable asset, it is therefore recognized as right-of-use asset and lease liability pursuant to IFRS 16. The contract amendment is accounted for as a modification and resulted in other operating income of EUR 8k. The rollout of the new shop architecture to all other webshops is planned for 2021.
- A further agreement on the implementation of a new Product Information Management System is structured as a service agreement. The new tool was rolled out in Q4 2020 and replaces the former internally developed solution

In addition, the internal IT development department was relocated from Munich to the Sibiu office, Romania. These measures are planned to be completed in the third quarter of 2020. All these measures shall contribute to reduce selling and general administrative expenses on a long-term basis.

Optimization of procurement processes
At the end of the second quarter of 2020, a new third-party forecast software was rolled out in the purchasing department, which automatically calculates required quantities based on past sales figures, taking into account targeted product availability levels. This software will help to manage inventories and purchase orders even more efficiently in the future.

New Munich office
After its contractual lease end on August 31, 2020, the lease agreement for offices in Munich Hofmannstrasse was not renewed. End of August 2020, windeln.de SE moved to its new office in Stefan-George-Ring 23 in 81929 Munich. The new office address is identical to the registered company address of windeln.de SE, the commercial register no. remains unchanged.

Data security incident
On 16 September 2020, windeln.de published a data security incident in a customer information and press release. Between 10 and 23 June 2020, data of some of our customers was temporarily stored on an unprotected server. The reason for this was an error during maintenance work, which has since been corrected. The data has been protected again since 23 June 2020. windeln.de immediately informed its customers and the public after the Erkentniss-Erlangen and commissioned an analysis by an external IT forensics specialist. After completion of the extensive

investigations, it has not yet been possible to prove any misuse of the accessible data. Windeln.de immediately informed its customers of this and asked them to be careful/attentive to unusual processes (e.g. with regard to phishing attacks or transactions).

Capital increases

On February 19, 2020, windeln.de SE has completed the share capital increase as approved by the Extraordinary General Meeting on September 27, 2019. The share capital has been increased against cash contributions from currently EUR 2,989,101 by EUR 5,171,144 to EUR 8,160,245 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"). Based on the subscription price of EUR 1.20 per New Share, the gross proceeds amount to EUR 6,205,373. Following the successful approval of the securities prospectus by the Federal Financial Supervisory Authority (BaFin) on May 14, 2020, the New Shares were admitted to trading on the regulated market of the Frankfurt Stock Exchange on May 19, 2020.

On June 24, 2020, the Annual General Meeting resolved in a further capital increase that became effective by registration in the Commercial Register as of September 4, 2020. Following the registration, the management board – with approval of the supervisory board – resolved on a further capital increase on September 25, 2020, and submitted a subscription offer to the existing windeln.de shareholders for the new shares yet to be created ("New Shares") at a subscription price of EUR 1.20 per New Share. The capital increase was completed on October 22, 2020, by registration in the Commercial Register. 380,525 New Shares were subscribed by the Company's existing shareholders via subscription rights with a subscription ratio of 2 : 1 and via the additional subscription rights voluntarily granted by the Company. 2,441,303 New Shares were placed with selected investors as part of a private placement. Gross issue proceeds came at EUR 3,386k. The New Shares will be admitted for trading in fiscal year 2021.

Change in management board and buildup of local team in China

As per resolution of the supervisory board on March 13, 2020, Mr. Zhixiong Yan resigned as member of the management board of windeln.de SE.

The supervisory board of the Company has appointed Mr. Xiaowei Wei as member of the management board effective March 16, 2020. In his function, Mr. Wei will be responsible for "New Business" in China, and he will further push growth projects in the attractive Chinese market, which is important for the Group. Mr. Wei has many years of experience in the Chinese e-commerce business and was appointed for three years.

In connection with the change in the management board, a new Chinese office in Beijing was opened and a local team was built up. As of December 31, 2020, 43 staff members were employed in the subsidiary windeln Management Consulting (Shanghai) Co., Ltd., Shanghai, China. As a consequence. the service agreement with LangTao Trading (Shanghai) Co. Ltd. („LangTao") was terminated mid of 2020, without incremental expenses. Since mid of 2019, LangTao has rendered customer services, services on brand strategies, project and marketing planning, visual design, product management, sales promotions, communication with sales channels and supply chain management. Most of these services are now performed by the employees of the Chinese service company. Since the beginning of May 2020, Hangzhou Yatao e-commerce co. LTD takes care of all questions and concerns from our Tmall customers, in October 2020 it took over the support service for our customers of our Chinese webshop as well.

Change in the supervisory board

The supervisory board members Willi Schwerdtle and Dr. Edgar Lange have resigned from their mandates as of the end of the Annual General Meeting on June 24, 2020. Mr. Schwerdtle had assumed the role of the supervisory board chairman, Mr. Lange was chairman of the audit committee.

New chairman of the supervisory board is Mr. Clemens Jakopitsch. Ms. Yafang Tang and Mr. Maurice Reimer were elected as new supervisory board members. Mr. Reimer assumes the role of the chairman of the audit committee.

Liquidation windeln.ch AG

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 company was deconsolidated in 2020, resulting in a one-time foreign exchange gain of EUR 207k from the derecognition of historical foreign exchange differences, that had previously been recognized within other comprehensive income. The EBIT of the Group is adjusted by this gain.

Launch of windeln.de on JD.com

In December 2020, windeln.de successfully launched sales activities on the sales platform JD.com. JD.com is one of the biggest digital market places in China and very popular with Chinese end customers. The launch on JD is the beginning of the new strategy for the strengthening of the Chinese end customer business.

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

2.4.1. Results of operations

Consolidated income statement

kEUR	2020	2019 R	Change absolute in kEUR	Change relative in %
Continuing operations				
Revenues	76,067	70,146	5,921	8
Cost of sales	-59,883	-52,179	-7,704	15
Gross profit	**16,184**	**17,967**	**-1,783**	**-10**
Selling and distribution expenses	-19,038	-21,707	2,669	-12
Administrative expenses	-6,319	-8,000	1,681	-21
Other operating income	809	766	43	6
Other operating expenses	-305	-118	-187	>100
Earnings before interest and taxes (EBIT)	**-8,669**	**-11,092**	**2,423**	**-22**
Financial income	5	0	5	n/a
Financial expenses	-73	-68	-5	7
Financial result	**-68**	**-68**	**0**	**0**
Earnings before taxes (EBT)	**-8,737**	**-11,160**	**2,423**	**-22**
Income taxes	-3	-7	4	-57
Profit or loss from continuing operations	**-8,740**	**-11,167**	**2,427**	**-22**
Profit or loss from discontinued operations	-5,008	-3,445	-1,563	45
Profit or loss for the period	**-13,748**	**-14,612**	**864**	**-6**

Unless stated otherwise, the following explanations relate solely to continuing operations, i. e. without the Southern European Bebitus business which is presented in the line "profit or loss from discontinued operations".

In 2020, the Group generated revenues of EUR 76,067k (2019: EUR 70,146k). This represents a slight increase of EUR 5,921k or 8%. The increase is attributable to both segments, China and Europe. The revenues of segment China increased by EUR 4,696k or 9% to EUR 56,022k (2019: EUR 51,326k). The revenues of segment Europe increased by EUR 1,225k or 7% to EUR 20,045k (2019: EUR 18,820k).

Im Segment Europa sind die Umsatzerlöse um TEUR 1.225 bzw. 7% auf TEUR 20.045 (2019: TEUR 18.820) gestiegen.

Ein Umsatztreiber in Europa war die Coronasituation, die die Attraktivität des Online-Versandhandels im März und April massiv gesteigert hat. Des Weiteren konnten im Vergleich zum Vorjahr die größtenteils lieferantenseitig finanzierten Verkaufsaktionen erfolgreich ausgebaut werden.

China revenues contain a positive special item of EUR 3,926k (2019: EUR 1,709k), which is the result of VAT adjustments for orders shipped by windeln.de 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. Without this one-time-effect, revenue growth in China amounts to 5.0%. This is mainly attributable to a new sales channel offering hygiene products to corporate customers. Revenues are generated either directly or as commission fees. In the first nine months of 2020, revenues of EUR 6,954k were recognized though that channel. Furthermore, business with distributors increased significantly.

The end customer business in China, however, is behind our expectations. This is caused by an oversupply in the market as well as a temporary suspension of the SPDC customs process which did not allow windeln.de to offer duty paid goods in our shops. In addition, the termination of the LangTao service agreement slowed down the customer acquisition process. To counter this development, the Group continued to develop new sales channels. As a consequence, windeln.de has sold products on the marketplace JD.com since December 2020.

In the Annual Report 2019, a clear double-digit revenue increase compared to 2019 was forecasted. This could not be met due to the aforementioned challenges of the end customer business in China.

The margin (gross profit as % of revenues) decreased in 2020 by 4.3pp to 21.3% (2019: 25.6%). This is partially driven by the increased business volume with corporate customers and intermediates generating lower margins but also significantly lower logistics expenses, and therefore contributing to an improvement in operating contribution. A significant margin effect results from revenues of EUR 3,847k from VAT adjustments that have no corresponding cost of sales. Due to the market environment and the oversupply in the market, rebate campaigns in China negatively impact the margin, in particular in Q3 2020.

Selling and distribution expenses decreased by EUR 2,669k or 12% to EUR 19,038 in the reporting period (2019: EUR 21,707). The decrease mostly results from logistics (decrease by EUR 2,460k or 31%) and warehouse rent (decrease by EUR 988k or 72%). Marketing expenses also decreased by EUR 243k or 9%. Increasing costs were recorded in the position sales commission and compensation for expenses (increase by EUR 756k or 144%), in IT environment (increase by EUR 466k or 187%) and in personnel expenses (increase by EUR 359k or 7%).

On the one hand, the reduction in logistics and warehouse expenses is the result of a lower stock level during H1 and Q4 2020 and a higher turnover ratio compared to prior year period. On the other hand, lower logistic costs in conjunction with the second bonded warehouse in China, opened in the fourth quarter 2019, show an impact. Also, the increased business volume with intermediates and corporate customers leads to lower logistics expenses in relation to revenues. The reduction in logistics and warehouse expenses (so-called fulfilment costs) and the increase in revenues at the same time, materially impact the improvement in operating contribution. One reason for the decrease in marketing expenses is the cancellation of the LangTao service provider. During the insourcing phase in Q2 2020, marketing spending in China was significantly cut back. In H2 2020, marketing spending was allocated more effectively.

Sales commissions and compensation for expenses amount to EUR 1,282k. This is mostly connected to the VAT corrections described above. The increase of expenses for IT environment results from the creation of an IT team in China and from the project connected to the outsourcing of the IT infrastructure of our webshops. The increase of personnel expenses is attributable to the creation of a new team in China and the opening of a new office in Beijing, China.

Administrative expenses decreased by EUR 1,681k or 21% to EUR 6,319 in the reporting period. Savings were achieved for personnel expenses (decrease by EUR 669k or 16%), amortization and depreciation (decrease by EUR 568k or 71%) and IT environment (decrease by EUR 440k or 49%). The decrease of personnel expenses results from a one-time expense in the prior year from the program "Incentive 2019". Furthermore, specific functions were shifted from Germany to Romania and China.

Other operating income amounts to EUR 809k (2019: EUR 766k) and contains a one-time foreign exchange gain of EUR 207k from the deconsolidation of windeln.ch AG. Other operating expenses contain mainly foreign exchange losses in the current and prior year.

As a result of the developments mentioned above, earnings before interest and taxes (EBIT) have significantly improved by EUR 2,423k or 22% to minus EUR 8,669k in 2020 (2019: EUR 11,092k).

The financial result amounts to minus EUR 68k in 2020. It contains mostly interest expenses related to lease contracts.

The tax expense of EUR 3k results mainly from income taxes incurred by subsidiaries that do not benefit from tax-loss carry-forwards.

The profit or loss from discontinued operations relates to Bebitus operations and, to an immaterial extent, to the Feedo operations that were sold in 2018. The operating result (EBIT) of Bebitus operations was minus EUR 2,715k. In addition, expenses for the remeasurement of assets held for sale in the amount of EUR 2,282k were recognized within discontinued operations.

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, the cancelled warehouse move, one-time foreign exchange effects from the deconsolidation of windeln.ch AG and impairments of purchased intangible assets (if applicable in the reporting period). In the prior year, additional adjustments were made for costs from reorganization measures and acquisitions.

			Change	
kEUR	2020	2019 R	absolute in kEUR	relative in %
Earnings before interest and taxes (EBIT)	-8,669	-11,092	2,423	-22
adjusted for share-based compensation	61	38	23	61
adjusted for costs of reorganization measures	-	20	-20	-100
adjusted for costs of acquisitions	-	45	-45	-100
adjusted for costs of the cancelled warehouse move	250	29	221	>100
adjusted for effects from deconsolidation of windeln.ch AG	-207	-	-207	
adjusted for impairments of intangible assets	-	644	-644	-100
Adjusted EBIT	**-8,565**	**-10,316**	**1,751**	**-17**
Adjusted EBIT (as % of revenues)	**-11.3%**	**-14.7%**	**3.4pp**	

Adjusted costs in 2020 for the cancelled warehouse move related to the write-off of investment subsidies paid to the logistics provider who filed for bankruptcy. Other expenses relating to the cancelled warehouse move in 2020 and the planned warehouse move in 2021 are not adjusted. The deconsolidation of windeln.ch AG resulted in a one-time foreign exchange gain of EUR 207k from the derecognition of historical foreign exchange differences, that had previously been recognized within other comprehensive income. The gain is adjusted in the adjusted EBIT presentation.

Adjusted EBIT from continuing operations has improved by EUR 1,751k or 17% to minus EUR 8,565k. As % of revenues, adjusted EBIT improved by 3.4pp to minus 11.3%. The Group expected a clear improvement of the adjusted EBIT in 2020 which has been achieved. In fiscal year 2020, savings were achieved in logistics and warehouse rent. The decrease of marketing expenses and personnel expenses also contributed to this improvement.

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)	2020	2019 R	Change
Active customers	**282,857**	304,530	-21,673
Average orders per active customer (in number of orders)	**1.7**	2.1	-0.4
Average order value (in EUR)	**88.01**	91.45	-3.44
Share of repeat customer orders (as % of orders of last 12 months)	**65.4%**	72.1%	-6.7pp

pp = percentage points

Non-financial performance indicators were adjusted retrospectively and reflect continuing operations only.

For average order value, a stable level was predicted. For repeat customer share, a slight decrease was predicted. This outlook could not be achieved. Average order value decreased by EUR 3.44 to EUR 88.01 as of December 31, 2020. This is caused by rebates in the end customer business in China. This is caused by an oversupply of milk powder in the Chinese market. Share of repeat customers decreased more than expected by 6.7pp. This is caused by the cancellation of Langtao service provider. During the insourcing phase in Q2 2020, marketing spending in China was significantly cut back. In H2 2020, marketing spending was allocated more effectively.

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 2019.

Regional results of operating segments

kEUR	2020	2019 R	Change absolute in kEUR	Change relative in %
Revenues				
Europe	**32,651**	31,018	1,633	5
thereof continuing operations	**20,045**	18,820	1,225	7
thereof discontinued operations	**12,606**	12,198	408	3
China	**56,022**	51,326	4,696	9
Operating contribution				
Europe	**-15**	-1,836	1,821	-99
thereof continuing operations	**-359**	-1,714	1,355	-79
thereof discontinued operations	**344**	-122	466	<-100
China	**8,152**	7,598	554	7

Detailed explanations on the development of revenues of operating segments can be found in the previous section “Consolidated income statement”.

Operating contribution of Europe improved by EUR 1,821k to minus EUR 15k (2019: EUR 1,836k). This improvement is mostly attributable to the development of the continuing operations. The Group improved the margin from 18.6% in 2019 to 20.1% in 2020. Marketing expenses decreased by EUR 306k to EUR 1,220k (2019: EUR 1,526k) and fulfilment expenses decreased by EUR 531k to EUR 3,161k (2019: EUR 3,692k).

Operating contribution of China improved by EUR 554 to EUR 8,152k (2019: EUR 7,598k). The margin decreased from 28.2% in 2019 to 21.7% in 2020. But, at the same time, fulfilment expenses decreased by EUR 2,917k to EUR 2,660k (2019: EUR 5,577k). Overall, the development of operating contribution is positive.

