

windeln



Annual Report
2021

Table of contents

windeln.de Group at a glance

To the shareholders

- 6 Letter from the management board
- 7 Report of the supervisory board
- 10 Corporate governance statement and report
- 15 The windeln.de SE share

Group management report

- 18 Fundamental information about the Group
- 23 Report on economic position
- 35 Outlook
- 36 Opportunities and risk report
- 39 Internal controls and risk management systems of the Group financial reporting process
- 40 Financial risk management and financial instruments
- 41 Takeover related disclosures
- 43 Corporate governance statement

Financial statements

- 45 Consolidated income statement and other comprehensive income
- 46 Consolidated statement of financial position
- 47 Consolidated statement of cash flows
- 48 Consolidated statement of changes in equity
- 49 Notes to the consolidated financial statements

Responsibility statement by the Management Board

Independent auditor's report

Service

- 92 Glossary
- 93 Imprint

windeln.de Group at a glance

Performance indicators (continuing operations only)	2021	2020	Change
Site visits ¹	20,348,268	20,727,289	-379,021
Mobile visit share (as % of site visits)	91.7%	87.0%	4.7pp
Mobile orders (as % of number of orders)	69.0%	63.5%	5.5pp
Active customers	263,547	282,857	-19,310
Number of orders	440,957	481,673	-40,716
Average orders per active customer (in number of orders)	1.7	1.7	-
Share of repeat customer orders (as % of orders of last 12 months)	60.2%	65.4%	-5.2pp
Gross order intake (in EUR)	34,862,166	42,390,251	-7,528,085
Average order value (in EUR)	79.06	88.01	-8.95
Returns (as % of gross revenues from orders)	1.8%	2.5%	-0.7pp
Marketing cost ratio (as % of revenues)	3.6%	3.4%	0.2pp
Fulfilment cost ratio (as % of revenues)	7.9%	7.7%	0.2pp
Adjusted other SG&A expenses (as % of revenues)	26.1%	21.5%	4.6pp
Earnings position (continuing operations only)			
Revenues (in kEUR)	52,092	76,067	-23,975
Gross profit (in kEUR)	10,186	16,184	-5,998
Gross profit (as % of revenues)	19.6%	21.3%	-1.7pp
Operating contribution (in kEUR)	4,176	7,792	-3,616
Operating contribution (as % of revenues)	8.0%	10.2%	-2.2pp
Adjusted EBIT (in kEUR)	-9,435	-8,565	-870
Adjusted EBIT (as % of revenues)	-18.1%	-11.3%	-6.8pp
Financial position			
Cash flow used in operating activities (in kEUR)	-10,387	-7,070	-3,317
Cash flow used in investing activities (in kEUR)	-33	-484	451
Cash flow from financing activities (in kEUR)	5,989	7,714	-1,725
Net increase in cash and cash equivalents	-4,431	160	-4,591
Cash and cash equivalents at the end of the period (in kEUR)	4,115	8,530	-4,415
Other			
Basic earnings per share (in EUR)	-2.91	-1.72	2.24
Basic earnings per share from continuing operations (in EUR)	-2.34	-1.10	0.93

pp = percentage points

All performance indicators and the section earnings position include amounts from continuing operations only. 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.

¹ In Q3 2020, the method of measuring visits on Shop sites has been changed to exclude traffic from the connected magazine sites. Historical data before the implemented change cannot be updated because of technical restrictions.

Short profile windeln.de - market presence and locations in Europe and China

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 three European countries (DACH region). Through its Chinese website, flagship stores at Tmall Global, JD.com and BabyTree as well as its WeChat Mini Program 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 and windeln.ch as well as external Chinese platforms. The assortment ranges from diapers, baby food and drugstore articles to clothing, toys, prams, furniture, and security articles such as car seats for children. The Company has also been offering products for older children and parents, i.e., for all family needs. The assortment 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 many product specifications. To provide a good shopping experience, the Group's European 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 one warehouse in Europe and three in China enables all markets to be served quickly and efficiently.

As of December 31, 2021, windeln.de had a total of 148 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.windeln.com.cn, windeln.de.tmall.hk, windeln.jd.hk,
<https://m.meitun.com/mcms/LOyooKAvBO?spid=9016###>

To the shareholders



Letter from the Management Board

Ladies and Gentlemen, dear shareholders,

2021 was a year marked by major challenges for everyone and especially for our Group.

The pandemic continued to have a strong impact on all business areas. After the first lockdown in 2020, which led to an increase of the number of orders of our customers in all European shops, such an effect has largely failed to materialize in 2021. The negative effects were mainly due to higher raw material prices, limited air freight capacities and availability bottlenecks. For this reason, our focus was strongly on operational excellence, cost reduction, shortening the cash conversion cycle and managing inventories tightly. The particularly strong demand for consumer goods and hygiene products declined accordingly, as these were more easily accessible for our customers in the overall market. Nevertheless, we are still active in this new business area and will continue to try to expand this channel.

In terms of logistics, our most important project was the relocation of warehouses to our new service provider Radial. During this project, we first had to deal with some challenges, e.g., Corona-related delays in both inbound and outbound, which have delayed the ramp up to full capacity by around ten weeks. In addition, customers sometimes had to wait a very long time for their deliveries and not all products were consistently available for ordering. These delays had a negative impact on our sales in the first and second quarters as we had to adjust our delivery promises to meet these delays.

In China, we have adapted our local team more efficiently and according to the circumstances. With this change, synergies between the Beijing, Shanghai and Munich offices were leveraged accordingly. As of December 31, 2021, our Chinese office had a total of 16 employees. As introduced in 2020, we publish two segments in our reporting structure: Europe (which effectively includes business in German-speaking region, DACH) and China. Although both segments are highly dependent on each other, this contributes to increasing transparency, better allocation of resources and costs and thus to the optimized management of our company towards sustainable profitability.

The development of our European business was negative overall during 2021. On the one hand, the sales increases due to the effects of the corona pandemic could not be replicated, on the other hand, the above-mentioned negative effect from the warehouse relocation has contributed to this development. Furthermore, in the run-up to the capital increase in the third quarter, we commissioned a lower order volume in order not to let the company's cash portfolio become too low. The profitability of the European segment was at the previous year's level.

Sales in China developed negatively in 2021 compared to previous year and is thus significantly lower than targeted (sales decline of 32% compared to 2020 to EUR 37.9 million). The market in China is very dynamic and subject to constant change, which must be addressed repeatedly. Therefore, the local team in China is crucial to the success of our Chinese business. Despite the challenging market situation and below target sales, our Chinese business remains very attractive. In 2021, we initiated various measures to increase sales in 2022. Thus, on the Chinese platform JD.com, which opened at the end of 2020, our shop has established itself in the Chinese market, and we launched the WeChat Mini program in early 2021; both are expected to make a significant contribution to sales in 2022. Furthermore, we have found ways to shorten our cash conversion cycle, from which we will continue to benefit in the following years.

We closed our Southern European business Bebitus in December 2021, as – even through strong efforts and the involvement of an external M&A advisor – no sale could be realized. Since the Bebitus business was not part of the Group strategy and continued to be loss-making, the Management Board and Supervisory Board decided to close this operation permanently. In accordance with the requirements of Spanish law, negotiations were held with a representative body elected by the local staff, which led to a corresponding agreement.

Revenue development in 2021 was also impacted by a delayed capital increase process, especially in our Chinese sales channels. Details were released as part of a profit warning. In general, as already mentioned above, the order volume was adjusted to the cash stocks of the company, which led to a loss of sales. Furthermore, in the fourth quarter, which was very important for us, there were severe availability bottlenecks at our most important supplier, and so some orders were reduced by 90% on average.