2.4.2. Financial position

kEUR	2020	2019 R	Change absolute in kEUR	relative in %
Loss for the period	-13,748	-14,612	864	-6
Net cash flows used in operating activities	**-7,070**	**-11,567**	**4,497**	**-39**
Net cash flows used in investing activities	**-484**	**257**	**-741**	**<-100**
Net cash flows used in financing activities	**7,714**	**8,547**	**-833**	**-10**
Cash and cash equivalents at the beginning of the period	8,377	11,136	-2,759	-25
Net increase in cash and cash equivalents	160	-2,763	2,923	<-100
Changes in cash and cash equivalents due to foreign exchange rates	-7	4	-11	<-100
Cash and cash equivalents at the end of the period	**8,530**	**8,377**	**153**	**2**

In the year 2020, the Group generated negative cash flows from operating activities in the amount of EUR 7,070k (2019: EUR 11,567k), which stems mainly from the loss of the period (EUR 13,748k). Compared to 2019, the cash flow from operating activities could be improved. This is mostly attributable to a decrease of net working capital by EUR 4,762k to EUR 677k (2019: EUR 5,439k).

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

- Revaluation and reclassification of assets held for sale: EUR 2,282k;
- Depreciation and amortization of EUR 1,456k; and
- Foreign exchange gains from the deconsolidation of windeln.ch AG: EUR 207k.

In 2020, cash flows of EUR 484k were used in investing activities. In prior year, the Group generated a positive cash flow from investing activities. Prior year's cash inflow mostly resulted from the sale of the Feedo Group (EUR 400k). In 2020, the Group purchased new software amounting to EUR 434k for the webshops.

Cash flows from financing activities in 2020 amount to EUR 7,714k and stem mainly from two capital increases. Gross issue proceeds were EUR 6,205k for the capital increase in February 2020. Gross issue proceeds were EUR 3,386k for the capital increase in October 2020. From these equity transactions, payments for transaction fees of EUR 763 were made. Further cash outflows of EUR 1,029k stem from the repayment of lease liabilities and EUR 86 from the payment of interests, mostly related to lease liabilities.

As of December 31, 2020, cash and cash equivalents amount to EUR 8,530k and are nearly unchanged compared to prior year (2019: EUR 8,377k).

The Group expected a clear reduction of cash-outflows. The cash-outflow used in operating activities decreased by 39%. The cash-outflow used in investing activities clearly increased by 741 because of the outsourcing project of the shop infrastructure. Overall, the outlook was achieved.

2.4.3. Net assets

Assets kEUR	Dec. 31, 2020	Dec. 31, 2019	Change absolute in kEUR	relative in %
Non-current assets				
Intangible assets	2,017	2,843	-826	-29
Fixed assets	1,385	631	754	>100
Other financial assets	108	16	92	>100
Other non-financial assets	121	149	-28	-19
Deferred tax assets	6	2	4	>100
Total non-current assets	**3,637**	**3,641**	**-4**	**0**
Current assets				
Inventories	4,079	7,339	-3,260	-44
Prepayments	435	1	434	>100
Trade receivables	718	838	-120	-14
Income tax receivables	2	6	-4	-67
Other financial assets	1,405	2,719	1,314	-48
Other non-financial assets	1,148	1,888	-740	-39
Cash and cash equivalents	8,530	8,377	153	2
Total current assets	**16,317**	**21,168**	**-4,851**	**-23**
Disposal group	1,089	-	1,089	
Total assets	**21,043**	**24,809**	**-3,766**	**-15**

Nun-current assets amount to EUR 3,637k as of December 31, 2020 (December 31, 2019: EUR 3,641). The slight decrease by EUR 4k is mostly attributable to the decrease of intangible assets by EUR 826k and the increase of fixed assets by EUR 754k and other financial assets by EUR 92k. The Group capitalized additions of EUR 1,783k in intangible assets (mostly assets related to lease contracts). At the same time, the Bebitus domains (bebitus.com, bebitus.fr and bebitus.pt) were classified as held for sale and removed from intangible assets accordingly, resulting in a decrease of intangible assets by EUR 1,819k. In addition, amortization amounts to EUR 790. The increase of fixed assets is attributable to the capitalization of right of use assets related to lease contracts.

Current assets decreased by EUR 4,851k to EUR 16,317 compared to prior year (December 31, 2019: EUR 21,168k). The decrease is attributable to the decrease of inventories by EUR 3,260k, other financial assets by EUR 1,314k and other non-financial assets by EUR 740k. Inventories in the warehouse in Barcelona were classified as held for sale and was reclassified to „Assets held for sale" (EUR 1,540k). The Group is continuously optimizing net working capital, resulting in a reduction of inventories. The decrease of other financial assets is mostly attributable to the reduction of deferred supplier receivables by EUR 600k and the reduction of creditors with debit balance by EUR 582l. The invoicing cycle with major suppliers was optimized in 2020. The decrease in non-financial assets is attributable to a reduction of VAT receivables. In particular, receivables from German tax authorities were reduced.

The disposal group includes revaluated assets related to the intended sale of the Bebitus operation. The position comprises inventories in the warehouse in Barcelona, prepayments for inventories and the domains bebitus.com, bebitus.fr. and bebitus.pt. For the devaluation, expenses of EUR 2,282k were recognized.

Equity and liabilities kEUR	Dec. 31, 2020	Dec. 31, 2019	Change absolute in kEUR	Change relative in %
Equity				
Issued capital	10,982	2,989	7,993	>100
Share premium	173,714	172,904	810	0
Accumulated loss	-174,482	-160,734	-13,748	9
Cumulated other comprehensive income	-11	200	-211	<-100
Total equity	**10,203**	**15,359**	**-5,156**	**-34**
Non-current liabilities				
Accrued employee benefits	45	-	45	
Financial liabilities	1,693	101	1,592	>100
Total non-current liabilities	**1,738**	**101**	**1,637**	**>100**
Current liabilities				
Other provisions	138	288	-150	-52
Financial liabilities	603	519	84	16
Trade payables	3,490	3,639	-149	-4
Deferred revenues	2,210	2,287	-77	-3
Income tax payables	2	1	1	100
Other financial liabilities	1,958	2,064	-106	-5
Other non-financial liabilities	701	551	150	27
Total current liabilities	**9,102**	**9,349**	**-247**	**-3**
Total equity and liabilities	**21,043**	**24,809**	**-3,766**	**-15**

Equity decreased by EUR 5,156k or 34 % to EUR 10,203k (December 31, 2019: EUR 15,359k). The loss of the period amounting to EUR 13,748k was partially offset by the capital increases in Q1 and Q4 2020. The gross issuing proceeds were EUR 6,205k in Q1 2020 and EUR 3,386k in Q4 2020. The decrease of cumulated other comprehensive income is mostly attributable to the deconsolidation of windeln.ch AG.

The increase of non-current liabilities by EUR 1,637k to EUR 1,738k (December 31, 2019: EUR 101k) are mostly attributable to the increase of financial liabilities. Financial liabilities comprise of liabilities related to lease contracts. In 2020, two new high amount lease contracts were agreed. In March and September 2020, windeln.de recorded right of use assets and lease liabilities related to the outsourcing of the shop infrastructure. In August 2020, the Group recorded right of use assets and lease liabilities related to the new office of windeln.de SE.

Compared to prior year, current liabilities slightly decreased by EUR 247k to EUR 9,102k (December 31, 2019: EUR 9,349k). This is mostly attributable to the decrease of other provisions by EUR 150k and the increase of financial liabilities by EUR 84k. As of December 31, 2029, other provisions mostly comprised compensation for expenses for VAT adjustments and provisions for legal disputes. Provisions for legal disputes are unchanged as of December 31, 2020. The provision for compensation of expenses was used in 2020. The increase of financial liabilities is mostly attributable to two new lease contracts.

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.

kEUR	Dec. 31, 2020	Dec. 31, 2019	Change absolute in kEUR	Change relative in %
Inventories	4,079	7,339	-3,260	-44
Prepayments	435	1	434	>100
Trade receivables	718	838	-120	-14
Accrued advertising contributions and supplier rebates	583	1,183	-600	-51
Creditors with debit balances	132	714	-582	-82
VAT receivables net of VAT liabilities	430	1,290	-860	-67
minus Trade payables	-3,490	-3,639	149	-4
minus Deferred revenues	-2,210	-2,287	77	-3
Net working capital	**677**	**5,439**	**-4,762**	**-88**

As of December 2020, net working capital[30] was EUR 677k and is 88 % below prior year level (2019: EUR 5,439k). For 2020, a moderate increase was predicted. The deviation to the outlook is mostly attributable to a strong decrease of inventories by EUR 3,260k.

2.4.4. Net overall statement

Overall, the windeln.de Group was able to achieve moderate results in the business year.

Revenue growth is slightly positive at 8 %. The increase was less significant than forecast. This was mainly due to lower than forecast growth in the end customer business in China. The Group was particularly successful in its business with intermediaries and corporate customers. The new sales channel with hygiene products was successfully launched and is to be continued in 2021.

On the earnings side, EBIT improved by 22 % compared to the previous year to minus EUR 8,669k. Improved margins in the European business as well as the reduction of inventories and the associated cost savings in logistics and warehousing costs contributed to the improvement.

The China segment was positively influenced by VAT adjustments on deliveries from previous years, which resulted in a turnover of EUR 3,926k and a contribution to earnings of EUR 2,853k in the 2020 financial year.

The cash outflow from operating activities improved significantly in 2020 (2020: minus EUR 7,070k; 2019: minus EUR 11,567k). The reduction in net working capital and the improvement in the result for the period from minus EUR 14,612k to minus EUR 13,748k contributed significantly to this. As a result of this and the two capital increases in the first and fourth quarters of 2020, cash and cash equivalents are slightly above the level of the previous year.

2.5. Other financial performance indicators

	2020	2019 R	Change
Marketing cost ratio (as % of revenues)	**3.4 %**	4.0 %	-0.6
Fulfilment cost ratio (as % of revenues)	**7.7 %**	13.2 %	-5.5
Adjusted other SG&A expenses (as % of revenues)	**21.5 %**	23.1 %	-1.6
Operating contribution (as % of revenues)	**10.2 %**	8.4 %	1.9

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, costs for external marketing partners as well as costs for the marketing tools of the Group. In 2020, marketing costs amounted to EUR 2,571k (2019: EUR 2,814k). We define marketing cost ratio as marketing costs divided by revenues for the measurement period. The marketing cost ratio has improved by 0.6pp to the prior year as a result of the cancellation of Langtao service provider.

Fulfilment costs consist of logistics and warehouse rental expenses which are recognized within selling and distribution expenses in the consolidated income statement. We define fulfilment cost ratio as fulfilment costs divided by revenues.

kEUR	2020	2019	Change absolute in kEUR	Change relative in %
Logistics	5,442	7,902	-2,460	-31
Warehouse rent	379	1,367	-988	-72
Fulfilment costs	**5,821**	**9,269**	**-3,448**	**-37**
Fulfilment cost ratio (as % of revenues)	**7.7 %**	**13.2 %**	**-5.5**	

In the business year 2020, fulfilment cost ratio amounts to 7.7 % has improved by 5.5pp compared to the previous year. Due to positive effects in the optimization of net working capital and because of the growing business with intermediaries and corporate customers, cost savings were achieved in logistics and warehouse rentals.

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, the cancelled warehouse move, one-time foreign exchange effects from the deconsolidation of windeln.ch AG as well as impairments of purchased intangible assets (if applicable in the reporting period). In the prior year, additional adjustments were made for costs from reorganization measures and acquisitions. We define adjusted other SG&A expenses (in % of revenues) as adjusted other SG&A expenses divided by revenues.

kEUR	2020	2019	Change absolute in kEUR	Change relative in %
Selling and distribution expenses (w/o marketing and fulfilment costs)	10,646	9,624	1,022	11
Administrative expenses	6,319	8,000	-1,681	-21
Other operating income	-809	-766	-43	6
Other operating expenses	305	118	187	>100
Other SG&A expenses	**16,461**	**16,976**	**-515**	**-3**
Adjustments	-103	-776	673	-87
Adjusted other SG&A expenses	**16,358**	**16,200**	**158**	**1**
Adjusted other SG&A expenses (as % of revenues)	**21.5 %**	**23.1 %**	**-1.6**	

In absolute figures, adjusted other SG&A expenses increased by EUR 158k. This is mostly attributable to the adjustments which were higher in 2019 (by EUR 673k). Other SG&A prior to adjustment decreased by EUR 515k. Please refer to section 2.4.2 Results of operations. Adjusted other SG&A expenses as percentage of revenue amount to 21.5% compared 23.1% in the prior year. The improvement is attributable to the disproportionate increase of revenues.

We define operating contribution as adjusted gross profit excluding marketing costs and fulfilment costs. The adjustments of gross profit relate to expenses for share-based compensation, if incurred in the reporting period.

kEUR	2020	2019	Change absolute in kEUR	Change relative in %
Gross profit	16.,84	17,967	-1,783	-10
Adjustments	-	-	-	
Adjusted gross profit	**16,184**	**17,967**	**-1,783**	**-10**
Marketing costs	-2,571	-2,814	243	-9
Fulfilment costs	-5,821	-9,269	3,448	-37
Operating contribution	**7,792**	**5,884**	**1,908**	**32**
Operating contribution (as % of revenues)	**10.2 %**	**8.4 %**	**1.9**	

Operating contribution in the year 2020 is EUR 7,792k or 10.2 % of revenues. The improvement is mainly attributable to a decrease of fulfilment expenses by EUR 3,448k. Thereby, operating contribution improved in spite of decreasing gross profit. In Annual Report 2019, a clear improvement was predicted. With an improvement by 1.9pp, the Group could achieve this expectation.

2.6. Other non-financial performance indicators

	2020	2019 R	Change
Site visits (in thousands)	**20,272**	25,745	-5,473
Mobile visit share (as % of site visits)	**87.0 %**	80.2 %	6.8pp
Mobile orders (as % of number of orders)	**63.5 %**	60.5 %	3.0pp
Number of orders	**481,673**	570,877	-89,204
Gross order intake (in kEUR)	**42,390**	52,206	-9,816
Returns (as % of gross revenues from orders)	**2.5 %**	2.7 %	-0.2pp

pp = percentage points

Non-financial performance indicators were adjusted retrospectively and reflect continuing operations only.

In Q3 2020, the method of measuring visits on shop sites has been changed to exclude traffic from the connected magazine sites containing content aimed at parents with young children or pregnant women. The change was necessary to accurately calculate the conversion rate on the respective shop sites. Customers, who visit the magazine, but not the shop, cannot create an order from there, which means the inclusion of magazine visits has a distorting effect on the conversion rate. Historical data before the change was implemented could not be updated because of technical restrictions. Due to the change, the total number of site visits is not comparable to prior year.

In the first half of 2020, the cooperation with Langtao in China was terminated. As a result, promotional activities were reduced in the first half of 2020. It was not until the second half of the year that more targeted marketing activities were resumed. In addition, there was a massive supply surplus of milk powder in the Chinese market in the middle of the year. Windeln.de counteracted this with various discounts. Both of these factors nevertheless have a strong impact on our performance indicators page impressions, number of orders and gross order value. As a result, these performance indicators declined sharply in 2020.

In contrast, the performance indicators share of mobile page views and orders from mobile devices increased to 87.0% and 63.5%, respectively. windeln.de continuously expanded the functions of the windeln.de apps in the 2020 financial year. This resulted in a corresponding increase in the two performance indicators.

3. Outlook

The e-commerce market for baby and toddler supplies in Germany is expected to be around EUR 2.6 bn in 2021. Sales in the baby, toddler and children's supplies segment in Europe in 2020 were around EUR 13.7 bn and are expected to grow by 4.7% annually until 2025. In China, the e-commerce market for baby, toddler and children's supplies was valued at around EUR 98 bn in 2020, with a projected average growth rate of over 9% until 2025. The e-commerce market for baby, toddler and children's products, as well as for drugstore, cosmetics and nutritional supplement products, represents an important growth segment in these markets.

In the 2021 financial year, the focus will remain on profitable revenue growth and margin optimization. In doing so, the Group will focus primarily on the important Chinese market. In the 2020 financial year, the Group generated revenue growth primarily through its business with intermediaries and corporate customers and created a solid starting point in this area for 2021. The business with intermediaries and corporate customers is to be further expanded in 2021. This is to be achieved both through growth with existing customers and by acquiring customers in new product categories. The Group already achieved initial successes in this area in 2020 with hygiene products.

Sales growth in the Chinese end-customer business is also to be achieved in 2021. In the existing sales channels, growth is to be generated through targeted marketing measures and a focus on mobile shopping. New features are being developed for the existing app to reflect this trend. The Group is also working on opening up new sales channels and is cooperating here with existing providers in the Chinese market. At the end of 2020, windeln.de was launched on the popular platform JD.com („windeln.jd.hk“). The WeChat Mini platform followed at the beginning of 2021. Further platforms are to follow in the further course of the 2021 financial year. The goal is to be represented on all major platforms by the important campaign days in the fourth quarter of 2021. The focus here is also on the mobile end-customer business.

The European segment is also expected to contribute to revenue growth in 2021. Here, the Group will focus on promising business models such as dropshipment and also add new high-margin products and brands to the range. Growth is also to be generated by occupying promising niches in the area of organic and green products.

On the cost side, the Group continues to focus on improving net working capital. This means that less capital is tied up and costs can be saved in logistics and warehousing. This goal is to be achieved through several measures. Improving the inventory turnover rate plays an important role. In other respects, too, goods should only be in the warehouse for a short time. This is achieved by optimizing the product mix and improving procurement processes.

Further optimization of costs also plays an important role in achieving profitability. At the end of the 2020 financial year, business areas were identified that will be outsourced to Romania. The focus is also on personnel costs in our China segment. Here, too, corresponding measures to minimize costs have already been decided. The project to outsource the IT shop infrastructure will also be continued in 2021. Management expects this to result in further significant cost savings.

Management expects very strong revenue growth in the 2021 financial year. The management expects a slight increase in the average order value. The regular customer rate, the active customers and the number of orders per active customer are not planned, as these are reactive control variables. For these three performance indicators, only past data is analyzed in order to be able to derive reactions to certain developments.

The Group's focus remains on achieving profitability and securing liquidity. Management expects a very clear improvement in operating contribution. Compared to this, expected revenues change disproportionally, so that operating contribution margin as % of revenue will decrease very clearly. The company aims for a very strongly improved Adjusted EBIT as a percentage of revenue in 2021. Due to lower than targeted revenues in financial year 2020 and the associated lower starting point for 2021, the goal of reaching break-even on the basis of adjusted EBIT was changed to financial year 2022. The Group is expected to generate a cash outflow from operating activities in the mid-single-digit million range in the 2021 financial year. The cash outflow is expected to be significantly reduced compared to 2020. A very strong reduction in net working capital is planned for 2021 to enable the growth of the China business.

Risks relating going concern of the Group

The group is exposed to significant uncertainties with respect to transact equity financing and 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.
In the area of sales increases, further growth is planned in China in particular. Among other things, it is planned to open up new distribution channels and expand the product range. Uncertainty exists in the fact that the planned projects could be delayed, not realized to the planned extent or not take place at all. With regard to margin increases, various measures are planned, including further improved supplier conditions, a further improvement of the product mix as well as an increase in the turnover rate in the apparel segment by focusing on a few, but profitable brands. Uncertainties exist with regard to the implementation of improved supplier conditions. A major driver in terms of cost reductions is the outsourcing of the IT shop infrastructure (IT shop system and product information system). The project has already been partially completed, so that uncertainties only exist with regard to possible project delays.

The Executive Board is countering the uncertainties described in the previous paragraph with various measures. For example, dedicated project management has been set up to regularly monitor and control all planned projects and measures and to initiate countermeasures at an early stage if necessary. Finally, the Executive Board hopes to improve supplier conditions through continuous dialogue with trade credit insurers and suppliers.

The continued existence of the Company and thus of the Group as a going concern is at risk and the maintenance of solvency depends mainly on the ability to raise additional funds through a further equity financing round, which is planned for the second quarter of 2021. The capital increase has been taken into account in the planning accordingly and the Company has begun the necessary preparations for the equity financing round.

Further, the ability to continue as going concern will depends on realization of the budget in the next two years. 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 will not be sufficient to fully meet the payment obligations, in the course of 2022, taking into account the equity financing round planned for the second quarter of 2021.

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 finance 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

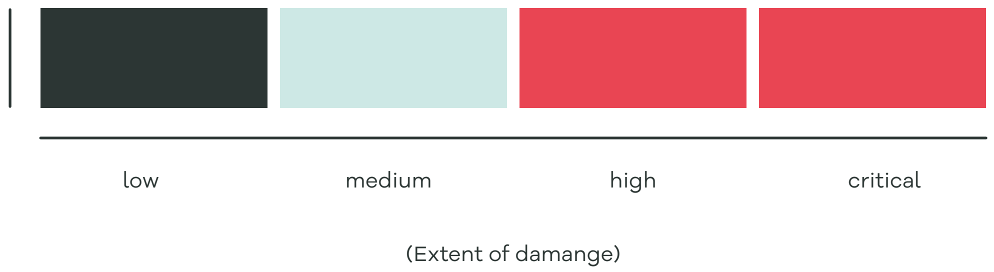
The extent of damage describes the worst-case scenario each risk could have on the Group's earnings before interest and taxes. EBIT is a significant factor for the cash requirements of the Group. Therefore, the following risk assessment is also a significant indicator for the liquidity risk of the Group. Please refer to note 6.4 "Liquidity risk" for further information.

Classes for extent of damage for event and planning risks

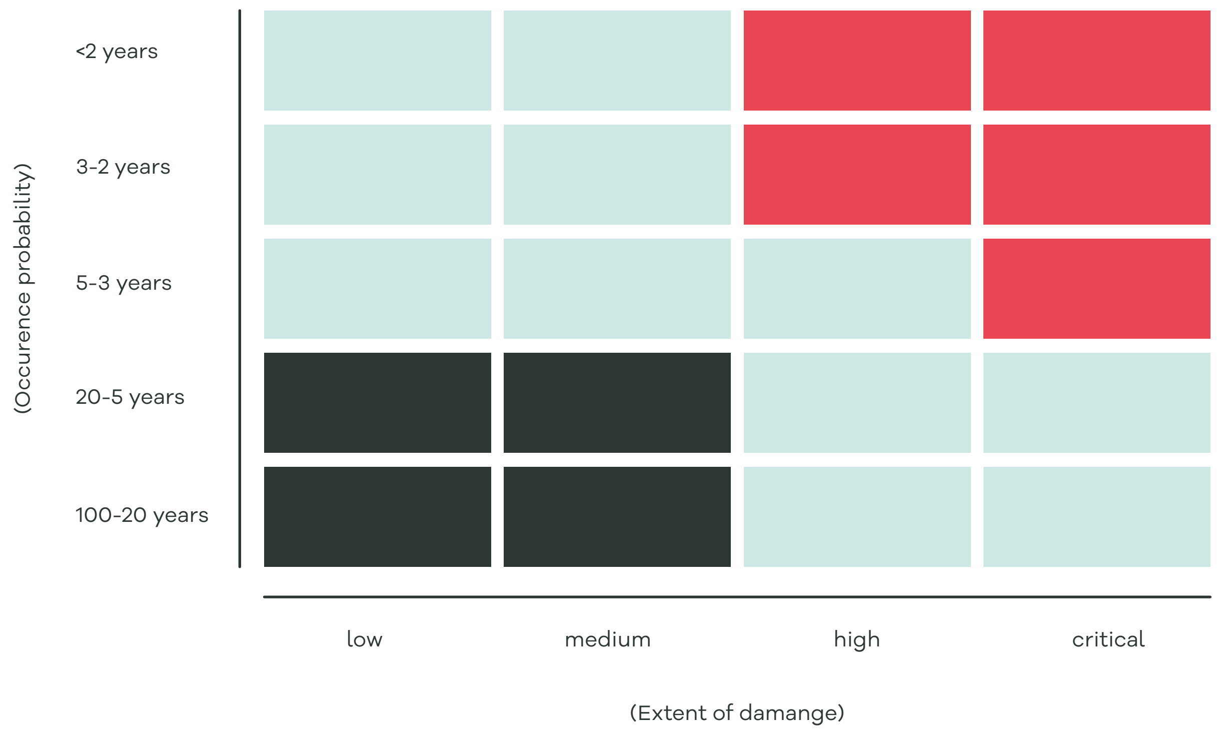
Class	Extent of damage	Description
1	EUR 0.05m - EUR 0.5 m	low impact
2	> EUR 0.5 m - EUR 1.0 m	medium impact
3	> EUR 1.0 m - EUR 2.0 m	high impact
4	> EUR 2.0m	critical impact

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:

Planning risk



Event risk



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.

In connection with the repeated postponement of the break-even forecast, liquidity risks remain significantly elevated. The Group has already introduced various measures in the past and countered the risk several times by raising equity. Further equity raising in 2021 is one measure to further counter this risk. In addition, the Executive Board is in contact with potential lenders.

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.
The Group has already been able to reduce these risks through constant risk monitoring and by opening up new sales channels in which Chinese customers can buy in local currency. Also, the Group continues to work intensively on possible countermeasures for active risk management. Compared to the previous year, the Group expects an increased extent of damage in the event of a risk occurrence and continues to assess the risk as high.

4.3.2. Opportunities and risks from operations

Opportunities and risks from the COVID 19 pandemic
Despite emerging progress in the fight against the Covid 19 pandemic, temporary interruptions in supply chains and restrictions in the cross-border commuting of workers still cannot be ruled out. This may lead to lost sales and adversely affect the Group's earnings from interest and taxes.

At the same time, the pandemic is reinforcing the already visible change in the behavior of private consumers, who are sourcing an increasing share of their purchases through online retail. The Group is also seeing increased demand for hygiene products from corporate customers. This can have a positive effect on sales revenues and thus on the Group's earnings before interest and taxes.

Both of these effects are offsetting, which limits the potential adverse impact of the Covid 19 pandemic overall.

Based on the experience in 2020 and the adjustment reactions in many areas of public life in relation to the pandemic that have taken place in the meantime, the Group expects a low extent of damage in the event of the risk materializing. Due to the high probability of occurrence, the risk is assessed as a medium risk.

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. Due to a higher forecast, the Group expects the extent of damage from the risk to be higher than in the 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. The introduction of a new order forecast software in 2020 will also contribute to risk mitigation. Thus, a potential reduction of the inventory valuation allowance might also represent an opportunity for the Group.

IT risks
The Company operates websites, apps and other data processing systems through which customer, supplier, product and other data, including confidential internal company data, is collected, processed, transmitted and stored. The Company takes great efforts to protect this data appropriately and in accordance with applicable law. To this end, it uses encryption and identification technology and carries out regular updates of these systems. Nevertheless, security breaches and other security issues may occur that expose the data stored by the Company to third-party access. One such incident occurred in June 2020, when maintenance errors allowed third parties to access certain customer data. This

incident, as well as a possible recurrence of security issues, could have an adverse effect on the Company's financial position and results of operations, particularly if customers reduce their purchases from the Company as a result of such incidents, or if fines are imposed for violations of the relevant legal standards. Due to the incident in 2020, the probability of occurrence of these risks has increased compared to the previous year and consequently the risk has increased to a medium risk.

If the Group is unable to operate, maintain, integrate, and scale the mobile and network infrastructure and other technologies, this could have a material adverse effect on the business, financial position, and results of operations. In particular, the stability and availability of online platforms could negatively impact the business. The ongoing functionality of internal technical systems and databases also plays a significant role in this risk. The Group reduces this risk by investing in various systems and processes. Compared with the previous year, the risk has now decreased to a low risk.

The introduction of the new webshop architecture represents an increased risk for windeln.de and mainly involves possible budget overruns. Possible effects of implementation difficulties on the operating business are reduced by measures such as the parallel operation of the previous IT environment for a limited time period.

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. The risk is assessed as medium and has decreased compared with the previous year.

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 decreased, and the risk is continued to be assessed as low.

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 information management system) the Group was already able to significantly reduce the risk. The risk is continued to be assessed as low.

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.

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.

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) ,our Tmall shop (in CNY) and JD.com (USD). 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 two 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, 2020, 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. In addition, credit card payments have been PSD2-compliant since the end of 2020, which significantly reduces the default risk. All outstanding receivables are regularly monitored and undergo a three-stage reminder procedure. In order to reduce the risk, lump-sum individual value adjustments are made, taking into account the age structure of the receivables, as well as a risk provision for receivables that are not yet due. Unsuccessful reminders are handed over to a collection agency. Uncollectible receivables are derecognized in full through profit or loss.

Furthermore, there is a risk of potential default on receivables from suppliers, especially in the case of advance payments or other advance payments. In the event of a change in the payment method to cash in advance, an internal approval process is implemented, which requires the approval of the Executive Board. In principle, the number of advance payment suppliers is kept as low as possible, also due to the high liquidity commitment.

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.

A delay of the strategic measures initiated in previous years, the occurrence of risk factors as presented in opportunities and risks report as well as a deviation from the business plan for 2021 could result in a material deterioration of the liquidity situation of the Group. 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. In 2021, a capital increase in a single digit million range is budgeted. We refer to note 3 "Outlook" which describes risks related to the going concern of the Group.

7. Takeover related disclosures pursuant to Secs. 289a (1) and 315a (1) German Commercial Code (HGB)

7.1. Composition of issued capital

The Company's capital stock came to EUR 10,982,073 as of December 31, 2020. The capital stock is divided into 10,982,073 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

Pinpoint International Group Limited	Seychelles
Youth Pte. Ltd.	Singapore
HedgeStone Multi-Strategy Global Consumer Fund	Cayman Islands

Indirect investments

ZOU, ZHIYUAN	China
Zou Qian	Singapore
Clemens Jakopitsch	Austria
DELIN XIONG	China

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 Regulation (EC) No. 2157/2001 on the Statute for a European Company (SE) (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

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 2020/I
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 23, 2025 by up to a total of EUR 1,258,294 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 2020). In the German commercial register, the authorized capital as of June 24, 2020, is named Authorized Capital 2020/I.

Conditional Capital 2016/II
The Company's capital stock has been increased contingently by up to EUR 7,851 by the issue of up to 7,851 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.

Conditional capital 2018/I
The Company's capital stock has been increased contingently by up to EUR 15,737 by the issue of up to 15,737 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 and amended on June 24, 2020 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.

Conditional Capital 2020/I
By resolution of the General Meeting dated June 24, 2020, the management board was authorized, subject to the approval of the supervisory board, to issue by June 23, 2025 once or several times bearer and/or registered 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 3,263,882 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 3,263,882 (Conditional Capital 2020/I). This authorization to issue bonds has not yet been exercised. In the German commercial register, the Conditional Capital as of June 24, 2019, is named Conditional Capital 2020/I.

Conditional Capital 2020/II
The company's share capital is conditionally increased by up to EUR 788,228 through the issue of up to 788,228 new shares (Conditional Capital 2020/II). The conditional capital increase will only be conducted to this extent and serves exclusively to fulfil options that are issued on account of the Annual General Meeting on June 24, 2020 that authorized the granting of stock options to members of the Management Board and employees of the Group in accordance with the long-term incentive program 2020. In the commercial register, this conditional capital of June 24, 2020 is named Conditional Capital 2020/II.

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. 315d in conjunction with 289f HGB is available on the Company's website at www.corporate.windeln.de/en/corporate-governance.

9. Remuneration report

In accordance with the recommendations of the German Corporate Governance Code (GCGK) and statutory requirements, the remuneration report explains the main features of the remuneration system for the Board of Management and Supervisory Board of windeln.de and the remuneration of the individual members of the Board of Management and Supervisory Board, in each case in relation to the reporting period.

Outline of management board compensation
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.

<u>Fixed, non-performance-related compensation components</u>
Management board members receive fixed compensation through their annual salary paid in equal monthly installments and benefits in kind.

<u>Variable, performance-related compensation components</u>
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 short-term variable bonus depend on the achievement of certain company targets (revenues, adjusted earnings before interest and taxes, Free Cash Flow). Based on a target achievement rate of 100 % (target bonus), this bonus component amounts to EUR 279k for the year 2020 for those board members that were appointed as of December 31, 2020.