In 2021, we carried out two capital increases. These were necessary in view of the continuing losses and the rapidly changing but highly attractive Chinese market. We generated total gross proceeds of EUR 7.3 million.

In June 2021, we had to update our EBIT break-even target as the first half of 2021 was below our targets. With this annual report, we are once again adjusting our forecast and now want to reach the adjusted EBIT break-even at Group level for the full year 2023. This is supported by growth plans as well as drastic measures to improve our cost base, which are expected to be completed later this year but will not be fully effective until 2023.

We would like to take this opportunity to thank our employees, partners and investors for their cooperation, commitment and trust throughout 2021. It once again became clear how important it is to work closely together – albeit largely virtually – and to pull in the same direction at all our international locations. Our teams in Germany, China and Romania have worked together excellently across borders. We are confident that with the commitment of our employees, we are in a good position to implement our projects and achieve our goals.

Munich, May 2022

Bastian Salewsky

Xiaowei Wei

Report of the Supervisory Board

Dear Shareholders,

In the 2021 financial year, the Supervisory Board exercised the tasks incumbent upon it by law, the Articles of Association and the Rules of Procedure with the utmost care, regularly advised the Executive Board on the management of the company and continuously monitored the management of the Company's business.

Cooperation with the Executive Board

The Supervisory Board received regular and detailed reports on the strategic business policy, fundamental questions of financial, investment and personnel planning, the course of business as well as the profitability and liquidity of the company. In this context, the corresponding financial indicators were under special observation and control. If the actual course of business deviated from the plans and targets, the Supervisory Board was explained in detail the developments responsible for this and examined by the Supervisory Board based on the documents submitted. In particular, the Executive Board coordinated the strategic orientation of the company with the Supervisory Board. The Supervisory Board was directly involved in all decisions of fundamental importance. Transactions requiring approval were explained by the Executive Board before a resolution was passed and discussed in detail with it. The discussions took place in the meetings of the plenary and its committees, as well as in exchange with the Executive Board outside of meetings. The Supervisory Board was immediately and early involved in all decisions that were of fundamental importance to the company. Business policy issues were also discussed between members of the Supervisory Board and the Executive Board in an informal operating committee established in the fourth quarter of 2020 which met at regular intervals. The Chairman of the Supervisory Board was also in regular contact with the Executive Board outside of meetings. Additional audit measures, such as the commissioning of special experts, were not required.

Participation in the meetings of the Supervisory Board and the committees

A total of 13 Supervisory Board meetings took place in the 2021 financial year. Due to the restrictions associated with the corona pandemic, all Supervisory Board meetings were held by telephone. In addition, resolutions were passed nine times by means of the circulation procedure.

Mr. Clemens Jakopitsch has participated in all meetings of the Supervisory Board, all meetings of the Nomination Committee and all meetings of the Audit Committee.

Until his resignation from the Supervisory Board on May 14, 2021, Mr. Weijian Miao attended two out of five meetings of the Supervisory Board.

Mr. Christian Reitermann has participated in twelve of the 13 meetings of the Supervisory Board and, since May 14, 2021, in all meetings of the Nomination Committee and all meetings of the Audit Committee.

Until her resignation from the Supervisory Board on May 14, 2021, Ms. Xiao Jing Yu attended four out of five meetings of the Supervisory Board as well as all meetings of the Nomination Committee.

Mr. Maurice Reimer has participated in all meetings of the Supervisory Board, all meetings of the Nomination Committee and all meetings of the Audit Committee.

Until her resignation from the Supervisory Board on May 14, 2021, Ms. Yafang Tang attended all meetings of the Supervisory Board and all meetings of the Audit Committee.

Focus of the consultations

In a meeting at the end of January 2021, the Supervisory Board dealt primarily with the business development and budget planning for 2021 as well as the business figures for the current month. In a meeting at the end of February 2021, the Supervisory Board discussed the liquidity situation of the company, the status of the Bebitus sale process, further cost-saving measures and the preparation of the Annual General Meeting 2021. In a meeting at the beginning of March 2021, the Supervisory Board dealt with the details of a capital increase in the amount of 10% of the Company's share capital using the Authorized Capital 2020.

In a further meeting at the end of March 2021, the Supervisory Board adopted the annual and consolidated financial statements as well as management reports of the company and the Group for the 2020 financial year. The auditor elected by the Annual General Meeting, KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, took part in the deliberations and reported in detail on the results of his audit. The Supervisory Board also dealt with the agenda of the 2021 Annual General Meeting, the remuneration system for the members of the Executive Board and the business figures for February 2021.

In a meeting at the end of April 2021, the Supervisory Board dealt with the preparation of the Annual General Meeting 2021, the timetable for a subsequent capital increase, the results of the first quarter of 2021, the financial situation of the company and the status of the Bebitus sale process.

In one minute in mid-May 2021 following the Company's Annual General Meeting, the Supervisory Board elected its Chairman. In addition, the members of the Nomination Committee and the Audit Committee were appointed. In addition, the Supervisory Board dealt with the timetable for a further capital increase.

In a meeting at the end of January 2021, the Supervisory Board dealt primarily with business development and budget planning for 2021 as well as the business figures for the current month. In a meeting at the end of February 2021, the Supervisory Board discussed the liquidity situation of the company, the status of the Bebitus sale process, further cost-saving measures and the preparation of the Annual General Meeting 2021. In a meeting at the beginning of March 2021, the Supervisory Board dealt with the details of a capital increase in the amount of 10% of the Company's share capital using the Authorized Capital 2020.

In a further meeting at the end of March 2021, the Supervisory Board adopted the annual and consolidated financial statements as well as the management reports of the company and the Group for the 2020 financial year. The auditor elected by the Annual General Meeting, KPMG AG

Wirtschaftsprüfungsgesellschaft, Munich, took part in the deliberations and reported in detail on the results of his audit. The Supervisory Board also dealt with the agenda of the 2021 Annual General Meeting, the remuneration system for the members of the Executive Board and the business figures for February 2021.

In a meeting at the end of April 2021, the Supervisory Board dealt with the preparation of the Annual General Meeting 2021, the timetable for a subsequent capital increase, the result of the first quarter of 2021, the financial situation of the company and the status of the Bebitus sale process.

In one minute in mid-May 2021 following the Company's Annual General Meeting, the Supervisory Board elected its Chairman. In addition, the members of the Nomination Committee and the Audit Committee were appointed. In addition, the Supervisory Board dealt with the timetable for a further capital increase.

In two meetings in mid-June and early July 2021, the Supervisory Board dealt with the details of a capital increase using the new authorized capital resolved by the Annual General Meeting on May 14, 2021, and a possible closure of the Bebitus business.

In a meeting at the beginning of August 2021, the Supervisory Board discussed an adjustment of the forecast for the current financial year, the course of the China business and the conditions under Spanish law for the closure of the Bebitus business. In a further meeting in mid-September 2021, the Supervisory Board discussed the company's liquidity situation and further financing options.

In an appointment at the end of October 2021, the Executive Board informed the Supervisory Board about the current business figures and the ongoing planning process. The Supervisory Board also dealt with the company's Business in China, the agenda of an Extraordinary General Meeting to be convened for the end of January 2022, the planned outsourcing of the IT shop system and the next steps regarding a possible closure of the Bebitus business.

In two meetings at the beginning and middle of December 2021, the Supervisory Board finally discussed the proposed resolutions to be put to the vote at the Extraordinary General Meeting at the end of 2022, the structure of a further capital increase to be carried out subsequently and the requirements of KPMG's audit of the financial statements.