The remaining quarter of the bonus is granted by the supervisory board at its own discretion depending on the individual performance of each individual management board member and based on an general assessment of all relevant circumstances. In the event of a target achievement rate of 100 %, the maximum of both bonus elements together stands at EUR 372k for the year 2020 for those board members that were appointed as of December 31, 2020. The bonus for each member of the management board is capped at 200 %. If the appointment to the Executive Board begins or ends during a financial year, the target amount is reduced pro rata temporis to the beginning or end of the appointment.

The percentage share of the fixed component in the total target income (fixed and short-term variable component plus long-term share-based remuneration) for the Executive Board members is between 51 % and 63 %, whereby the changes in the Executive Board members' remuneration components during the year are taken into account pro rata temporis. The percentage share of the variable remuneration in the total target income is between 25 % and 31 % for the short-term performance-based remuneration and between 0 % and 19 % for the long-term performance-based remuneration.

<u>Share-based compensation</u>
Share-based compensation aims at remunerating the long-term performance of the management board in accordance with the business planning. As of December 31, 2020, no more entitlements are earned under programs issued up to and including 2016. Also, there are no longer any obligations under these programs as of the reporting date, as the awards from these programs have either been settled in cash or have expired after the exercise period.

As of the reporting date, there are obligations under the Long Term Incentive Plans (LTIP or LTIP programs) issued annually since 2017. In addition, active Executive Board members are still in the vesting phase under the LTIP programs issued since 2018. The programs under which obligations still exist at the reporting date or under which active Executive Board members are still in the vesting phase at the reporting date are described in more detail below:

Description of LTIP 2017 RSU

In 2015, the Company established a Long Term Incentive Plan (LTIP 2015-2017) and concluded corresponding agreements with employees and members of the Group's management board from 2015 to 2017. Under this program, stock options (SO) and restricted stock units (RSU) were issued. As of the reporting date, the Group only has obligations towards members of the Executive Board under the LTIP 2015-2017 in respect of RSUs issued in 2017.

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. Whether the RSUs are settled in the form of shares or in a cash equivalent is within the Company's discretion. 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. There is no performance condition for the RSUs. Both for the stock options and the RSUs, the number of shares to be issued is capped.

In the event of the departure of a member of the Executive Board, „leaver clauses" contained in the terms and conditions govern how the entitlements are to be dealt with. If the Executive Board member's appointment is revoked for good cause, the Executive Board member is deemed to be a „bad leaver" and all versted and unvested awards will be forfeited without any entitlement to compensation. If a member of the Executive Board voluntarily resigns before the end of the regular term of office without the Company having set a good cause to terminate the appointment, the Executive Board member shall be deemed to be a „grey leaver" and shall retain 50% of the awards already vested and not yet exercised or satisfied at the time of termination of office or employment. In all other cases, an Executive Board member is considered a „good leaver", and such good leaver shall retain all awards already vested and not yet exercised or satisfied at the time of termination of office in full.

Description of LTIP 2018-2020 – SO and RSU

In 2018, the Company established a second Long Term Incentive Plan (LTIP 2018-2020) and entered into corresponding agreements with employees and members of the Group's management board in 2018 and 2019 (the share-based compensation for 2020 is part of the LTIP 2020-2024 program, which is described further below). As part of this plan, both equity-settled stock options (SO) and restricted stock units (RSUs) 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, beginning with the calendar 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 EBIT 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 EBIT targets are not met, the stock options cannot be exercised. There is no performance condition for the RSUs. Both for the stock options and the RSUs, the number of shares to be issued is capped. Whether the RSUs are settled in the form of shares or in a cash equivalent is within the Company's discretion.

The „leaver clauses" applicable to the LTIP 2018-2020 program are largely identical to those of the LTIP 2015-2017 (see section „Description of LTIP 2017 RSU" above).

Description of LTIP 2020-2024 – SO and RSU

In 2020, the Company launched a third Long Term Incentive Plan (LTIP 2020-2024) and entered into corresponding agreements with employees and members of the Group's management board in the same year. Under this program, both stock options (SOs) and restricted stock units (RSUs) will be issued. The RSUs entitle holders to receive shares in windeln.de SE at the respective applicable share price without payment of a strike price by the beneficiary or to receive a cash payment in the same amount. Whether the RSUs are settled in the form of shares or in a cash equivalent is within the Company's discretion. With regard to the SOs, the company may also determine the form of settlement. From an allocation date set by the Company (for 2020 the allocation date is set at January 1, 2020), participants obtain a vested right of 1/48 per month over a total period of four years. Provided that the share price of the Company increases by at least a defined percentage value in a defined period (performance condition), the stock options can be exercised after the end of the four-year vesting period and the four-year waiting period (from the date of conclusion of the contract) within predefined exercise windows. If the performance condition is not met, the stock options cannot be exercised. In the case of RSUs, there is no performance condition. In the case of both stock options and RSUs, the number of shares to be issued is capped (CAP).

The „good leaver" and „bad leaver" clauses applicable to the LTIP 2020-2024 are identical to those contained in the LTIP 2018-2020. The LTIP 2020-2024, unlike the two previous programs, does not include a „grey leaver" clause. For further information, please refer to section 8.8 of the consolidated financial statements.

	Matthias Peuckert				Nikolaus Weinberger						Xiaowei Wei (since March 16, 2020)	
	LTIP 2018-2020		LTIP 2020-2024		LTIP 2015-2017		LTIP 2018-2020		LTIP 2018-2020		LTIP 2020-2024	
	RSU	SO	RSU	SO	RSU	SO	RSU	SO	RSU	SO	RSU	SO
Outstanding at the beginning of the reporting period (January 1, 2020)	450	1,350	-	-	1,278	934	338	1,013	-	-	-	-
Granted in reporting period	300	900	7,290	7,290	103	311	225	675	7,290	7,290	7,290	7,290
Exercised in reporting period	-	-	-	-	-967	-	-	-	-	-	-	-
Forfeited in reporting period	-	-	-	-	-	-1,245	-	-	-	-	-	-
Expired in reporting period	-	-	-	-	-	-	-	-	-	-	-	-
Outstanding at the end of the reporting period (December 31, 2020)	750	2,250	7,290	7,290	414	-	563	1,688	7,290	7,290	7,290	7,290
Exercisable at the end of the reporting period (December 31 2020)	-	-	-	-	-	-	-	-	-	-	-	-
Fair value at grant date (EUR per RSU or SO)	1.20 – 2.04	0.38 – 0.72	1.31 – 1.33	0.43	1.42 – 3.10	0.98	1.20 – 2.04	0.38 – 0.72	1.31 – 1.33	0.43	1.31 – 1.33	0.43
Total expenses / gains (-) for share based payments in EUR (2020)	-3,318	6,780	9,550	3,103	1,130	-	-2,486	5,085	9,550	3,103	9,550	3,103
thereof equity settlement	-	6,780	-	3,103	-	-	-	5,085	-	3,103	-	3,103
thereof cash settlement	-3,318	-	9,550	-	1,130	-	-2,486	-	9,550	-	9,550	-
Equity settled share based payment obligations recognized in share premium (December 31, 2020)	-	2,160	-	3,103	-	-	-	14,445	-	3,103	-	3,103
Cash settled share based payment obligations (December 31, 2020)												
recognized in share premium	18,228	-	-	-	41,861	-	13,674	-	-	-	-	-
recognized in accrued employee benefits	1,051	-	9,550	-	588	-	787	-	9,550	-	9,550	

In prior years resigned members of the management board	Konstantin Urban				Alexander Brand				Jürgen Vedie			
	LTIP 2015-2017		LTIP 2018-2020		LTIP 2015-2017		LTIP 2018-2020		LTIP 2015-2017		LTIP 2018-2020	
	RSU	SO	RSU	SO	RSU	SO	RSU	SO	RSU	SO	RSU	SO
Outstanding at the beginning of the reporting period (January 1, 2020)	377	194	-	-	377	194	-	-	350	1.050	121	365
Granted in reporting period	-	-	-	-	-	-	-	-	-	-	-	-
Exercised in reporting period	-313	-	-	-	-313	-	-	-	-134	-	-	-
Forfeited in reporting period	-	-194	-	-	-	-194	-	-	-	-1.050	-	-
Expired in reporting period	-	-	-	-	-	-	-	-	-	-	-	-
Outstanding at the end of the reporting period (December 31, 2020)	64	-	-	-	64	-	-	-	216	-	121	365
Exercisable at the end of the reporting period (December 31 2020)	-	-	-	-	-	-	-	-	-	-	-	-
Fair value at grant date (EUR per RSU or SO)												
Total expenses / gains (-) for share based payments in EUR (2020)	-69	-	-	-	-69	-	-	-	-348	-	-130	-
thereof equity settlement	-	-	-	-	-	-	-	-	-	-	-	-
thereof cash settlement	-69	-	-	-	-69	-	-	-	-348	-	-130	-
Equity settled share based payment obligations recognized in share premium (December 31, 2020)	-	-	-	-	-	-	-	-	-	-	-	-4.631
Cash settled share based payment obligations (December 31, 2020)												
recognized in share premium	111.560	-	-	-	111.560	-	-	-	39.251	-	4.573	-
recognized in accrued employee benefits	91	-	-	-	91	-	-	-	307	-	172	-

* Number modified according to the two reverse share splits (capital decreases) in 2019.

The fair value of the stock options issued at the grant date of 18 September 2020 was EUR 0.43 per stock option and / EUR 1.33 per restricted stock unit.

No stock options or restricted stock units were granted to Mr. Yan.

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. In total, an amount of EUR 655k was recognized as expense from this program in 2019. For two management board members, payments were made in 2019; for the former management board member Zhixiong Yan, no payment was made, leading to an income of EUR 218k in 2020.

Benefits in kind

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

Benefits in the Event of Termination of Executive Board Appointment

In the event of premature termination of the Executive Board appointment by mutual agreement, any payments and benefits in kind made to the member in this connection for the period after termination of the active employment relationship shall be limited to the sum of the basic salary and target bonus for the period of one year, but not more than the amount that would still be payable until the end of the contract.

If the appointment is revoked prematurely and the activity ends at the end of the expiry period, the Executive Board member is entitled to the fixed remuneration as well as the variable remuneration on a pro rata basis.

Executive Board remuneration according to DRS 17

The total remuneration granted to the members of the Executive Board and the remuneration of the individual members of the Executive Board are shown in the table.

The total remuneration of the members of the Executive Board for the 2020 financial year amounts to EUR 1,148k (previous year: EUR 1,694k). Of this amount, i.a. EUR 878k (previous year: EUR 809k) was for fixed remuneration and EUR 270k (previous year: EUR 881k) for variable remuneration.

Business year 2020

kEUR	Matthias Peuckert	Dr. Nikolaus Weinberger	Xiaowei Wei (since March 16, 2020)	Zhixiong Yan (until March 13, 2020)	Total
Fixed salary	375	250	143	44	812
Benefits in kind	22	36	7	1	66
Total	**397**	**286**	**150**	**45**	**878**
ST variable salary	54	50	13	-	116
LT variable salary	51	51	51	-	153
thereof LTIP (Tranche 2020 – 2024) SO	13	12	12	-	37
thereof LTIP (Tranche 2020 – 2024) RSU	38	39	39	-	117
Gesamtvergütung	**502**	**387**	**215**	**45**	**1,148**

Benefits upon termination of the Executive Board mandate

In connection with the termination of the Executive Board mandate on 13 March 2020, a severance payment of EUR 250k was made to Zhixiong Yan.

For the year 2019, 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 until 2019 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.

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. As from July 1, 2020, the annual supervisory board remuneration amounts to EUR 15k or EUR 60k in the case of the chairman. Committee members receive an additional annual payment of EUR 3k, 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 out-of-pocket expenses if incurred by foreigners who are not liable to German tax.

A total expense of EUR 192k was recognized for supervisory board compensation for the financial year 2020 (2019: EUR 227k).

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

Munich, March 22, 2021

windeln.de SE
Management board

Matthias Peuckert, Dr. Nikolaus Weinberger, Xiaowei Wei

Financial statement

as of December 31, 2020

Consolidated income statement and other comprehensive income

kEUR	Notes	2020	2019 R*
Continuing operations			
Revenues	9.1	76,067	70,146
Cost of sales	9.2	-59,883	-52,179
Gross profit		**16,184**	**17,967**
Selling and distribution expenses	9.2	-19,038	-21,707
Administrative expenses	9.2	-6,319	-8,000
Other operating income	9.1	809	766
Other operating expenses	9.2	-305	-118
Earnings before interest and taxes (EBIT)		**-8,669**	**-11,092**
Financial income	9.3	5	0
Financial expenses	9.3	-73	-68
Financial result		**-68**	**-68**
Earnings before taxes (EBT)		**-8,737**	**-11,160**
Income taxes	8.12	-3	-7
Profit or loss from continuing operations		**-8,740**	**-11,167**
Profit or loss after taxes from discontinued operations	4	-5,008	-3,445
Profit or loss for the period		**-13,748**	**-14,612**
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	11.1	-211	14
Other comprehensive income of loss, net of tax		**-211**	**14**
Total comprehensive income of loss, net of tax		**-13,959**	**-14,598**
Basic earnings per share (in EUR)	9.4	-1.72	-5.66
Basic earnings per share from continuing operations (in EUR)	9.4	-1.10	-4.32

*Retrospective adjustment of comparative figures for 2019 due to presentation of Bebitus as discontinued operations.

Consolidated statement of financial position

Assets

kEUR	Notes	December 31, 2020	December 31, 2019
Non-current assets			
Intangible assets	8.1	2,017	2,843
Fixed assets	8.2	1,385	631
Other financial assets	8.3	108	16
Other non-financial assets	8.4	121	149
Deferred tax assets	8.12	6	2
Total non-current assets		**3,637**	**3,641**
Current assets			
Inventories	8.5	4,079	7,339
Prepayments	8.5	435	1
Trade receivables	8.3	718	838
Income tax receivables	8.12	2	6
Other financial assets	8.3	1,405	2,719
Other non-financial assets	8.4	1,148	1,888
Cash and cash equivalents	8.6	8,530	8,377
Total current assets		**16,317**	**21,168**
Disposal group	4	**1,089**	**-**
Total assets		**21,043**	**24,809**

Equity and liabilities

kEUR	Notes	December 31, 2020	December 31, 2019
Equity			
Issued capital	8.7	10,982	2,989
Share premium	8.7	173,714	172,904
Accumulated loss		-174,482	-160,734
Cumulated other comprehensive income		-11	200
Total equity		**10,203**	**15,359**
Non-current liabilities			
Accrued employee benefits	8.8	45	-
Financial liabilities	8.10	1,693	101
Total non-current liabilities		**1,738**	**101**
Current liabilities			
Other provisions	8.9	138	288
Financial liabilities	8.10	603	519
Trade payables	8.10	3,490	3,639
Deferred revenues	9.1	2,210	2,287
Income tax payables	8.12	2	1
Other financial liabilities	8.10	1,958	2,064
Other non-financial liabilities	8.11	701	551
Total current liabilities		**9,102**	**9,349**
Total equity and liabilities		**21,043**	**24,809**

Consolidated statement of cash flows

kEUR	Notes	2020	2019 R*
Profit or loss for the period		-13,748	-14,612
Amortization (+) / impairment (+) of intangible assets	8.1	790	1,709
Depreciation (+) / impairment (+) of fixed assets	8.2	666	753
Increase (+) / decrease (-) in other provisions	8.9	-154	51
Non-cash income (-) or expenses (+) from employee benefits	8.8	57	38
Other non-cash expense (+) / income (-) items	4	2,692	1
Increase (-) / decrease (+) in inventories	8.5	1,096	-519
Increase (-) / decrease (+) in prepayments	8.5	-448	-1
Increase (-) / decrease (+) in trade receivables	8.3	121	579
Increase (-) / decrease (+) in other assets	8.3, 8.4	1,957	834
Increase (+) / decrease (-) in trade payables	8.10	-150	-934
Increase (+) / decrease (-) in deferred revenues	9.1	-77	706
Increase (+) / decrease (-) in other liabilities	8.10, 8.11	52	-260
Gain (-) / loss (+) from disposal of intangible and fixed assets	8.1, 8.2	-5	-1
Interest expenses (+) / income (-)	9.3	80	58
Income tax expenses (+) / income (-)	8.12	3	7
Income tax paid (-) / received (+)	8.12	-2	24
Net cash flows used in operating activities		**-7,070**	**-11,567**
Proceeds (+) from sales of intangible and fixed assets	8.1, 8.2	2	1
Purchase (-) of intangible assets	8.1	-434	-151
Purchase (-) of fixed assets	8.2	-57	-80
Payments (-) or refunds (+) from acquisition of subsidiaries		-	70
Cash flows from divestiture of subsidiaries		-	400
Interest received (+)	9.3	5	17
Net cash flows from investing activities		**-484**	**257**
Proceeds (+) from issue of shares	8.7	9,591	10,138
Transaction cost (-) on issue of shares or capital decrease	8.7	-762	-847
Repayment (-) of lease liabilities	8.6, 10	-1,029	-669
Interest paid (-)	9.3	-86	-75
Net cash flows from financing activities		**7,714**	**8,547**
Cash and cash equivalents at the beginning of the period	8.6	8,377	11,136
Net decrease in cash and cash equivalents		160	-2,763
Change in cash and cash equivalents due to foreign exchange rates		-7	4
Cash and cash equivalents at the end of the period	**8.6**	**8,530**	**8,377**

Consolidated statement of changes in equity

kEUR	Notes	Issued capital	Share premium	Bilanzverlust	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, 2020		**2,989**	**172,904**	**-160,734**	**3**	197	**200**	**15,359**
Total comprehensive income or loss of the period		-	-	-13,748	-	-211	-211	-13,959
Capital decrease		-	-	-	-	-	-	-
Issue of share capital	8.7	7,993	1,598	-	-	-	-	9,591
Transaction costs	8.7	-	-797	-	-	-	-	-797
Share-based payments	8.8	-	9	-	-	-	-	9
As at December 31, 2020		**10,982**	**173,714**	**-174,482**	**3**	**-14**	**-11**	**10,203**
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		-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**

1. Corporate information

and

2. General principles

Notes to the consolidated financial statements for the financial year from january 1 to december 31, 2020

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 Stefan-George-Ring 23 in 81929 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 2020 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 22, 2021, 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 may therefore not be in a position to realize its assets and settle its debts in the normal course of business. The group is exposed to significant uncertainties with respect to transact equity financing and 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. The continued existence of the Company and thus of the Group as a going concern is at risk and the maintenance of solvency depends mainly on the ability to raise additional funds through a further equity financing round, which is planned for the second quarter of 2021. The capital increase has been taken into account in the planning accordingly and the Company has begun the necessary preparations for the equity financing round. Further, the ability to continue as going concern will depends on realization of the budget in the next two years. 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 will not be sufficient to fully meet the payment obligations, in the course of 2022, taking into account the equity financing round planned for the second quarter of 2021.

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 4 and 8-10.

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. As a result, the tables in the notes to the consolidated financial statements may contain rounding differences.

The financial year corresponds to a calendar year for all group entities. windeln.ch AG was liquidated after an abbreviated financial year that ended on March 2, 2020 (see note 6.)

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 2020:

Standard	Effective date	Impact on the Group's net assets, financial position and results of operations
Amendments to IFRS 3: Definition of a business	January 1, 2020	none
Amendments to IAS 1 and IAS 8: Definition of materiality	January 1, 2020	none
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	January 1, 2020	none
Amendments to references to the conceptual framework in IFRS standards	January 1, 2020	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 IAS 1: Classification of liabilities as current or non-current	January 1, 2022	not yet endorsed*
Annual improvements to IFRSs (2018-2020 cycle)	January 1, 2022	not yet endorsed*
IFRS 17 Insurance contracts	January 1, 2023	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 4 and 8-10.

4. Discontinued operations and restatement

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.

Recognition in Group financial statements
windeln.de SE intends to discontinue its Bebitus operations. On 31 March 2020, the Executive Board adopted a plan to dispose of the business unit. On 30 June 2020, the plan was amended to the effect that, with material assets to be sold and the remainder to be shut down. The assets held for sale were combined in a disposal group. As discussions with an interested party are already at an advanced stage, the Group considers the sale to be highly probable. As the requirements of IFRS 5 are met for this disposal group, it is classified as held for sale and presented as "disposal group" on the face of the Group's statement of financial position. As a result, the disposal group remeasured in accordance with IFRS 5, resulting in expenses of EUR 2,282k in 2020. The disposal group comprise inventories, prepayments on inventories, and domains.

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

kEUR	2020	2019 R
Discontinued Bebitus operations		
Revenues	12,606	12,198
Operating expenses	-15,320	-15,692
Earnings before interest and taxes (EBIT)	**-2,715**	**-3,494**
Profit or loss after interest and taxes	**-2,723**	**-3,488**
Profit or loss from remeasurement of assets held for sale and from onerous contract provisions	-2,282	-
Related income tax expense	-	-
Profit or loss after taxes from discontinued Bebitus operations	**-5,005**	**-3,488**
Net cash flows:		
Net cash flows used in operating activities	-2,256	-1,668
Net cash flows used in investing activities	-1	-
Net cash flows used in financing activities	-99	-104

Profit or loss after taxes from discontinued operations – as presented in the consolidated income statement – comprises the above mentioned discontinued Bebitus operations and Feedo operations; the latter were discontinued in 2018 but have incurred immaterial income and expenses in 2019 and 2020.

kEUR	2020	2019 R
Profit or loss after taxes from discontinued operations	**-5,008**	-3,445
thereof discontinued Bebitus operations	**-5,005**	-3,488
thereof discontinued Feedo operations	**-3**	43
Basic earnings per share from discontinued operations (in EUR)	**-0.62**	-1.34
thereof discontinued Bebitus operations	**-0.62**	-1.35
thereof discontinued Feedo operations	**0.00**	0.01

Restatement

Due to the classification of Bebitus as discontinued operation made in 2020, prior year periods are to be restated accordingly.

kEUR	As presented 2019	Bebitus perations	**Adjusted 2019 R**
Revenues	82,344	-12,198	70,146
Cost of sales	-61,878	9,699	-52,179
Gross profit	**20,466**	**-2,499**	**17,967**
Selling and distribution expenses	-27,060	5,353	-21,707
Administrative expenses	-8,646	646	-8,000
Other operating income	775	-9	766
Other operating expenses	-121	3	-118
Earnings before interest and taxes (EBIT)	**-14,586**	**3,494**	**-11,092**
Financial result	**-62**	**-6**	**-68**
Earnings before taxes (EBT)	**-14,648**	**3,488**	**-11,160**
Income taxes	-7	-	-7
Profit or loss from continuing operations	**-14,655**	**3,488**	**-11,167**
Profit or loss after taxes from discontinued operations	**43**	**-3,488**	**-3,445**
Profit or loss for the period	**-14,612**	**-**	**-14,612**
Basic earnings per share			
Earnings per share from continuing operations (in EUR)	-5.67		-4.32
Earnings per share from discontinued operations (in EUR)	0.01		-1.34
Earnings per share (in EUR)	-5.66		-5.66

Significant accounting judgments and estimates

Significant judgements and estimates are made in the valuation of of the disposal group at fair value, namely the package consisting of domains, inventories and advance payments. Here, the management makes assumptions regarding the sales prices to be achieved by potential buyers based on past experience combined with an assessment of the specific market situation. In the fair value hierarchy, this corresponds to level 3 inputs. In addition, assumptions are made regarding the costs to be allocated for central functions to continuing operations on the one hand and discontinued operations on the other. Central functions such as the finance department or the executive board functions are in principle not exclusively responsible for defined business segments. The determination of the specific cash flow to be allocated to the discontinued business area Bebitus is also assumption-based, as there are no separable bank accounts for this business area.

5. Segment reporting

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

Until the first quarter of 2020, the management board managed the operating business as a One-Segment-Group on Group level. After the appoint of Xiaowei Wei as member of the management board, responsibilities and reporting structures were amended since the second quarter of 2020, resulting in two operating segments. Segment "Europe" comprises all business activities of the webshops www.windeln.de and www.windeln.ch and their numerous countries of delivery; and in addition the Southern European operations under the name Bebitus which is not to be continued. Segment "China" comprises all business activities on the Chinese market through various distribution channels.

The management board manages the operating segment with the help of the most important financial performance indicators "revenues" and "operating contribution". The other key financial performance indicators (adjusted EBIT, Group cash flows, net workin^g capital) have a minor relevance on a segment level.

The management board monitors revenues and operating contribution – named "Margin 3" in internal reports – for the purpose of making decisions about resource allocation and determining the performance of the units. The operating contribution is the result of gross profit, deducted by marketing and fulfilment costs (comprising expenses for logistics and warehouse rent). Both marketing cost ratio and fulfilment cost ratio are further financial performance indicators used by the management board to manage the operating segments.

Segment information provided to the management board is as follows:

kEUR	**2020**	2019
Revenues		
Europe	**32,651**	31,018
thereof continuing operations	**20,045**	18,820
thereof discontinued operations	**12,606**	12,198
China	**56,022**	51,326
Operating contribution		
Europe	**-15**	-1,836
thereof continuing operations	**-359**	-1,714
thereof discontinued operations	**344**	-122
China	**8,152**	7,598

Prior year numbers were calculated retrospectively using the same calculation logic that is applied since Q2 2020 for segment presentation. Segment revenues and segment results reconcile to Group revenues and Group results as follows:

kEUR	2020	2019
Revenues Europe (continuing operations only)	20,045	18,820
Revenues China	56,022	51,326
Revenues from continuing operations	76,067	70,146
Operating contribution Europe (continuing operations only)	-359	-1,714
Operating contribution China	8,152	7,598
Operating contribution from continuing operations	7,792	5,884
Other selling, general and administration expenses	-16,462	-16,976
Earnings before interest and taxes (EBIT) from continuing operations	**-8,669**	**-11,092**
Financial income	5	0
Financial expenses	-73	-68
Income taxes	-3	-7
Profit or loss after taxes from discontinued operations	-5,008	-3,445
Profit or loss for the period	**-13,748**	**-14,612**

Other selling, general and administration expenses (SG&A expenses) are managed uniformly within the Group. For information purposes, they are allocated to each operating segment, however, that allocation has no control function. The financial result and tax result are managed uniformly within the Group and are not allocated to the individual operating segments.

Transfer prices between operating segments – if applicable in the reporting period – are determined at arm's length. No information on segment assets or liabilities is available. The Group's operating business is subject to seasonal fluctuations, arising from the Christmas business and other sales events in the fourth quarter in the European segment, and from traditional sales events in the fourth quarter in the Chinese segment (e. g. Single's Day).

Certain costs are not directly attributable to the segments. These costs are allocated to the segments using internally determined allocation keys.

In 2020, windeln.de recognized revenues of EUR 9,728k (11% of total revenues) with a single customer. The revenue was generated in the China operating segment. The breakdown of revenues by product category is explained in note 9.1.

Revenues China include revenues from VAT adjustments of EUR 3,926k.

The operating contribution margin Europe (only from continuing operations) includes depreciation of EUR 32k. The operating contribution margin China includes depreciation in the amount of EUR 7k.

6. 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).

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, 2020, 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, 2020	Purpose of the company
Bebitus Retail S.L.U., Barcelona, Spain	100 %	-2,982	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 in 2015.
windeln.ro labs SRL, Sibiu, Rumänien	100 %	98	Programming activities and other IT and software services. The company was founded in 2015.
Cunina GmbH, München, Deutschland	100 %	-160	Retail and wholesale of baby and toddler products and of a complementary product range. The company was founded in 2016.
windeln Management Consulting (Shanghai) Co., Ltd., Shanghai, China	100 %	73	Service company in the Chinese market for marketing activities, webshop maintenance, and for the development of further distribution channels. The company was founded in 2017.

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 company was deconsolidated in the first quarter of 2020, resulting in a foreign exchange gain of EUR 207k from the derecognition of historical foreign exchange differences, that had previously been recognized within other comprehensive income. The gain is recognized as other operating income in the consolidated income statement.

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 March 31, 2020, assets intended for sale in the planned divestiture of Bebitus were classified as held of sale and measured at fair value. Measurement follows non-binding price estimates of potential buyers and indirectly observable price quotes. This represents a level 3 input. There were no reclassifications between the different levels in the reporting period. As of December 31, 2019, neither assets nor liabilities were measured at fair value.

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. 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.

Goodwill

Goodwill is not amortized systematically, but is subject to an impairment test pursuant to the rules in IAS 36 (impairment-only approach). Impairments are expensed immediately and are not reversed in subsequent periods.

Recognition in Group financial statements

kEUR	Goodwill	Software, licenses and similar assets	Software from right-of-use assets	Capitalized software development costs	Internet domains	Prepayments on intangible assets	Total
Cost as of January 1, 2020	**962**	**1,480**	**54**	**3,853**	**13,263**	**65**	**19,677**
Currency differences	13	0	-	-	41	-	53
Reclass	-	-	480	-	-	-480	-
Additions	-	8	1,349	-	-	425	1,783
Reclass to assets held for sale	-	-	-	-	-11,121	-	-11,121
Disposals	-	-43	-	-254	-	-	-297
as of December 31, 2020	**975**	**1,446**	**1,884**	**3,598**	**2,183**	**10**	**10,096**
Accumulated amortization and impairment as of January 1, 2020	**962**	**1,153**	**41**	**3,459**	**11,219**	**-**	**16.834**
Currency differences	13	0	-	-	41	-	53
Additions (amortization)	-	260	136	393	-	-	790
Additions (impairment losses)	-	-	-	-	-	-	-
Reclass to assets held for sale	-	-	-	-	-9,302	-	-9,302
Disposals	-	-43	-	-254	-	-	-297
as of December 31, 2020	**975**	**1,370**	**177**	**3,598**	**1,959**	**-**	**8,079**
Carrying amount							
as of December 31, 2019	**-**	**327**	**13**	**394**	**2,044**	**65**	**2,843**
as of December 31, 2020	**-**	**75**	**1,707**	**-**	**224**	**10**	**2,017**

kEUR	Goodwill	Software, licenses and similar assets	Software from right-of-use assets	Capitalized software development costs	Internet domains	Customer bases	Prepayments on intangible assets	Total
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
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 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**

In connection with the outsourcing of the IT shop environment, rights of use amounting to EUR 1,349k were capitalized in the item „Software from capitalized rights of use". In this context, advance payments of EUR 480k were also reclassified.

In 2020, no in-house costs were capitalized as development projects (2019: EUR 84k). Development costs of EUR 3,153k were recognized as expense in the fiscal year 2020 (2019: EUR 2,005k). As of December 31, 2020 and 2019, there were no in-progress development projects. In 2020, no impairment expenses were recognized (2019: EUR 644k).

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

kEUR	2020	2019 R
Cost of sales from continuing operations	4	21
Selling and distribution expenses from continuing operations	605	954
Administrative expenses from continuing operations	11	539
Profit or loss from discontinued operations	170	195
Amortization and impairment of intangible assets	**790**	**1,709**

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 (of a CGU) or fair value (of a domain) 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 domain windeln.ch with a carrying amount of EUR 123k is the only intangible asset with indefinite useful life requiring an impairment test. It is allocated to the cash-generating unit (CGU) Switzerland.

The Group performed its annual impairment test as of November 30, 2020. In a first step, the fair value less costs of disposal of the domain is determined, using an income approach valuation method. If the carrying amount of the asset exceeds its fair value, the domain is tested on the level of its CGU. The recoverable amount of the CGU Switzerland is determined by calculating the value in use, which is based on the projected cash flows of the webshop.

The calculation of the domain's 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, 2020. They are adjusted by latest estimations gained after the formal supervisory board approval. As the management plans show that the CGU Switzerland has not yet reached its 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. This state was extrapolated using a perpetual growth rate of 1.3%.

The key assumptions for the fair value calculation as follows:

- Average growth rate in the forecast period: 5.5 %
- Perpetuity growth rate: 1.3 %
- Discount rate: 13.0 %

The assumed growth rate is based on experience and past values as well as expectations concerning future market developments in Switzerland. In order to assume the growth rate, overall market expectations were combined with expected market shares of the windeln.de Group. 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 rate in perpetual annuity correspond to the customary market assessments. The discount rate reflects market-specific risks. The calculation of discount rates is derived from weighted average cost of capital (WACC) for the industry, considering country-specific risks.

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

Sensitivities
The results of the impairment 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. For the sensitivity analysis, the impact on the carrying amount of the intangible asset is simulated under 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 %,
- a 1.0 % increase of the discount rate, and
- a reduction of the average growth rate in the forecast period to 0.0 %.

In neither of the three scenarios, an impairment expense was determined.