Committees of the Supervisory Board and their work

In order to carry out its duties efficiently, the Supervisory Board has formed an Audit Committee and a Nomination Committee.

The Audit Committee currently consists of Mr. Maurice Reimer as Chairman of the Committee, Mr. Clemens Jakopitsch and Mr. Christian Reitermann. The Audit Committee held three meetings in the year under review. The Chairman of the Audit Committee also discussed audit-relevant topics with the auditor outside the meetings and without the participation of the Executive Board.

The meetings in March 2021 focused on the discussion of the consolidated and individual financial statements of the Group and the company as well as the recommendation for the approval of the annual financial statements. The Group's risk exposure assessment was also discussed. In addition, the Audit Committee decided to propose KPMG AG, Wirtschaftsprüfungsgesellschaft, Munich, as auditor of the financial statements and consolidated financial statements for the 2021 financial year.

At the meeting in December 2021, the financial and liquidity situation of the company as well as the current risk management report of the Group were discussed.

At the meeting following the respective committee meeting, the Chairman of the Audit Committee informed the full Supervisory Board comprehensively about the contents and results of the committee meetings.

The Nomination Committee currently consists of Mr. Clemens Jakopitsch as Chairman of the Committee, Mr. Maurice Reimer, and Mr. Christian Reitermann. The Nomination Committee held three meetings in the year under review.

At the first meeting of the year at the beginning of March 2021, the Nomination Committee dealt with the reappointment of the Executive Board members Matthias Peuckert and Dr. Nikolaus Weinberger as well as with the content of the newly concluded Executive Board contracts.

At a further meeting at the end of March 2021, the remuneration system for the members of the Executive Board and the candidates for elections to the Supervisory Board to be proposed to the 2021 Annual General Meeting were on the agenda.

At a meeting in April 2021, the Nomination Committee dealt with the allocation of subscription rights under the Company's current LTIP program to the members of the Executive Board.

Corporate Governance

The Supervisory Board and the Executive Board act in the awareness that good corporate governance in the interest of shareholders and the capital markets is an important basis for the success of the company.

In March 2021, the Supervisory Board, together with the Executive Board, issued a declaration of compliance with the recommendations of the Government Commission pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available on the Company's website (<https://corporate.windeln.de/de/corporate-governance-de>). The implementation of the Corporate Governance Code is reported separately in this Annual Report.

Conflicts of interest of Members of the Management Board and Supervisory Board, which must be disclosed to the Supervisory Board immediately and about which they must be informed at the Annual General Meeting, did not occur in the year under review.

Support for training and further education measures

The Company provides newly elected Supervisory Board members with extensive training material that contains, among other things, information on the tasks and duties of the Supervisory Board as well as on relevant capital market regulations. On request, further implementation measures are available to the members of the Supervisory Board.

Audit of the annual and consolidated financial statements

It is intended that the Audit Committee and the Supervisory Board deal with the annual financial statements and audit reports, in particular the annual financial statements in accordance with German commercial law and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), each as of December 31, 2021, as well as the management reports of the Company and of the Group for the financial year 2021 in meetings in August 2022. In the meantime, the auditor KPMG AG Wirtschaftsprüfungsgesellschaft, Munich has audited the financial statements, including the accounts. There are no concerns about the independence of the auditor. The auditor issued a refusal note due to doubts about the going concern of the Company. Both the chairman of the Audit Committee and the chairman of the Supervisory Board were briefed separately by the responsible auditors about the background of the refusal note in mid-July; the auditor was available for additional information and questions afterwards.

Changes in the Executive Board and the Supervisory Board

The composition of the Management Board changed as follows in the 2021 financial year: As of March 31, 2021, Dr. Nikolaus Weinberger stepped down as a member of the Management Board of the Company.

The composition of the Supervisory Board of the Company changed as follows in the 2021 financial year: After Mr. Tomasz Czechowicz resigned from his position as a member of the Supervisory Board with effect from December 23, 2020, Mr. Christian Reitermann was appointed a member of the Supervisory Board at the request of the Management Board of the Company by resolution of the Munich District Court dated January 20, 2021. The terms of office of Supervisory Board members Weijian Miao, Xiao Jing Yu and Yafang Tang each ended at the end of the Annual General Meeting on May 14, 2021. At this Annual General Meeting, Mr. Clemens Jakopitsch, Mr. Maurice Reimer and Mr. Christian Reitermann were re-elected to the Company's Supervisory Board. The other three nominations could not achieve the required majority. Since the Annual General Meeting on May 14, 2021, the Company's Supervisory Board has consisted of three members.

On behalf of the Supervisory Board, I would like to thank the members of the Executive Board and all employees of the windeln.de Group for their great personal commitment and their tireless commitment in the 2021 financial year in the collective interest of all stakeholders of our society.

Munich, August 2022

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 2021. The following declaration of conformity was issued in March 2022:

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 2021 and was 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 following declaration is also 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 2021, 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 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 executed measures of efficiency enhancement and cost reduction. In addition, the southern European Bebitus business was discontinued at the end of the year after a previously initiated sales process could not be completed. The management board informed the supervisory board in detail in the course of the 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 format 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 2021. Due to organizational and time-related additional efforts in connection with the capital increase carried out in March 2021, windeln.de SE postponed the publication of the financials for Q1 2021 to May 27, 2021. For similar reasons, the publication of the financials for Q1 2022 will be postponed to May 16, 2022.
- Recommendation F.2: According to the Code's recommendation, the consolidated financial statements and the group management report be made publicly available within 90 days of the end of the financial year. This recommendation is not complied with regarding the consolidated financial statements and the group management report for 2021. Due to significant additional expenses in connection with a capital increase carried out since March 2022, the publication of the consolidated financial statements, which have not yet been audited by the auditor and not yet been approved by the Supervisory Board, and the group management report for the financial year 2021 will be postponed to May 16, 2022.
- 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, 2021, the management board of windeln.de SE consisted of two 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 annual financial statements, consolidated financial statements, 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, 2021, the supervisory board was made up of the following members: Mr. Clemens Jakopitsch (chairman, member since June 25, 2018), Mr. Christian Reitermann (deputy chairman, member since January 20, 2021) and Mr. Maurice Reimer (member since June 24, 2020). At the request of the Management Board of windeln.de SE, Mr. Christian Reitermann was appointed as a member of the Supervisory Board by decision of the Munich District Court after Mr. Tomasz Czechowicz had resigned from his position as a member of the Supervisory Board with effect from December 23, 2020. The members of the Supervisory Board as a whole have an excellent knowledge of the e-commerce sector. In the opinion of the Supervisory Board, all Supervisory Board members are independent within the meaning of Recommendation C.7 of the Code.

The terms of office of the Supervisory Board members end at the end of the Annual General Meeting, which resolves on the discharge for 2024.

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 Mr. Christian Reitermann as members. Ms. Yafang Tang 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 Mr. Christian Reitermann as members. Ms. Xiao Jing Yu 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 regular 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%

Since the Annual General Meeting on June 24, 2020, the Supervisory Board of windeln.de SE has had four male and two female members, so that the target set by the Supervisory Board for the proportion of women had already been achieved before the implementation deadline expired. In view of this target, the Supervisory Board proposed four male and two female candidates for election to the Annual General Meeting convened for May 14, 2021, at which the most recent elections to the Supervisory Board took place. Only three of the six nominations received the required majority of votes at this Annual General Meeting. The two candidates were not elected to the Supervisory Board by the shareholders. At an extraordinary general meeting on January 28, 2022, the shareholders also resolved to reduce the size of the Supervisory Board in accordance with the Articles of Association from six to three members. As the terms of office of the current Supervisory Board members end at the end of the Annual General Meeting, which resolves on the discharge for the 2024 financial year, the Supervisory Board of windeln.de SE is unlikely to have the target of women as of June 30, 2022 as targeted in the financial year 2017. Nevertheless, the Supervisory Board is sticking to the implementation of the "Act on the Equal Participation of Women and Men in Management Positions in the Private and Public Sectors" and recently adopted the new target of one member (33%) of women with an implementation deadline of August 31, 2025.

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. Securities 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. 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

windeln.de's remuneration report for the 2021 financial year contains the information provided for in Section 162 of the German Stock Corporation Act (AktG), insofar as this is relevant to the Company. In particular, it sets out in detail the main features of the remuneration of the Executive Board and the Supervisory Board and shows the remuneration granted and owed to the individual members of the Executive Board and the Supervisory Board in the 2021 financial year. In accordance with Section 162 (4) of the German Stock Corporation Act (AktG), the remuneration report will be made publicly available on the Company's website at <https://corporate.windeln.de/en/investor-relations/#verguetungsbericht>.

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 ("Marktmissbrauchsverordnung"; "MAR") requires key management personnel at windeln.de SE as well as closely related parties to announce any transactions with shares in windeln.de SE or related financial instruments within three business days. In 2021, the following transactions were reported to windeln.de SE:

Company / Person	Financial instrument	Transaction type	Price (in EUR)	Volume (in EUR)	Date
Hauptstadt Mobile HM GmbH	DE000WNDL128	Purchase	1.30	746,675.80	July 23, 2021
Clemens Jakopitsch	DE000WNDL201	Sale	2.493	41,132.32	June 30, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.319	9,274.97	July 01, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.369	7,106.10	July 02, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.295	46,370.76	July 03, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.385	23,855.89	July 06, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.312	18,499.95	July 07, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.149	10,743.24	July 08, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.077	34,278.08	July 09, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.16	18,898.89	July 10, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.073	31,103.82	July 13, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.008	12,049.36	July 14, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.032	24,390.56	July 15, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.096	6,287.98	July 16, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.062	6,186.47	July 17, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	2.069	3,517.90	July 20, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	1.993	5,778.62	July 22, 2020
Clemens Jakopitsch	DE000WNDL201	Sale	1.995	6,385.28	July 23, 2020
Maurice Reimer	DE000WNDL128	Purchase	2.48	63,835.20	June 07, 2021

The windeln.de share

Capital market environment

As in the previous year, the financial markets worldwide were dominated by the coronavirus pandemic. The 2021 financial year continued to be characterized by far-reaching containment measures and restrictions on public life. The financial market in Germany also felt the impact of the cuts. However, there were also profiteers from the crisis. In addition to the pharmaceutical and healthcare sectors and numerous technology companies, delivery services and mail-order companies also benefited from the new conditions in everyday life. Despite congested supply chains, many sectors flourished. The DAX initially reached one high after another, partly because the European Central Bank stuck to its low interest rate policy, thus fuelling investment in the stock markets. In the course of the year, however, many companies felt the impact of raw material shortages. "Just-in-time" production became increasingly difficult. The trade was also increasingly confronted with supply bottlenecks. The new Corona variant "Omikron" finally stopped the DAX high in mid-November: at that time, the DAX stood at an all-time high of 16,290 points. With this new, highly contagious viral mutant came the realization that the pandemic was far from under control. The DAX ended 2021 trading at 15,885 points. Over the year, that's a gain of just under 16 percent.

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 1.11 (information based on XETRA). The annual high was reached on June 8, 2021 at EUR 5.56. The share had its annual low on May 13, 2021 at a price of EUR 0.42. On the last trading day of the year, the share closed at EUR 0.69 on December 30, 2021.

Basis data (as of December 31, 2021)

WKN	WNDL30 and WNDL31
ISIN	DE000WNDL300 and DE000WNDL318
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 4, 2021*	EUR 1.11
High for the period on June 8, 2021*	EUR 5.56
Low for the period on May 13, 2021*	EUR 0.42
Share price as of December 30, 2021*	EUR 0.69

* XETRA closing rates

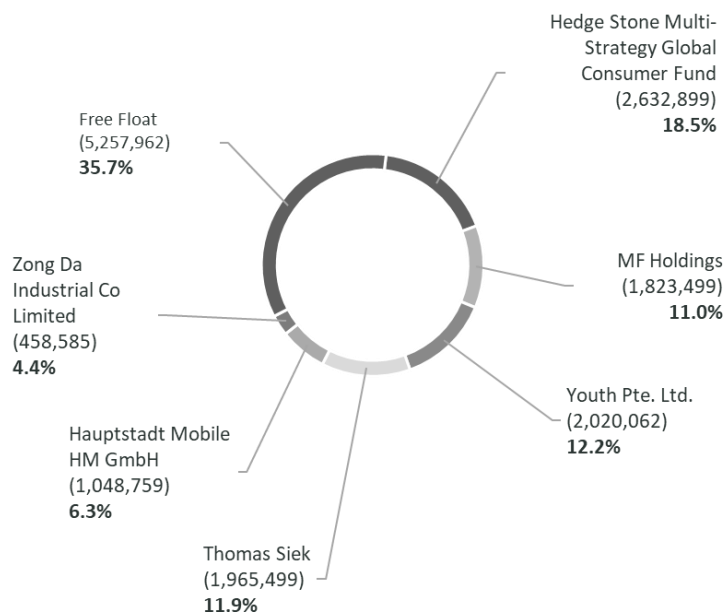
Capital measures and market capitalization

The number of windeln.de SE shares at the beginning of 2021 was 10,982,073, on which a pro rata amount of EUR 1.00 of the share capital is allotted.

On March 19, 2021, a capital increase was entered, with which the share capital of windeln.de SE was increased by EUR 1,098,207 to a total of EUR 12,080,280. The shares were placed at a price of EUR 1.30, so that the Company received gross proceeds of EUR 1,427,669.10. This capital measure is due to a capital increase with subscription rights against a cash contribution.

On July 13, 2021, a capital increase was entered, with which the share capital of windeln.de SE was increased by EUR 4,487,207 to EUR 16,567,487. The shares were placed at a price of EUR 1.30, so that the Company received gross proceeds of EUR 5,833,369.10. This capital measure is due to a capital increase with subscription rights against a cash contribution.

On the basis of the 16,567,487 shares outstanding, the market capitalization on December 31, 2021 was EUR 11.43 million.

Shareholder structure and free float

As of December 31, 2021

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.

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 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. Furthermore, there is the possibility to register for an electronic mailing list to be supplied promptly and directly with important corporate news.

Financial calendar

Full Year 2021 financial results (unaudited)	May 16, 2022
1st quarter 2022 financial results	May 16, 2022
Full Year 2021 financial results	August 4, 2022
Half Year/2nd quarter 2022 financial results	August 11, 2022
3rd quarter 2022 financial results	November 10, 2022

Investor Relations Contact

E-Mail: investor.relations@windeln.de

Group management report for the business year January 1 to December 31, 2021



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 the leading online retailers in the DACH region (Germany, Austria, and Switzerland) and in China for baby, toddler, and children’s 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 154 suppliers to offer our clients a large selection of products through the web shops windeln.de, and windeln.ch, 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. Products are offered for older children and parents as well, so for general family needs. The assortment also comprises the categories dietary supplements, cosmetics, and partnership.

windeln.de also serves customers in China through its website “windeln.com.cn”. Through a flagship store, the Group is present on the Chinese online platform Tmall Global (“windeln.tmall.hk”) as well via a store in the Chinese platform JD.com (“windeln.jd.hk”). Since 2021, we also have a flagship store at BabyTree as well as an own WeChat Mini Program. Additionally, we ship to intermediaries.