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 (1 year)

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	Right-of-use assets: Furniture and fixtures	Right-of-use assets: Office spaces	Total
Cost as of January 1, 2020	**6**	**8**	**1,009**	**249**	**1,080**	**2,352**
Currency differences	-	-	-2	-	-3	-5
Additions	-	-	58	54	1,329	1,441
Reclassifications	-	-	-	-	-	-
Disposals	-	-8	-262	-99	-877	-1,245
as of December 31, 2020	**6**	**-**	**803**	**204**	**1,529**	**2,541**
Accumulated depreciation as of January 1, 2020	**3**	**8**	**942**	**142**	**626**	**1,721**
Currency differences	-	-	-1	-	-1	-2
Additions (depreciation)	2	-	60	59	545	666
Additions (impairments)	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Disposals	-	-8	-261	-94	-864	-1,227
as of December 31, 2020	**5**	**-**	**741**	**106**	**305**	**1,157**
Carrying amount						
as of December 31, 2019	**3**	**-**	**67**	**107**	**454**	**631**
as of December 31, 2020	**1**	**-**	**63**	**97**	**1,224**	**1,385**

kEUR	Leasehold improvements	Technical equipment and machinery	Furniture and fixtures	Right-of-use assets: Furniture and fixtures	Right-of-use assets: Office spaces	Total
Cost as of January 1, 2019	**6**	**12**	**995**	**148**	**1,057**	**2,218**
Currency differences	-	-	-1	-	-2	-3
Additions	-	-	70	111	25	206
Disposals	-	-4	-55	-10	-	-69
as of December 31, 2019	**6**	**8**	**1,009**	**249**	**1,080**	**2,352**
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
Disposals	-	-4	-55	-10	-	-69
as of December 31, 2019	**3**	**8**	**942**	**142**	**626**	**1,721**
Carrying amount						
as of December 31, 2018 or January 1, 2019	**3**	**-**	**82**	**38**	**1,057**	**1,180**
as of December 31, 2019	**3**	**-**	**67**	**107**	**454**	**631**

The additions to the item „Office spaces“ mainly relate to new offices in Munich and Beijing, China.

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

TEUR	2020	2019 R
Cost of sales from continuing operations	36	42
Selling and distribution expenses from continuing operations	286	322
Administrative expenses from continuing operations	223	263
Profit or loss from discontinued operations	121	126
Depreciation of fixed assets	**666**	**753**

As of December 31, 2020, there are no contractual commitments for the acquisition of fixed assets (December 31, 2019: EUR 1k). As of the reporting date, there are no indications of impairment pursuant to IAS 36. In the prior year, unused office spaces, capitalized as right-of-use assets pursuant to IFRS 16, were impaired at an amount of EUR 20k.

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.

After a three-level dunning process, uncollectible trade receivables are derecognized when they cannot be collected through an external collection service provider, when the statutory limitation periods have expired or when a court decision is obtained.

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.

Recognition in group financial statements

Trade receivables

A majority of trade receivables is due for payment for a period of up to one month. A small part of trade receivables is due for payment for a period of up to 45 days. They are not subject to interest, and there are no restrictions on rights of disposal. As of December 31, 2020, and 2019, trade receivables were as follows:

kEUR	**December 31, 2020**	December 31, 2019
Gross carrying amount	2,786	2,898
Impairment loss	-2,069	-2,060
	718	**838**

As of December 31, 2020, impairment charges of EUR 134k were recognized due to default risks (December 31, 2019: EUR 246k). The account for impairment losses developed as follows:

kEUR	**2020**	2019
As of January 1	**2,060**	2,278
Addition	**134**	246
Utilization	**-125**	-464
Reversal	**-**	-
As of December 31	**2,069**	2,060

Maturity bands used for the measurement of expected credit losses as of December 31, 2020, break down as follows:

Maturity band	**Gross carrying amount (kEUR)**	Credit impaired
Not overdue and up to 30 days overdue	122	No
31 to 90 days overdue	434	No
more than 90 days overdue	2,230	Yes
	2,786	

The write-downs due to uncollectible receivables amount to EUR 125k in the 2020 reporting period (2019: EUR 464k).

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, 2020**	December 31, 2019
Lease and other deposits	108	16
Other non-current financial assets	**108**	**16**
Lease and other deposits	620	580
Accrued advertising contributions and supplier rebates	583	1,183
Creditors with debit balances	132	714
Restricted cash	-	226
Sundry	70	16
Other current financial assets	**1,405**	**2,719**
Other financial assets	**1,513**	**2,735**

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. Lease and other deposits are utilized if windeln.de does not meet the respective contractual obligations. In the prior year, restricted cash comprised a rent guarantee pledged as a security for an office lease agreement, which was terminated in 2020.

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; please refer to section 8.6 Cash and cash equivalents) and the allocation of financial statement positions to the measurement categories:

kEUR	December 31, 2020 Carrying amount	December 31, 2020 Fair value	December 31, 2019 Carrying amount	December 31, 2019 Fair value
Debt instruments at amortized cost:				
Trade receivables	718	718	838	838
Other financial assets	1,513	1,513	2,735	2,735
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	2,231	2,231	3,573	3,573
current	2,123	2,123	3,557	3,557
non-current	108	108	16	16

Due to the short-term maturities of trade receivables, cash and cash equivalents 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, 2019: 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

	December 31, 2020	December 31, 2019
Prepaid expenses	121	149
Non-current non-financial assets	**121**	**149**
VAT receivables	634	1,473
Prepaid expenses	441	320
Right to recover possession of goods	72	94
Sundry	1	1
Current non-financial assets	**1,148**	**1,888**
Non-financial assets	**1,269**	**2,037**

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 of December 31, 2019, prepaid transaction fees for equity transactions of the year 2020 are recognized within prepaid expenses.

As of December 31, 2020, and December 31, 2019, 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, 2020	December 31, 2019
Gross merchandise	4,174	7,707
Impairment of merchandise	-95	-368
Inventories	**4,079**	**7,739**

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 435k (December 31, 2019: EUR 1k) were made for upcoming deliveries of merchandise.

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 cost with the nominal value. Any interest incurred on debit bank balances are reported in administrative expenses, see note 9.2.

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, 2020	December 31, 2019
Cash at banks	8,487	8,332
Restricted cash	42	40
Cash on hand	1	5
Cash and cash equivalents	**8,530**	**8,377**

Bank balances are interest free.

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 and from a decrease of net working capital. The main non-cash effects in 2020 are:

- remeasurement of assets held for sale in the amount of EUR 2,282k;
- amortization and depreciation in the amount of EUR 1,456k; and
- foreign exchange effects from the de-consolidation of windeln.ch AG in the amount of EUR 207k.

The negative cash flow from investing activities is primarily attributable to expenses in a new software related to the outsourcing of the shop architecture (TEUR 434).

Positive cash flows from financing activities result mainly from two capital increases. The gross proceeds of the capital increase in February 2020 amounted to EUR 6,205k. The gross proceeds of the capital increase in October 2020 amounted to EUR 3,386k. In this context, the Group had payments of EUR 762k for equity transaction costs. Further payments of EUR 1,029k relate to the repayment of leasing liabilities and the payment of interest of EUR 86k, which mainly result from the leasing liabilities. As of December 31, 2020 and 2019, financial liabilities solely comprise lease liabilities. The reconciliation of cash flows from financing activities to the development of lease liabilities breaks down as follows:

kEUR	**2020**	2019 R
Lease liabilities as of January 1	620	1,164
Currency differences (non-cash)	-2	-2
Additions (non-cash)	2,707	127
Repayment (cash-effective)	-1,029	-669
Lease liabilities as of December 31	**2,296**	**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
On February 19, 2020, windeln.de SE has completed the share capital increase as approved by the Extraordinary General Meeting on September 27, 2019. The share capital has been increased against cash contributions from currently EUR 2,989,101 by EUR 5,171,144 to EUR 8,160,245 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"). Based on the subscription price of EUR 1.20 per New Share, the gross proceeds amount to EUR 6,205,373.

On June 24, 2020, the Annual General Meeting resolved on follwing changes in equity that became effective by registration in the Commercial Register as of September 4, 2020:

- The Annual General Meeting resolved to cancel the Authorized Capital 2018/I in the amount of EUR 15,500,000 and replace by a new Authorized Capital 2020 in the amount of EUR 4,080,122. By Authorized Capital 2020, management board is authorized, with the consent of the supervisory board, to increase the Company's share capital by June 23, 2025 by issuing new no-par value bearer shares against contributions in cash and/or in kind on one or more occasions. The shareholders are generally to be granted a subscription right.
- Furthermore, it was resolved to replace the unused authorization to issue convertible bonds and/or bonds with warrants, profit participation rights and/or participating bonds and the corresponding Conditional Capital 2019/I of EUR 3,226,629 by a new authorization with largely identical contents, adjusted to the new share capital figure. The new authorization is granted until June 23, 2025, the corresponding Conditional Capital 2020/I amounts to EUR 3,263,882.
- Conditional Capital 2016/II – resolved to service subscription rights from the Long Term

Incentive Program – of up to EUR 555,206 was partially cancelled in the amount of EUR 547,355 and amounts to EUR 7,851. Conditional Capital 2018 – resolved to grant subscription rights from the Stock Option Program 2018 – of up to EUR 1,200,000 was cancelled in the amount of EUR 1,184,263 and amounts to EUR 15,737. Subscription rights already issued remain unaffected. Management board and supervisory board were authorized to grant up to 788,228 subscription rights until June 23, 2024, for up to 788,228 no-par value bearer shares from the Stock Option Program 2020 to board members and employees of the Company and its subsidiaries.

Following the registration, the management board – with approval of the supervisory board – resolved on a further capital increase on September 25, 2020, and submitted a subscription offer to the existing windeln.de shareholders for the new shares yet to be created ("New Shares") at a subscription price of EUR 1.20 per New Share. The capital increase was completed on October 22, 2020 by registration in the Commercial Register. The share capital has been increased against cash contributions from EUR 8,160,245 by EUR 2,821,828 to EUR 10,982,073 by issuing 2,821,828 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, 2020 („New Shares"). Gross issue proceeds came at EUR 3,386k. The New Shares will be admitted for trading in fiscal year 2021.

After the equity transactions described above, the Authorized Capital 2020 amounts to EUR 1,258,294, the Conditional Capital 2016/II and 2018/I amount to EUR 7,851 and EUR 15,737. The Conditional Capital 2020/I and 2020/II amount to EUR 3,263,882 and EUR 788,228.

Issued capital

As of December 31, 2020, the issued capital of the Group parent amounts to EUR 10,982k (December 31, 2019: EUR 2,989k). It has been fully paid in and comprises 10,982,073 (December 31, 2019: 2,989,101) no-par value bearer shares (calculated par value of EUR 1,00). 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, 2020			**2,989,101**
Capital increase	September 27, 2019	February 19, 2020	**5,171,144**
Capital increase	June 24, 2020	October 22, 2020	**2,821,828**
As of December 31, 2020			**10,982,073**

Share premium

As of December 31, 2020, the share premium amounts to EUR 173,714k (December 31, 2019: EUR 172,904k) and breaks down as follows:

kEUR	**December 31, 2020**	December 31, 2019
Premium from financing rounds and/or IPO	**172,802**	171,204
Capital increases from company funds	**-25,232**	-25,232
Contributions in kind	**4,465**	4,465
Costs of equity transactions	**-7,283**	-6,487
Share-based payments	**28,922**	28,914
Premium from exercise of stock options	**40**	40
Share premium	**173,714**	172,904

Accumulated loss

The accumulated loss results from losses carried forward from prior periods and the result for the current reporting period.

8.8. Employee benefits

8.8.1. Share-based payments

Accounting policy

Selected executives and members of the management board respectively 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 so far introduced a total of five programs relating to share-based payment obligations. Thus, the employees get the opportunity to participate in future increases in the Group's business value. The four programs with remaining obligations for windeln.de SE as of December 31, 2020, are described below.

Recognition in group financial statements

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 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 (so called 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. Both for the stock options and the RSUs, the number of shares to be issued is capped. In accordance with IFRS 2, the stock options are measured only on the date of issue or grant date. Whether the RSUs are settled in the form of shares or in a cash equivalent is within the Company's discretion. In 2020, vested RSUs from agreements of the years 2015 and 2016 were settled in cash, and payments totaling EUR4k were made. With regards to the accounting and measurement of the RSU from agreements of the year 2017 we refer to the paragraph "Change in planned settlement".

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 (RSUs) 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, beginning with the calendar 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 EBIT 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 EBIT targets are not met, the stock options cannot be exercised. There is no performance condition for the RSUs. Both for the stock options and the RSUs, the number of shares to be issued is capped. In accordance with IFRS 2, the stock options are measured only on the date of issue or grant date. Whether the RSUs are settled in the form of shares or in a cash equivalent is within the Company's discretion. With regards to the accounting and measurement of the RSU we refer to the paragraph "Change in planned settlement".

Change in planned settlement
With regards to the Long Term Incentive Plans LTIP 2015-2017 and LTIP 2018-2020, the Company may determine whether the RSUs are settled in the form of shares or in a cash equivalent. In prior years the Company has provided for settlement in the form of real equity instruments, therefore the contract component had been recognized as equity-settled share-based payment. In accordance with IFRS 2, the RSUs were measured only on the date of issue respectively the grant date.

At the end of the second quarter 2020, the supervisory board and the management board of the Company decided to settle RSUs in cash which had been issued in 2015 and 2016 and which were already fully vested. The Company expects that in the future RSUs will be settled in cash as well. Background of this assumption is the low share price of the Company on the one side and on the other side the strong reduction of the number of outstanding RSUs caused by the capital decreases in the prior year and therefore the disproportionally high costs of a settlement in cash.

Thereupon, the accounting of the RSUs was modified pursuant to IFRS 2. A one-time reclassification from additional paid-in capital to provisions was made in the amount of the fair value of the vested RSUs at the modification date. From this date onwards, newly vested RSUs are expensed at their fair value at the grant date, with this expense being allocated proportionately to additional paid-in capital and provisions in accordance with IFRS 2. In addition, RSUs are remeasured at fair value at each reporting date. In a final step, the provisions are adjusted through profit or loss so that the resulting provision amount corresponds to the fair value of the vested RSUs at the reporting date.

Description of LTIP 2020-2024 – SO and RSU
In 2020, the Company launched a third Long Term Incentive Plan (LTIP 2020-2024) and entered into corresponding agreements with employees of the Group. Under this program, both stock options (SOs) and restricted stock units (RSUs) will be issued. The RSUs entitle holders to receive shares in windeln.de SE at the respective applicable share price without payment of a strike price by the beneficiary or to receive a cash payment in the same amount. Whether the RSUs are settled in the form of shares or in a cash equivalent is within the Company's discretion. With regard to the SOs, the company may also determine the form of settlement. From an allocation date set by the Company (for 2020 the allocation date is set at January 1, 2020), participants obtain a vested right of 1/48 per month over a total period of four years. Provided that the share price of the Company increases by at least a defined percentage value in a defined period (performance condition), the stock options can be exercised after the end of the four-year vesting period and the four-year waiting period (from the date of conclusion of the contract) within predefined exercise windows. If the performance condition is not met, the stock options cannot be exercised. In the case of RSUs, there is no performance condition. In the case of both stock options and RSUs, the number of shares to be issued is capped (CAP).

As the Executive Board and the Supervisory Board currently envisage servicing the stock options in equity instruments, SOs are accounted for as equity-settled share-based payments. In accordance with IFRS 2, the stock options are therefore only measured at the date of issue or grant date. With regard to the RSUs, past practice indicates that they will be settled in cash, which is why RSUs are accounted for as cash-settled share-based payments.

Measurement of the programs
The same measurement method, a Monte Carlo simulation, was used for all equity settled share based payments which were measured only once until 2019. With regards to the description of the method we refer to the notes to the consolidated statement of financial position for 2019.

Since 2020, the valuations of the RSU as of reporting date as well as the stock options granted in 2020 were performed by an external valuation specialist who determined the fair values based on a binominal model.