Currently, windeln.de supplies its customers from four warehouses (Halle an der Saale/ 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 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 several product specifications. To be able to guarantee a positive shopping experience, our European web shops 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 or disposable gloves) to business customers in individual cases.

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. In the two European shops (Germany/ Austria and Switzerland), 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 web shop www.windeln.de.

The acquisition of Bebitus Retail S.L.U. in 2015 added the Spanish, Portuguese and French markets. As these business units were not profitable and a sale was not possible, the Group closed the Bebitus online shops end of 2021.

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, PayPal, and WeChat 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” web shop 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 web shop in general. 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 (windeln.jd.hk) at the end of 2020 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. The JD.com platform provides access to more than 400 million customers.

To be closer to the Chinese customer, a Mini program was developed and launched in January 2021 on the most popular messaging service WeChat which has 1,2 billion active users monthly. The messaging service provides the customers a platform to communicate and share experience with each. Its integrated Mini-Program, also windeln.de’s shop enables users to purchase products directly once they get the recommend link from other users.

Another important step for the market penetration was launching the store on Babytree Mall in June 2021, one of the largest and most active maternity and child focused community platforms in China with 91,2 million monthly active users. The Babytree users are target customers for windeln.de’s product range and therefore a marketplace with potential new customers.

The Chinese web shop “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 2018, the bonded warehouse for the windeln.de Tmall flagship store went into operation. Customers, who buy via Tmall, now get their delivery within two or three days from this bonded warehouse in the South of China. In 2019, the second bonded warehouse (Bonded Warehouse 2) was also opened in Ningbo (near Shanghai), through which orders from the web shop "windeln.com.cn" can be delivered. Customers have the option between fast direct delivery from China or delivery from Germany, in general either duty paid or duty unpaid. At the end of 2020, an additional 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. The total local team in China consist of 16 employees as of December 31, 2021, and is primarily responsible for the tasks of marketing, IT development, and the development of new channels.

In 2021, around 73% of Group sales from continuing operations were generated with Chinese customers (2020: 74%).

1.1.2. Assortment

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 is one purchasing organization in the Group in Munich, responsible for the German speaking region as well as for the Chinese market; it is maintaining intensive relationships with 154 merchandise suppliers. There are optimized listing rules, 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 2021, 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 in Germany, for example, grew by more than 150% since 2019. For this reason, "green" brands are the focus of the Group. The range of sustainable brands shall be continuously expanded. In 2021, further "green" brands have been added to the product portfolio. For the first time, a campaign called "Green Week" was successfully carried out in June 2020 and was repeated in 2021. In 2021, a sustainability landing page is was implemented, 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 four logistics centers, which are used for time- and cost-efficient deliveries. These were spread across the locations Halle an der Saale (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 had signed a contract with a new logistics service provider for the central warehouse in Germany end of 2020 for cost and efficiency reasons. The warehouse move happened in the first half of 2021.

windeln.de also uses the drop shipment method to make deliveries to customers. The drop shipment 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 1.8% for the Group in 2021. 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 two customer service centers, of which one is located in China and one in Europe, and which are operated both in collaboration with external service providers. The 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.

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 has been working on a replacement of the internally developed shop infrastructure by a third-party solution since end of 2019. In August 2020 the implementation was completed for the distribution channel Tmall. However, during the implementation of the remaining distribution channels, problems of a technical nature increasingly arose, which delayed the launch more and more. The Management Board therefore decided end of 2021 to end the outsourcing and to continue using the internally developed shop architecture. The costs to be expected over the estimated remaining implementation work would exceed the benefits of an external shop platform. In addition, limited available functionalities (especially for China channels) required many adjustments. The result would be a self-developed shop, but with less flexibility and additional costs.

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.

In 2021, the internal IT-development department mainly focused on the following projects:

- Developments in connection to the planned shop outsourcing into the fourth quarter
- Reversal of the integration of Tmall to our self-developed shop architecture end of 2021
- Connection of the new central warehouse to our systems
- Outsourcing of the internally developed product information system to an external solution
- Connection of the new shop Babytree as well as launch of WeChat Mini program
- Introduction of the parcel tracking status for our Chinese customers

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 web shop.

In 2021, the new corporate design and the new corporate identity was rolled out in all channels and will further developed continuously. The holistic optimization underlines the goal to increase the brand awareness of windeln.de, to remain attractive for existing customers, and to approach new audience via organic traffic.

To enrich the existing expert knowledge and to develop a customer retention, the generated context will be communicated via several social media platforms, the windeln.de magazin and the app. In this way, we want to be an everyday companion and a contact person for parents.

For the Chinese market, all marketing activities have been controlled by windeln.de itself. The Group has been working in particular on acquiring new customers via various marketing channels, such as search engine marketing, referrals, Wechat communities, Live-Broadcasting (ZHIBO), 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 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 revision of the landing page through new inspiring and knowledge pages like 'Shop the Look' or 'Sustainability', which are aiming to the current consumer behavior. Furthermore, the section gamification was further developed, whereby the customer can interact with the offered brands and products in a playful way and to connect those with a competition as benefit. The goal is to improve the user journey and to increase the retention time on the websites.

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, 2021, the Group had 148 employees (December 31, 2020: 202 active employees). The number of employees in the Group is below the level of the prior year. To further continuously saving costs, in all departments and in all locations open positions, which were the result of natural fluctuation, were not (externally) replaced but tasks were internally allocated differently, and processes were designed more efficient.

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 2021, windeln.de Group-wide employed people from 25 nations. Women make up to 54% of the Group's workforce. The average age of the workforce 2021 was 35 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

The Group consists of 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 has been closed in December 2021. Segment "China" comprises all business activities on the Chinese market through various distribution channels.

1.3. Group strategy and competitive position

Strategy

In China, we want to remain one of the leading e-commerce providers of high-quality brands and products from German suppliers and, considering the demand of Chinese customers, further expand our offer and thus grow profitably. In the German speaking region, we want to remain one of the leading online retailers for the needs of families with babies and children. In the medium term, the focus is on creating an optimal offer regarding profitability.

Our purpose in the upcoming year is to focus on our existing markets, channels, and sales channels. We want to diversify our product range in China, increase margins in the European business and further reduce the cost structure in other sales and administrative areas in order to achieve sustainable profitability. We want to achieve this purpose with the following strategies:

Sales market China – making full use of our foundations for sales growth in the Chinese market

- Various sales channels established in the field of cross-border e-commerce in China
- High brand awareness and reputation in China as a trustworthy supplier of high-quality brands and products from German suppliers, especially milk powder
- Stable Chinese market and generally high demand for high-quality baby products from Europe
- Expansion of the offered product range to include high-quality products around the baby
- Expansion of the product range to include products that are in high demand, such as skin care products and cosmetics
- Supplier relationships that have been consolidated over many years
- Proven logistics structure, such as three customs warehouses in China as well as several delivery options offered to the customer
- Reactivation of the possibility of duty-cleared delivery directly from Germany as soon as the logistics chains allow it again (COVID-19 restrictions)
- Very efficient and economical logistics processes
- Professional and experienced management team with in-depth experience in the Chinese market including a local team in China
- Build up inventories through additional capital to be able to meet high demand
- Expansion of sales with Chinese intermediaries

Sales market German speaking region – making full use of our foundations for margin growth in the German speaking region

- High brand awareness in the German speaking region with currently 154 listed suppliers and around 12,100 products
- Faster deliveries to our customers due to successfully implemented warehouse relocation and thus increase the attractiveness of our shops overall
- Improving the shopping experience of our customers and expanding the customer base by successfully rolling out our new corporate design
- Optimization of the customer approach in various communication channels away from price-focused information towards information relevant to the customer about the child, which strengthens our claim as a partner and source of advice
- Modification and continuous revision of the product range with a view to profitability:
 - Hiring unprofitable and performing brands, products, respectively product areas
 - Expansion of high-margin product areas such as child seats, strollers, and children's furniture (e.g., initial equipment) as well as selected health products

The targets have not changed compared to the previous year, but the strategy has been adjusted. In China, for example, the focus is no longer on expanding sales channels but rather on significantly increasing sales with the existing sales channels. The development of new sales channels will not be ruled out in the medium term but will not be on the agenda for the next financial year. In the German speaking region, instead of sales growth, the focus is on the single goal of profitability, which should be achieved with a changed product mix. Growth is not the focus in the short term.

Further information on the status of achievement of the strategic objectives issued in the previous year can be found in note 2.2.4 "Net overall statement". Please refer to note 3 "Outlook" for further information on the strategy in financial year 2022.

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's products") as well as general online retailers with a broader range of products. Certain offline retailers, e. g. traditional providers of baby products, drugstores, and supermarkets, are also 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.

Unchanged, 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. In the prior year, additional adjustments were made for the cancelled warehouse move as well as for one-time foreign exchange effects from the deconsolidation of windeln.ch AG.

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, several 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

windeln.de has internally developed central components of the e-commerce platforms used in the Group. This ensures that the software is aligned with the operating processes and the needs of the departments in the best possible way. Thereby, windeln.de uses modern, open source based standard software and libraries. If necessary, tailor-made technologies are supplemented by selected third-party solutions.

The software development constitutes a structured and personnel-intensive part of the implementation of customer features in the shop, improvements to systems, development of components as well as the expansion and customization of the functionalities of the ERP system. The development teams are divided into sub-areas of the customer purchase process and work in agile, organized teams. A quality assurance (QA) team supports the development teams and performs manual and automated test runs. ERP development takes place in a further specialized team. The automation of IT operations and the operation of infrastructure services are performed by the IT-operations team.

IT-development services are rendered mainly through our Romanian subsidiary in Sibiu, Romania. Additionally, China-specific IT-development services, e. g. China App, are rendered by our Chinese subsidiary. Development of the ERP system are performed in Munich.

To reduce IT expenses and to enable necessary changes in a faster and more efficient way, it was started to replace the self-developed Product Information System by a third-party solution in 2020. The basic version of the new system went live for China, Germany, and Switzerland end of 2020 already. In 2021 the missing functionalities were migrated to be able to leverage the benefits of the change to the full extent.

In the 2021 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 2021 are outlined in note 1.1.4 "Technology infrastructure".

2. Report on economic position

2.1. Macroeconomic conditions

Even in 2021, the Corona crisis is not over. However, compared with the previous year, gross domestic product (GDP) has risen again by 2.7% according to the Federal Statistical Office.² According to estimates by the Federal Statistical Office, retail sales were 4.4% higher than in 2020 despite the Corona crisis.³ GDP is expected to increase again by around 3.0% in 2022.⁴

Online retail continues to be an exceptionally successful sector, benefiting strongly from the Corona pandemic in 2021 and generating total sales of EUR 99.1 billion in Germany (growth of around 19% compared with 2020).⁵ Online retail sales are forecast to grow to EUR 157.7 billion in 2025 corresponding to an expected annual sales growth of 11.32%.⁶

In Switzerland, too, record-breaking sales in online commerce were recorded in 2021. Compared to 2019, a growth of almost 50%, corresponding to CHF 15 billion, was recorded in the e-commerce sector in 2021.⁷ The same applies to Austria: here, a record value of EUR 10.4 billion is recorded in the area of e-commerce in 2021.⁸

After contracting last year as a result of the Corona crisis, GDP in the European Union grew by 2.7%.⁹ In July 2021, the volume of retail trade in the European Union increased by 3.77% compared to the same month last year.¹⁰ In 2021, European e-commerce is expected to generate sales of USD 530 billion.¹¹ For 2022, a continued high growth rate and sales of just under EUR 671 billion are expected.¹² The number of online users is expected to increase to EUR 564.4 million in 2025.

Despite the Corona crisis, the Chinese economy grew by 8.1% in 2021.¹³ Estimates predict further strong growth to a sales revenue of EUR 1,144 billion in 2022 and with an increasing number of online users to 1,230.4 million people by 2025.¹⁴

Due to the ongoing positive growth figures for online retailing in the German speaking region, in Europe, and in China, the Group continues to see growing market opportunities for the online retailing business model.

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

German speaking market

In 2021, sales of baby and toddler supplies in Germany and Austria increased due to the pandemic and will continue to rise steadily over the years.¹⁵ Sales in the e-commerce market for toys & babies are expected to increase to EUR 3.4 billion by 2025, reflecting the continued shift from offline to online purchases in this category.¹⁶ According to estimates by the Federal Statistical Office, the birth rate in Germany has risen by around 1.3% compared with 2020.¹⁷

Using the Internet as a platform for offering goods offers companies and customers a number of convenience and cost benefits. The overview of product ranges and the ability to compare products and their prices is one reason for customers to prefer online retailing to static stores. On the other hand, retailers benefit from promoting customer loyalty thanks to the pleasant buying experience for customers. Another key benefit is the simplified exchange of information between retailers and customers. Simplified direct contact in e-commerce makes it easier to provide customers with appropriate service. Thanks to the electronic exchange of data and information, customer care is not only efficient but, depending on the design, also individual and user-friendly. The online channel also offers a good opportunity for the sale of consumer goods for babies and children, as these products are similar to other product categories that are already sold online to a considerable extent, such as consumer electronics, consumer appliances and fashion (with clothing and shoes). Products for babies, toddlers and children are typically branded and purchased at high frequency. This presents a significant opportunity for growth in the online share of these product categories. Additionally, the ability to shop anytime and from anywhere with convenient home delivery represents a significant convenience compared to traditional brick-and-mortar retail. This is particularly true in times of the Corona pandemic, where the security factor is considered to be of high importance.

² Destatis: [https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_020_811.html#:~:text=020%20vom%2014.,Jahr%202020%20\(auch%20kalenderbereinigt\),retrieved on January 30, 2022](https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_020_811.html#:~:text=020%20vom%2014.,Jahr%202020%20(auch%20kalenderbereinigt),retrieved on January 30, 2022)

³ Destatis: [https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_020_811.html#:~:text=020%20vom%2014.,Jahr%202020%20\(auch%20kalenderbereinigt\),retrieved on January 30, 2022](https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_020_811.html#:~:text=020%20vom%2014.,Jahr%202020%20(auch%20kalenderbereinigt),retrieved on January 30, 2022)

⁴ Statista: <https://de.statista.com/statistik/daten/studie/74644/umfrage/prognose-zur-entwicklung-des-bip-in-deutschland/#:~:text=im%20Jahr%202021%20wird%20das,von%204%20C9%20Prozent%20prognostiziert,retrieved on April 4, 2022>

⁵ Statista: <https://de.statista.com/statistik/daten/studie/71568/umfrage/online-umsatz-mit-waren-seit-2000/#:~:text=im%20Jahr%202021%20erzielte%20das,um%20knapp%2019%20Prozent%20gestiegen.,retrieved on January 30, 2022>

⁶ Statista: <https://de.statista.com/outlook/dmo/ecommerce/deutschland,retrieved on January 30, 2022>