The binomial model used is based on the Cox-Ross-Rubinstein model developed in 1979. The calculation is based on a VBA macro. The binomial model is generally based on a representation that shows various paths that the share price can follow during the term of the subscription rights. Depending on the number of selected time intervals or nodes, a different number of paths is created. In each time interval there is a probability that the share price will move up or down by a certain percentage: The probability is calculated according to the general principle of option valuation, known as risk-neutral valuation. In this context, a risk-free interest rate is used, which is assumed to be the expected return on the security. The valuation of subscription rights is based on 5,000 time steps. The length of each time step is calculated directly in the macro. The stock price at the respective node is calculated on the basis of the stock price on the respective valuation date multiplied by a factor representing the upward movements and a factor representing the downward movements in the binomial model. For the calculation of the value per subscription right, one must always „work one's way forward" from the end of the tree to the beginning of the tree. The value at the end nodes of the tree is generally determined on the basis of a comparison of the company's share price at the time of the end node and the payout limit (cap). In principle, the values at the nodes are calculated from the values of the preceding nodes, if exercising the option is not possible or does not make economic sense at the time in question. For this reason, for example, the values of the penultimate nodes are determined from the values of the end nodes. In other words, the first step determines whether it makes economic sense to exercise the option at the moment - economically sensible means that the payoff on exercise is higher than the current fair value when the option is held. The following two products are then determined: a) the future subscription right value of an upward movement multiplied by the probability of the upward movement and b) the future subscription right value of a downward movement multiplied by the probability of the downward movement. The sum of both values is then multiplied by the factor for risk-neutral valuation to obtain the expected value of the subscription right value for the node under consideration.

The volatility was determined as the historical volatility of the windeln.de share 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.

In general, the past and the new valuation method will yield the same results if same input parameters will be used.

The following input parameters were used for the valuation of VSOP 1-2 and SOs at the grant date and for the valuation of RSUs on December 31, 2020. The table does not include information for SOs forfeited as of December 31, 2020 and RSUs accounted for at the actual settlement amount as of December 31, 2020.

		LTIP 2015-2017		LTIP 2018-2020		LTIP 2020-2024	
	VSOP 1-2	RSU	SO	RSU	SO	RSU	SO
Expected volatility (%)	37.46% - 40.80%	63.03%	41.91%	94.71% - 95.64%	44.51% - 47.88%	81.40%	72.40%
Risk-free interest rate (%)	0.00%	-0.76%	0.00%	-0.73% - -0.72%	0.00%	-0.76%	-0.68%
Expected dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected life of options (years)	0.25 - 4	4	4	4	4 - 4.67	4	6.17
Average share price on the measurement date (in EUR)	13.25	1.42	3.19	1.42	1.26 - 2.17	1.42	1.81

The subscription rights recognized exclusively in equity changed as follows:

		LTIP 2015-2017		LTIP 2018-2020		LTIP 2020-2024
	VSOP 1-2	RSU	SO	RSU	SO	SO
Outstanding at the beginning of the reporting period (January 1, 2020)	4,416	3,315	4,031	1,604	4,835	-
Change in planned settlement	-	-3,315	-	-1,604	-	-
Granted during the reporting period	-	-	448	-	2,623	30,205
Exercised during the reporting period	-	-	-	-	-	-
Forfeited during the reporting period	-	-	-4,380	-	-167	-
Expired during the reporting period	-	-	-	-	-	-
Outstanding at the end of the reporting period (December 31, 2020)	4,416	-	99*	-	7,291	30,205
Exercisable at the end of the reporting period (December 31, 2020)	4,416	-	-	-	-	-

* In 2018, management has estimated that the performance target for LTIP 2015-2017 relating to the average revenue growth during the four-year vesting period will most likely not be met. As of December 31, 2020, this estimation is unchanged for the stock options granted in 2017. Therefore, management still concludes that stock options granted in 2017 with those specific performance targets will not be fully vested. Pursuant to IFRS 2, for accounting purposes this assumption was incorporated into the quantity of the stock option plan. For the stock options granted in 2015 and 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	LTIP 2020-2024 SO
For stock options outstanding at the beginning of the reporting period (January 1, 2020)	35.00	121.21	32.11	-
For stock options granted during the reporting period	-	107.47	23.57	1.20
For stock options exercised during the reporting period	-	-	-	-
For stock options forfeited during the reporting period	-	120.08	17.02	-
For stock options expired during the reporting period	-	-	-	-
For stock options outstanding at the end of the reporting period (December 31, 2020)	35.00	107.47	29.37	1.20
For stock options exercisable at the end of the reporting period (December 31, 2020)	35.00	-	-	-

The weighted average remaining contractual life for the stock options outstanding as of December 31, 2020, is 3 years. The weighted average fair value of the restricted stock units granted in 2020 was EUR 1.31. The weighted average fair value of the stock options granted in 2020 was EUR 1.34, after modifications due to the capital decreases in 2019. Considering the capital decreases in 2019, the exercise price range for the equity-settled stock options outstanding as of December 31, 2020, is EUR 1.20 to EUR 107.47, if an exercise price has been set.

Presentation of financial impacts
In 2020, a total expense of EUR 57k (2019: EUR 38k) was recognized for share-based payment compensation. Thereof, an expense of EUR 30k can be allotted to equity-settled share-based payment obligations and an expense of EUR 27k can be allotted to cash-settled share-based payment obligations . In the prior year the expense fully related to equity-settled share-based payment obligations.

As of December 31, 2020, a figure of EUR 11,988k is reported in the share premium for equity-settled and cash-settled share-based payment obligations from stock option programs (December 31, 2019: EUR 11,980k for equity-settled share-based payment obligations from stock option programs). As of December 31, 2020, a figure of EUR 45k is reported as provision for cash-settled share-based payment obligations from stock option programs (December 31, 2019: none).

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 respectively local management at fair value on the grant date in the case of equity-settled share-based payment transactions and at fair value on the reporting date in case of cash-settled share based payments. 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.

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
Non-current provisions amount to EUR 45k. They relate solely to cash settled share based payments. Current provisions break down into following classes:

kEUR	Onerous contract	Personnel provisions	Other provisions	**Total current provisions**
As of January 1, 2020	18	95	175	**288**
Addition	3	17	27	**47**
Reversal	-	-	-6	**-6**
Utilization	-13	-9	-168	**-190**
As of December 31, 2020	8	103	27	**138**

As of December 31, 2020, other current provisions were mainly recognized for a legal dispute with employees. As of December 31, 2019, this position contained mainly expense compensations relating to VAT adjustments.

Other financial obligations

Obligations
As of December 31, 2020, future obligations from goods ordered but not yet delivered amounted to EUR 2,417k (December 31, 2019: EUR 5,666k), future obligations from a service agreement amount to EUR 62k.

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 anIncentive 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 material legal disputes as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, no guarantees have been provided.

In the business year 2020, a data security incident occurred. In this context, windeln.de submitted a statement to the German Federal Office for Information Security (BSI). The BSI could impose a fine. Due to the timely submission of required documents and information, this is unlikely to occur. Please refer to section 2.3. of the Group Management Report for further information.

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, 2020, trade payables amount to EUR 3,490k (December 31, 2019: EUR 3,639k), 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 60 days.

Financial liabilities
Financial liabilities comprise solely lease liabilities. Their measurement as of December 31, 2020, is outlined in note 10.

Other financial liabilities

kEUR	**December 31, 2020**	December 31, 2019
Bonus liabilities	588	607
Debtors with credit balances	527	476
Other personnel-related liabilities	322	418
Liabilities for supervisory board	203	217
Audit of financial statements and tax advisory services	189	208
Expected refund obligations for returns	65	61
Liabilities for other advisors	21	36
Sundry	43	41
Other current financial liabilities	**1,958**	**2,064**

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 financial liabilities do not bear interest. Other non-current financial liabilities do not exist.

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:

	December 31, 2020		December 31, 2019	
kEUR	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at amortized cost:				
Trade payables	3,490	3,490	3,639	3,639
Other financial liabilities	1,958	1,958	2,064	2,064
Financial liabilities at fair value through profit or loss:				
---	-	-	-	-
Total financial liabilities, without lease liabilities	5,448	5,448	5,703	5,703
current	5,448	5,448	5,703	5,703
non-current	-	-	-	-

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. In 2020, an automated purchasing tool was implemented in order to optimize procurement and the storage period using inventory turnover ranges.

8.11. Non-financial liabilities

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

kEUR	**December 31, 2020**	December 31, 2019
Liabilities from customs authorities	264	131
Liabilities from social security, wage and church taxes	233	237
VAT liabilities	204	183
Current non-financial liabilities	**701**	551

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 2020 and 2019 are:

kEUR	**2020**	.2019
Current income taxes	**7**	8
Actual income taxes	**7**	8
Deferred taxes from temporary differences	**-1**	-1
Deferred taxes from tax losses	**-3**	-
Deferred taxes	**-4**	-1
Income tax benefit (-) and expense (+)	**3**	7
thereof from continuing operations	**3**	7
thereof from discontinued operations	**-**	-

Current taxes in Germany are calculated by applying a uniform corporate income tax rate including solidarity surcharge of 15,8 % (2019: 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 % (2019: 17.0 %), resulting in an overall tax rate in Germany of 32,9 % (2019: 32.9 %). windeln.de SE's deferred tax assets and liabilities were measured using the aggregate tax rate of 32,9 % (December 31, 2019: 32.9 %).

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

- Rumänien – 16.0 %
- Spanien – 25.0 %
- China – 5 %

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 2020 and 2019 is as follows:

	2020		2019	
kEUR	**from continuing operations**	**from ciscontinued operations**	from continuing operations	from ciscontinued operations
Earnings before income taxes	**-8,736**	**-5,008**	-11,160	-3,445
Expected income tax benefit (-) and expense (+)	**-3,169**	**-1,654**	-3,493	-1,140
Unused tax losses without deferred tax assets	**3,076**	**1,654***	3,628	1,131
Loss carryforwards with recognition of deferred tax assets from excess liabilities	**75**	**-**	-	-
Unrecognized deferred tax assets arising on temporary differences	**-153**	**1**	-	6
Goodwill impairment	**-**	**-**	109	-
Transaction costs recognized in equity	**-**	**-**	-278	-
Non-deductible operating expenses	**56**	**-**	105	-
Tax-free foreign dividends	**-**	**-**	-63	-
Other effects	**118**	**-1**	-1	3
Effective tax benefit (-) and expense (+)	**3**	**0**	7	0
Expected tax rate (in %)	**36.3 %**	**33.03 %**	31.3 %	33.08 %
Effective tax rate (in %)	**-0.0 %**	**0.0 %**	-0.0 %	0.0 %

*Amount mainly related to tax loss carry forwards which stay usable in continuing operations.

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

TEUR	December 31, 2020 from continuing operations	December 31, 2020 from discontinued operations	December 31, 2019 from continuing operations	December 31, 2019 from discontinued operations
Tax-loss carry-forwards	52,722	903	47,905	920
Inventories	69	-	80	-
Other current provisions	53	-	28	-
Other current financial liabilities	3	-	3	-
Current financial liabilities	175	4	150	11
Non-current financial liabilities	551	-	25	-
Trade receivables	21	-	-	-
Intangible assets	0	-	99	-
Other	-	-	5	-
Deferred tax assets	**53,594**	**907**	**48,295**	**931**
Intangible assets	-	-	129	-
Fixed assets	967	4	184	10
Other	1	-	17	-
Deferred tax liabilities	**968**	**4**	**330**	**10**
After netting:				
Deferred tax assets (total)	**52,626**	**903**	**47,965**	**921**
Deferred tax liabilities (total)	**-**	**-**	**-**	**-**
Thereof recognized in the statement of financial position (deferred tax assets)	6	-	2	-
Thereof recognized in the statement of financial position (deferred tax liabilities)	-	-	-	-

From continuing operations, German loss carry-forwards for corporate income tax totaled EUR 162,216k (December 31, 2019: EUR 147,274k), German loss carry-forwards for trade tax totaled EUR 158,780k (December 31, 2019: EUR 144,075k), and foreign tax-loss carry-forwards totaled EUR 58k (December 31, 2019: EUR 155k).

In China, a tax-loss carry-forward was incurred for the first time in 2019. Tax-loss carry-forwards in China can be offset against future profits within the next five years. The existing cost-plus agreement allows the carryforwards to be used successively. As of December 31, 2019, deferred tax assets in the amount of EUR 9k were not recognized due to existing uncertainties about the development of the business. As these uncertainties have ceased to exist in 2020 with the establishment of a new team in China, deferred tax assets of EUR 3k were recognized as of December 31, 2020.

From discontinued operations, foreign tax-loss carry-forwards totaled EUR 3,613k (December 31, 2019: EUR 3,680k). 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, 2020 amounted to EUR 903k in Spain (December 31, 2019: EUR 920k).

Due to the liquidation of windeln.ch AG, all tax-loss carry-forwards have expired. As in the prior year, there are no loss carry-forwards in Romania.

As of December 31, 2020 and 2019, no deferred tax liabilities were recognized on temporary differences associated with investments in subsidiaries (2020: EUR 1k; 2019: EUR 0k).

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.

Except for cash in advance transactions, customer payments for all payment methods are executed through payment service providers. Depending on the provider, payment terms may vary for both the end customer (up to 14 days after the order date for the payment transaction "payment on account") and windeln.de (up to 21 days after the order date for Tmall transactions). 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 with end customers. In transactions with corporate customers, windeln.de may act as either principal or agent. In agent transactions, only commission fees are recognized as revenues.

Expected returns
Customers are generally granted a 14 to 30-day right of return for sales transactions in our own webshops. 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.

Customer benefit plans
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 customer benefit plans qualify as an unsatisfied performance obligation. They are deferred within deferred revenues, and recognized 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	**2020**	2019
Revenues from continuing operations by type		
Revenue from the sale of merchandise	75,772	69,754
Revenue from other services	214	392
Revenue from sales commissions	81	-
	76,067	**70,146**

In 2020, three transactions with corporate customers were structured as commission business and recognized in the income statement accordingly. Geographic regions correspond to our operating segments (see note 5) and are therefore no longer disclosed.

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 65k as of December 31, 2020, (December 31, 2019: EUR 61k). The corresponding right to recover possession of goods is recognized within current non-financial assets and amounts to EUR 72k as of December 31, 2020, (December 31, 2019: EUR 94k).

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 customer benefit plans. Contract liabilities developed as follows:

Deferred revenues

kEUR	for outstanding shipments	for purchased vouchers	for loyalty bonuses	for customer benefit plans
As of January 1, 2019	1,111	248	195	27
thereof recognized as revenue in 2019*	1,111	150	122	20
As of December 31, 2019	2,005	180	90	12
thereof recognized as revenue in 2020*	2,005	131	93	4
As of December 31, 2020	**2,001**	**132**	**68**	**8**

* comprises both revenues from continuing and discontinued operations

As an additional contract liability, accrued losses from rebate obligations to customers in the amount of EUR 8k are recognized within provisions (December 31, 2019: EUR 9k, see note 8.9).

The satisfaction of performance obligations from outstanding shipments generally 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, 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	**2020**	2019 R
Gains from currency differences	383	116
Time-barred customer overpayments or liabilities to suppliers	227	307
Income from subleases	146	207
Government assistance	30	-
Income from sales to suppliers	2	28
Other	21	108
Other operating income from continuing operations	**809**	**766**

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.

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	2020	2019 R
Cost of sales from continuing operations		
Cost of materials	58,552	51,100
Personnel expenses	759	383
Handling fees	436	552
Amortization and depreciation	40	63
Other cost of sales	96	81
	59,883	**52,179**
Selling and distribution expenses from continuing operations		
Personnel expenses	5,861	5,502
Logistics expenses	5,442	7,902
Marketing	2,571	2,814
Sales commissions and compensation for expenses	1,282	526
Amortization, depreciation and impairments	891	1,276
IT environment	715	249
Payment processing	678	868
External services	514	621
Rental expenses	509	1,535
thereof warehouse rent	379	1,367
Bad debts / valuation allowances	107	245
Other selling and distribution expenses	468	169
	19,038	**21,707**
Administrative expenses from continuing operations		
Personnel expenses	3,550	4,219
Legal and consulting costs	757	766
IT environment	453	893
Closing expenses and audit fees	242	261
Amortization, depreciation and impairments	234	802
Supervisory board remuneration including out-of pocket expenses	192	227
External services	178	69
Insurance	145	161
Rental expenses	102	119
Other administrative expenses	466	483
	6,319	**8,000**
Other operating expenses from continuing operations		
Losses from currency differences	304	118
Losses from the disposal of non-current assets	1	-
	305	**118**

Expenses for defined benefit obligations and other accrued employee benefits

kEUR	2020	2019
Wages and salaries	10, 237	10,937
Share-based payments	57	38
Social security expenses	1,439	1,514
Personnel expenses	**11,733**	**12,489**
thereof from continuing operations	9,847	10,273
thereof from discontinued operations	1,886	2,216

In 2020, the Group had an average of 211 employees (2019: 216). The contributions to the statutory pension insurance schemes amount to EUR 577k (2019: EUR 711k).