⁷ OTS: https://www.ots.at/presseaussendung/OTS_20210908_OTS0028/der-boom-des-onlinehandels-geht-weiter-9-von-10-webshops-in-der-schweiz-und-oesterreich-sind-waehrend-der-pandemie-gewachsen,retrieved on February 10, 2022

⁸ Handelsverband: <https://www.handelsverband.at/publikationen/studien/ecommerce-studie-oesterreich/ecommerce-studie-oesterreich-2021/#:~:text=22Die%20C3%B6sterreichischen%20Distanzhandelsausgaben%20werden%20vom,Milliarden%20Euro%20einen%20neuen%20Rekordwert,retrieved on February 10, 2022>

⁹ Statista: <https://de.statista.com/statistik/daten/studie/159507/umfrage/prognose-zur-entwicklung-des-bip-in-den-laendern-der-eurozone/#:~:text=Prognose%20zum%20Wachstum%20des%20Bruttoinlandsprodukts,den%20EU%20DL%C3%A4ndern%20bis%202023&text=In%20Deutschland%20wird%20laut%20der,4%20C6%20Prozent%20eingebrochen%20ist,retrieved on January 31, 2022>

¹⁰ Statista: <https://de.statista.com/statistik/daten/studie/215019/umfrage/monatliche-umsatzveraenderung-im-einzelhandel-in-der-europaeischen-union/,retrieved on January 31, 2022>

¹¹ Netzwoche: <https://www.netzwoche.ch/news/2021-07-20/e-commerce-in-europa-waechst-mit-mode-und-elektronik,retrieved on January 31, 2022>

¹² Statista: <https://de.statista.com/outlook/dmo/ecommerce/europa,retrieved on January 31, 2022>

¹³ Die Zeit: https://www.zeit.de/wirtschaft/2022-01/china-wirtschaft-wachstum-kraeftiger-als-erwartet?utm_referrer=https%3A%2F%2Fwww.google.com%2F,retrieved on January 31, 2022

¹⁴ Statista: <https://de.statista.com/outlook/dmo/ecommerce/china,retrieved on January 31, 2022>

¹⁵ IT Daily.net: <https://www.it-daily.net/it-management/e-business/31371-baby-boomer-die-neue-kaufkraft-im-e-commerce,retrieved on January 31, 2022>

¹⁶ Statista: <https://de.statista.com/outlook/dmo/ecommerce/spielzeug-hobby-diy/d-a-ch?currency=aud,retrieved on March 3, 2022>

¹⁷ Destatis: https://www.destatis.de/DE/Themen/Gesellschaft-Umwelt/Bevoelkerung/Geburten/_inhalt.html,retrieved on January 31, 2022

Mobile devices

Customers in online retail are increasingly buying via mobile devices. Increasing sales via mobile devices offer great opportunities for online retail. Smartphones and tablets offer customers a convenient way to shop at any time and from anywhere. This is a major advantage, particularly in the sale of baby and children's products. The Group is continuously working to improve the mobile shopping experience for customers. 57 percent of global online orders in the first quarter of 2021 were mobile.¹⁸

Cross-Border E-Commerce market in China

windeln.de is also represented in the Chinese cross-border e-commerce market. Chinese customers buy directly from foreign online retailers in this market segment. The volume of Chinese cross-border e-commerce (imports and exports) was fueled by Corona in 2021 and thus achieved a growth of 20.1% year-on-year.¹⁹ Imports increased to USD 253.8 trillion.²⁰ Estimates predict further steady growth in the coming years.

In 2021, the value of the e-commerce market for baby and toddler supplies in China was around EUR 2.1 trillion, with a forecast average growth rate of over 9% until 2025.²¹ In the drugstore and health segment, sales will amount to approximately EUR 88.9 billion in 2022.²² In a global comparison, China represents the highest sales in the two categories.²³ With the rising disposable income of the Chinese population and a rapidly growing middle class of currently 109 million people, the demand for high-quality products from Europe, including Germany, is also growing.²⁴ Consumers often believe that products offered 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 of mother and baby (especially powdered milk) as well as cosmetics and health products in particular are purchased in cross-border online trade.²⁵

Regarding the new three-child rule introduced in China in 2021, further increases in sales and government facilitation with regard to online trade can also be expected here. The cross-border e-commerce market has already increased by around 63% due to the Corona crisis and travel bans since 2019.²⁶

Politicians also want to facilitate cross-border e-commerce with foreign companies and had already eased administrative systems for customs, taxes, import, payment and settlement in 2019.²⁷ In 2020, further measures were adopted to promote cross-border e-commerce. China announced the construction of 46 additional CBEC pilot zones on top of the 59 already in place, where companies will receive favorable tax rates. China customs also optimized processes to facilitate product returns.²⁸

An increasing number of Chinese consumers shopping via cross-border e-commerce channels is very likely overall.²⁹ This is partly due to the steadily growing purchasing power of the middle class in China.³⁰

Infant milk formula is still one of the most demanded and purchased products for baby and toddlers in China. Safety is the most important factor here.³¹ This is still a result of the melamine scandal that led to several infant deaths in China in 2008. From January to July 2021, the volume of infant milk formula imported into China was 1.03 million tons, and this trend is expected to continue in the coming years.³²

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

Despite the structural attractiveness of the Chinese market, demand is volatile as it reacts to market changes 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 sharply in the future.

¹⁸ Fact finder: https://www.fact-finder.de/blog/wo-steht-der-mobile-commerce-in-2021-aktuelle-marktzahlen-und-potenziale/?ppc_keyword=&gclid=CJ0KCQIA3rKQBhCNARISACUEW_aICu8oSS3iwiPU2jgy36Z3EtUwPHxaFujEJraBJloq2ajY5Z0rhMaApmwEALw_wcB, retrieved on February 16, 2022

¹⁹ NDRC: https://en.ndrc.gov.cn/netcoo/achievements/202201/t20220126_1313463.html abgerufen am 02.03.2022

²⁰ Statista: <https://de.statista.com/statistik/daten/studie/173887/umfrage/wert-der-monatlichen-importe-nach-china/#:~:text=Im%20November%202021%20wurden%20insgesamt,US%2DDollar%20nach%20China%20importiert>, retrieved on January 31, 2022

²¹ E-commerce Magazin: <https://www.e-commerce-magazin.de/e-commerce-in-china-markt-wird-bis-2025-auf-33-billionen-us-dollar-ansteigen/#:~:text=Laut%20den%20E%2DCommerce%20Analytics,US%2DDollar%20im%20Jahr%202021>, retrieved on February 16, 2022

²² Statista: <https://de.statista.com/outlook/dmo/e-commerce/schoenheits-gesundheits-koerper-haushaltspflege/china?currency=EUR>, retrieved on March 2, 2022

²³ Statista: <https://de.statista.com/outlook/257/117/spielzeug-baby/china#market-globalRevenue>; <https://de.statista.com/outlook/254/117/drogerie-gesundheit/china#market-globalRevenue>, both retrieved on January 20, 2021

²⁴ Zukunftsinstitut: <https://www.zukunftsinstitut.de/artikel/china/gut-vernetzt-chinas-neue-mittelschicht/#:~:text=Die%20Middle%20Class%20in%20China,7%20Prozent%20der%20chinesischen%20Gesamtbev%2C3%B6lkerung>, retrieved on January 31, 2022

²⁵ Alizila: <https://www.alizila.com/why-china-cross-border-e-commerce-market-surgin/>; Marketing to China; <https://www.marketingtochina.com/cross-border-china/>; Hermes Supply Chain Blog; <https://www.hermes-supply-chain-blog.com/global-e-commerce-studie-deutsche-produkte-in-china-gefragt> und China Daily; http://www.chinadaily.com.cn/business/2017-10/30/content_33890583.htm, all retrieved on January 21, 2021