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	2020	2019 R
Interest and similar income	5	0
Financial income from continuing operations	**5**	**0**
Interest expense on lease liabilities	71	68
Other interest and financial expenses	2	-
Financial expenses from continuing operations	**73**	**68**
Financial result from continuing operations	**-68**	**-68**

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	**2020**	2019 R
Profit or loss from continuing operations (kEUR)	**-8,740**	-11,167
Profit or loss from discontinued operations (kEUR)	**-5,008**	-3,445
Profit or loss for the period (kEUR)	**-13,748**	-14,612
Basic weighted average number of shares (thousands)	**8,015**	2,584
Earnings per share from continuing operations (EUR)	**-1.10**	-4.32
Earnings per share from discontinued operations (EUR)	**-0.62**	-1.34
Earnings per share (EUR))	**-1.72**	-5.66

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.

10. Leasing

Accounting policy
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.

Recognition in group financial statements
As of December 31, 2020, 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 2020.

Until August 2020, unused office spaces were sublet, whereby not all of the risks and rewards of the underlying lease agreement were 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**
Currency differences	-	-	-2
Additions and Reclassifications	1,829	54	1,329
Depreciation, amortization and impairment	-135	-59	-545
Disposals	-	-5	-12
Carrying amount as of December 31, 2020	**1,707**	**97**	**1,224**

Current financial liabilities from leasing amount to EUR 603k. Non-current liabilities from leasing amount to EUR 1,693k.

Lease liabilities have developed as follows:

kEUR	**2020**	2019
Carrying amount as of January 1,	620	1,164
Currency differences	-2	-2
Additions	2.707	127
Total cash outflow for leases	-1,109	-744
thereof repayment	-1,029	-669
thereof interest	-80	-75
Interest expense on lease liabilities	80	75
Carrying amount as of December 31	**2,296**	**620**

The current portion of the lease liabilities amounts to EUR 603k. The non-current portion of the lease liabilities amounts to EUR 1,693k.

Further disclosures:

kEUR	**2020**	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	**125**	136
Income from subleasing right-of-use assets	**147**	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.

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 the finance division 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:

Country	Currency	Average rate (1 EUR = 1 CU FC) 2020	2019	Closing rate (1 EUR = 1 CU FC) Dec. 31, 2020	Dec. 31, 2019
People's Republic of China	CNY	7.8747	7.7355	8.0225	7.8205
Romania	RON	4.8383	4.7453	4.8683	4.7830

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 two 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. Since the end of 2020, windeln.de SE has also been generating sales revenues in China via the Chinese platform JD.com (http://windeln.jd.hk/). Transactions take place in Renminbi Yuan (CNY). Customer receivables arise in CNY, incoming customer payments are converted into USD by the platform operator. In both cases, the company does not hold any cash in CNY. Due to the short payment terms and the low level of receivables in CNY, there are only minor foreign currency risks that have not yet been hedged. Sales to Chinese customers via the shop „www.windeln.com.cn" are made 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, 2020 (1 EUR = 1 CU FC)	Effect on net profit 2020 at +10 % (in kEUR)	Effect on net profit 2020 at -10 % (in kEUR)
CHF	**882**	1.0802	-79	96
USD	**617**	1.2271	-56	69
CNY	**146**	8.0225	-8	10
RON	**-34**	4.8683	8	-8

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, 2020 and 2019, there are no financial debts or financial investments. Therefore, there are no interest rate risks from these financial instruments. Negative interest rates on bank deposits impose an interest rate risk; however, due to the cash amount as of December 31, 2020, 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.

Furthermore, there is a risk in relation to a potential default on receivables from suppliers, especially in the case of advance payments or other advance services. In the event of a change in payment method to cash in advance, an internal approval process is implemented, which requires approval by the Executive Board. In principle, the number of advance payment suppliers is kept as low as possible, also due to the high liquidity commitment.

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. Currently, there is a risk of internal financing only, as the Group currently has no external credit lines available. The Group continues to be in contact with investors with respect to further financing rounds to ensure sufficient liquidity. There is no guarantee that further rounds of financing will occur in sufficient amounts. If the Group does not obtain sufficient further financing, the Group's ability to continue as a going concern cannot be assured.

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, 2020	**5,335**	**805**	**1,811**
Lease liabilities	111	602	1,811
Trade payables	3,470	-	-
Other financial liabilities	1,754	203	-

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. The composition of the management board and the supervisory board as well as the benefits granted are described under note 13. Since his appointment as member of the management board on March 16, 2020, Mr. Xiaowei Wei is a related party. Ms. Irene Tang and Mr. Maurice Reimer qualify as related parties since their election as supervisory board members on June 24, 2020.

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 6.

<u>Terms and conditions of transactions with related parties</u>
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 2020 and 2019.

<u>Transactions with key management personnel</u>
In 2019 and 2020, windeln.de SE entered into two commission agreements with supervisory board member Clemens Jakopitsch relating to the capital increases in February 2020 and October 2020. From those agreements, commission fees including out-of pocket expenses of EUR 108k were paid in 2020.

In addition, key management personnel of the Group purchased goods with a value of less than EUR 1k in the ordinary course of business in fiscal year 2020 (2019: EUR 1k). As of December 31, 2020 and 2019, there were no outstanding receivables from the sale of goods from key management personnel.

<u>Transactions with other related parties</u>
Remuneration granted to members of the management board and supervisory board are described in the Group management report under 9. Remuneration report.

Management board
Below, the expense recognized in the financial years 2020 and 2019 is broken down by type of compensation:

kEUR	**Total 2020**	Total 2019
Short term benefits	995	1,024
Long term benefits	-218	655
share based payments	45	39
Post employment benefits	250	-
Total	**1,072**	**1,718**

The income in position long term benefits (TEUR 218) is attributable to the termination of the Executive Board mandate of Charles Yan.

Supervisory board
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. As from July 1, 2020, the annual supervisory board remuneration amounts to EUR 15k or EUR 60k in the case of the chairman. Committee members receive an additional annual payment of EUR 3k, 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 out-of-pocket expenses if incurred by foreigners who are not liable to German tax.

A total expense of EUR 192k was recognized for supervisory board compensation for the financial year 2020 (2019: EUR 227k).

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

Transactions with other related parties

In the financial years 2020 and 2019, no goods were sold close family members of key management personnel in the normal course of business. In the financial years 2020 and 2019, there were no loans from or to related parties.

13. Corporate boards

13.1. Management board

Name	Profession	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	CEO of windeln.de SE and responsible for Marketing, Category Management, Logistics, Customer Service, Procurement, Strategy and Projects units	None
Xiaowei Wei (since March 16, 2020)	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
Zhixiong Yan (until March 13, 2020)	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
Clemens Jakopitsch, Chairman	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)
Weijian Miao, Deputy chairman	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)
Irene Tang (since June 24, 2020)	Professional investor	None
Maurice Reimer (since June 24, 2020)	Managing Director of Hauptstadt Ruschestrasse 103 GmbH	• Hauptstadt Mobile HM GmbH (Managing Director) • Hauptstadt Immobilien HI GmbH (Managing Director) • Datedicted GmbH (Managing Director) • Hauptstadt Capital HC UG (Managing Director) • Mybet SE (member of the supervisory board)

Name	Profession	External mandates
Xiao Jing Yu	Consultant	None
Tomasz Czechowicz	Chief Executive Officer at MCI Capital S.A., MCI Capital TFI S.A. and Private Equity Managers S.A.	• 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) • IAI Sp. z o.o. (member of the supervisory board)
Willi Schwerdtle, Chairman (until June 24, 2020)	Independent business consultant, Partner at WP Force Solutions GmbH	• Eckes AG (member of the supervisory board)
Dr. Edgar Carlos Lange (until June 24, 2020)	CFO at Lekkerland AG & Co. KG (until April 30, 2020)	• Lekkerland Group (managing director and supervisory board member in various entities of the Group until April 30, 2020) • Comsol AG (member of the supervisory board until May 16, 2020) • Conway – The Convenience Company S.A. (member of the advisory board until April 30, 2020)

The profession describes the main occupation of the supervisory board member as of December 31, 2020, or at the day of resignation.

If not mentioned otherwise, external mandates comprise memberships in supervisory boards and other controlling bodies as of December 31, 2020, 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, 2020. Non-voting positions as board observers are not disclosed as external mandates.

14. Audit fees

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

kEUR	**2020**	2019
Audit services	198	149
thereof for prior years	44	-
Other assurance services	112	-
Tax advisory services	-	-
Other services	-	-
Total fee	**311**	**149**

15. Corporate Governance Erklärung

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 www.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
On January 29, 2021, windeln.de announced that Mr. Tomasz Czechowicz stepped down as a member of the supervisory board of windeln.de SE. The district court of Munich (Amtsgericht München) appointed Mr. Christian Reitermann as replacement in the supervisory board of windeln.de SE.

On March 4, 2021, the executive board contract with Matthias Peuckert was extended by 3 years. The contract with Dr. Nikolaus Weinberger expires on March 31, 2021. His responsibilities are assumed by the remaining members of the executive board.

On March 12, 2020, the management board of windeln.de SE decided – with approval of the supervisory board and by using the Authorized Capital 2020/I – on a capital increase of EUR 1,098,207.00 to EUR 12,080,207.00. The issue price is EUR 1.30. Gross issuing proceeds amount to EUR 1,427,669.10. In this context, a commission agreement for conveyed subscription volume (maximum of 3% of issue volume) was signed with Clemens Jakopitsch.

Munich, March 22, 2021

Matthias Peuckert
Dr. Nikolaus Weinberger
Xiaowei Wei

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 22, 2021

Matthias Peuckert
Dr. Nikolaus Weinberger
Xiaowei Wei

Independent auditor's report

To windeln.de SE, Munich

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, 2020, and the consolidated statement of comprehensive income/loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, as well as 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, 2020 to December 31, 2020.

In accordance with German legal requirements we have not audited the content of those components of the group management report specified in the annex to 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 paragraph 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, 2020, and of its financial performance for the financial year from January 1, 2020 to December 31, 2020, 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 annex to the auditor´s report.

Pursuant to Section 322 paragraph 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 responsibilities under those requirements and principles are 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 paragraph 2 letter f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 paragraph 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 going concern
We refer to chapter 3.1 "Basis of presentation" of the notes to the consolidated financial statements, as well as the disclosures within chapter 3 "Outlook" and 6.4 "Liquidity risk" of the group management report, in which the legal representatives describe, that the group is exposed to significant uncertain-ties with respect to conduct equity financing and achieve 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, 2020 and compared the order intake in the first two months of 2021 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.

The going concern of the Company and thus of the Group is at risk and the maintenance of solvency depends mainly on the ability to raise additional liquidity funds through a further equity financing round, which is planned for the second quarter of 2021. The capital increase has been taken into account in the planning accordingly and the Company has started the necessary preparations for the equity financing round. Furthermore, the ability to continue as going concern will depend on the achievement of the budget within the next two years. 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 2022 will not be sufficient to fully meet the payment obligations, taking into account the equity financing round planned for the second quarter of 2021.

As stated in chapter 3.1 "Basis of presentation" of the notes to the consolidated financial statements and chapter 3 "Outlook" and 6.4 "Liquidity risk" 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, 2020 to December 31, 2020. 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.

Cut-Off and Existence of revenues from the sale of merchandise via a Chinese online platform and existence of revenues to intermediaries and corporate customers

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 the consolidated financial statement of windeln.de SE sales of EUR 76 million from continued operation and EUR 13 million from discontinued operation are recognized. The revenues are realized basically by selling merchandise to private consumers as well as intermediaries and corporate customers. 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 in the last quarter before the closing date, which delivery is performed by third-party warehouses, a risk for the consolidated financial statements that the sales revenues in the past financial year are not recognized on an accrual basis or without underlying deliveries is existing.

Due to the high volume of sales to intermediaries and corporate customers in the entire financial year a risk that revenues are recognized without underlying deliveries exist.

Our approach in auditing

In order to check the existence and cut-off for sales revenues 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 selected a random sample for revenues based on a mathematical-statistical methodology, which were recorded in the fourth quarter of 2020 and assessed the appropriate cut-off and amount of the recorded sales revenues by comparing the invoices with the corresponding orders, contracts and external proof of delivery.

In order to check the existence of sales revenues to intermediaries and corporate customers, 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 addition, we assessed the appropriate timing and the amount of the recorded sales revenues recorded in the financial year 2020 by comparing the invoices with the corresponding orders, contracts and external proof of delivery based on a random sample on a mathematical-statistical methodology.

Our conclusion

windeln.de SE's approach regarding the recognition of net sales from merchandise by a Chinese online platform as well as sales to intermediaries and corporate customers is overall appropriate.

Other Information
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 in addition the remaining parts of the annual report. The other Information does not compromise the consolidated financial statements, the audited disclosures in the management report and our related auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the audited disclosures in the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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 paragraph 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 paragraph1 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

Report on the Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 paragraph 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file that can be down-loaded by the issuer from the electronic client portal with access protection, „windelnde-2020-12-31.zip" (SHA256-Hashwert:2d8b9f 398f03ab95df71a47ac75417e354206bd3ba18cc372fb52 2cb3e2ebc64) and prepared for publication purposes complies in all material respects with the requirements of Section 328 paragraph 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 paragraph 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1, 2020 to December 31, 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and the Group Management Report" above.

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 paragraph 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Stand-ard on Assurance Engagements 3000 (Revised)]. Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Section 328 paragraph 1 sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 paragraph 1 sentence 4 item 2 HGB.

In addition, the company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 paragraph 1 HGB for the electronic reporting format.

The company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 paragraph 1 HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 paragraph 1 HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 24, 2020. We were engaged by the supervisory board on October 15, 2020. We have been the group auditor of the windeln.de 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 24, 2020
KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

gez. Rupprecht	gez. Reule
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Annex to the auditor's report: Components and cross-references of the group management report that have not been audited

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

- the corporate governance statement to which reference is made in the group management report,
    - the following non-management report information. Information in the group management report that is not part of the management report is information that is not prescribed in accordance with Sections 315, 315a or Sections 315b to 315d of the German Commercial Code (HGB)
    - Tn. 1.1 Group business model (Information on the number of suppliers)
    - Tn. 1.1.1 International development (Number of active customers)
    - Tn. 1.1.2 Product mix (Information on the number of suppliers and share of the cloth diaper category)
    - Tn. 1.1.3 Fulfilment/Operations (Information on return rate)
    - Tn. 1.1.4 Technology infrastructure
    - Tn. 2.2 Sector specific environment – Market for products for babies, toddlers and children, section „Mobile devices"
    - Tn. 2.4.1 Non-financial key performance indicators
    - Tn. 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. Visits to our online magazine are included until mid of Q3 2020. A visit is considered ended when no requests have been recorded in more than 30 minutes. The number of site visits depends on a number of factors including the availability of the products we offer, the level and effectiveness of our marketing campaigns and the popularity of our online shops. Measured by Google Analytics.

Mobile visit share
We define mobile visit share (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.

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, costs for external marketing partners as well as costs for the marketing tools of the Group.

Fulfilment cost ratio
We define fulfilment cost ratio as 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 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 cancelled warehouse move, one-time foreign exchange effects from the deconsolidation of windeln.ch AG and impairment expenses for purchased intangible assets (if applicable in the reporting period).

Operating contribution
We define operating contribution as gross profit reduced by marketing and fulfilment costs. The adjustments of gross profit relate to expenses for share-based compensation, if incurred in the reporting period.

Imprint

Editorial team and contact
windeln.de SE
Stefan-George-Ring 23
81929 München, Deutschland
corporate.windeln.de

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

Concept and text
windeln.de SE

Layout and Design
Sarah Niedergerke Design & Art Direction
Wiebke Tamm Brand Design
on behalf of windeln.de SE

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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 66 to 75. 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.

Footnotes

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[30] including Bebitus; without remeasurement pursuant to IFRS 5

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