²⁶ Kingdom of Netherlands: Cross-border E-Commerce Guidebook second edition, 2019; S. 5; Chart 1 CBEC transaction value, 2019: 2.182,7, 2021: 3.555,9

²⁷ Onlinemarketing.de: <https://onlinemarketing.de/e-commerce/testen-produkte-potenzial-chinesischer-markt>, retrieved on January 20, 2021

²⁸ China Global Television Network: <https://news.cgtv.com/news/2020-11-04/New-policies-boost-cross-border-e-commerce-in-China-amid-pandemic-V8JepuXrry/index.html>, retrieved on January 20, 2021

²⁹ Cross-Border E-Commerce Guidebook (Second Edition 2019), Consulate General of the Kingdom of the Netherlands in Shanghai

³⁰ Worldbank: <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CN>, retrieved on January 21, 2021

³¹ Statista: <https://www.statista.com/statistics/1083910/china-infant-food-shopping-decision-influencing-factors/>, retrieved on January 20, 2021

³² ii media.cn: <https://www.iimedia.cn/c1061/81471.html>, retrieved on February 10, 2022

2.3. Course of business

Overall, the windeln.de Group was able to achieve results in the fiscal year 2021, which are clearly behind the expectations.

Compared to the previous year, the gross domestic product (GDP) has increased by 2.5% according to the Federal Statistical Office.³³ According to estimates by the Federal Statistical Office, despite the corona crisis, retail sales increased by 0.9% compared to 2020.³⁴

Between March and May 2021, the main warehouse of the Group was relocated gradually to a new location and to a new service provider. This resulted in temporarily lower availability of goods. In March 2021, direct deliveries to China were restricted due to the relocation.

To conserve liquidity of the Group, stock levels were kept low in the Chinese warehouses in the second and at the beginning of the third quarter of 2021 until the capital increase in Q3 2021. This negatively affected revenues as well.

In addition, duty-paid deliveries from Germany to China for our Chinese web shop had to be discontinued in mid-August 2021 due to a lack of air freight capacities from Europe to China. The customers of our Chinese web shop still have the option to buy duty unpaid from Germany as well as from our bonded warehouse in China, but the discontinuation of the third option had a negative impact.

In the fourth quarter of 2021 our main supplier for the Chinese business has changed the recipe and therefore could deliver to us only limited, what had negative consequences on the Group's important fourth quarter.

Positive to mention is that direct deliveries to our Chinese customers from our local Chinese bonded warehouses are accepted very well from our customers and the share in percentage of those deliveries could be significantly increased compared to deliveries from Germany.

In the fourth quarter of 2021, the Management Board decided to discontinue the Bebitus business, as a sale was not possible. Thereupon, the Bebitus shops were closed mid-December 2021 and most of the staff in our Barcelona office was dismissed.

In connection with COVID 19, windeln.de sold hygiene products to a corporate customer in the 2021 fiscal year as well, however, in significant less extent than in 2020.

Currently, the Group experiencing negative consequences from the COVID 19 pandemic as there are only limited air freight capacities to China available, so that the possibility to deliver duty free to our Chinese customers had been stopped in August 2021. Employees mainly work from home; business operations continue to be fully maintained.

With EUR 10,788k EBIT is worse by 24% compared to prior year. In total costs could be reduced indeed, but the decrease in revenues is clearly higher.

The cash outflow from operating activities is increased in 2021 (2021: minus EUR 10,387k; 2020: minus EUR 7,070k; 2019: minus EUR 11,567k). With minus EUR 13,548 the result of the period is worse than in prior year (minus EUR 13,748k). windeln.de could again record a reduction in net working capital, however, this decrease is significantly lower than in prior year. This development could also not be settled by the two capital increases, so that cash and cash equivalents is lower by EUR 4,415 as of December 31, 2021 than at prior year end.

Further relevant events in the business year 2021 are described below:

Closure of the southern European Bebitus business

In the fourth quarter 2021, the Management Board of windeln.de SE decided to discontinue the Bebitus business comprising the three web shops www.bebitus.com, www.bebitus.pt and www.bebitus.fr. The business was already offered for sale since beginning of 2020. As no acquirer could be found, the three web shops were closed by mid of December 2021 and the main part of the staff in Barcelona was dismissed. The Bebitus business could not cover their overhead expenses and thus were generating negative earnings before interest and taxes (EBIT).

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.

WeChat Mini program

In the first quarter of 2021, windeln.de launched its own WeChat Mini program. The WeChat Mini program is a shopping platform of the popular messenger app WeChat, which is used by more than 900 million users in China. The WeChat Mini program has grown tremendously in recent years. As the shopping platform is directly linked to the messenger app WeChat (App in App), users can easily and quickly share products they find in the WeChat Mini program with their friends and family. Also, the WeChat Mini program offers various attractive marketing tools such as live chats with customers or special promotional offers that can be shared with friends. The new sales channel is served via windeln.de's existing logistics network. Through the WeChat Mini program, the group mainly sells baby food, drugstore items and toys.

Flagship store on online platform BabyTree

In the second quarter of 2021, windeln.de has further expanded its offering for customers in China and has opened its own flagship store on the BabyTree online platform. With high average monthly active users (MAUs) of around 91.2 million users in 2020, BabyTree is one of the largest and most active online platforms in the Maternity and Child (M&C) focused online community in China. Its users mainly include young families, which means there is a high overlap with the customer base of windeln.de.

³³ Ifo Institute: [³⁴ Destatis: \[https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_002_45212.html;retrieved on February 10, 2022\]\(https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_002_45212.html;retrieved on February 10, 2022\)](https://www.ifo.de/prognosen/ifo-konjunkturprognose#:~:text=Das%20Bruttoinlandsprodukt%20in%20diesem,f%C3%BCr%20das%20Jahr%202021%20festgehalten.&text=Insgesamt%20wird%20das%20Bruttoinlandsprodukt%202021,um%204%2C3%25%20zulegen;retrieved on February 10, 2022</p>
</div>
<div data-bbox=)

Change of warehouse service provider

At the end of 2020, a warehouse service contract was signed with Radial GmbH ("Radial") for the site in Halle an der Saale with a term of four years. Radial is a wholly owned subsidiary of the Belgian postal service and operates fulfilment centers specialized in e-commerce worldwide. The move to the new location began at the end of the first quarter of 2021 and the move was completed by the mid of the second quarter 2021. The contract with the previous warehouse service provider FIEGE Logistik Stiftung & Co. KG expired in the second quarter of 2021. With the change of the warehouse provider cost savings in the logistic area will be realized going forward.

Change in the Management Board

On March 4, 2021, the Management Board contract with Matthias Peuckert was extended by another three years until April 30, 2024. The contract with Dr. Nikolaus Weinberger has been expired on March 31, 2021. His duties will be taken over by Matthias Peuckert.

Change in the Supervisory Board

On January 19, 2021, it was announced that Tomasz Czechowicz had resigned as a member of the Supervisory Board of windeln.de SE effective as of December 23, 2020. The Munich Local Court has appointed Christian Reitermann as his successor on the Supervisory Board of windeln.de SE.

On conclusion of the Annual General Meeting on May 14, 2021, the term of office ended for all Supervisory Board members. As part of the reelections, Clemens Jakopitsch, Maurice Reimer and Christian Reitermann were reelected as members of the Supervisory Board of the Company. In the following constituent meeting, Clemens Jakopitsch was again elected as Chairman of the Supervisory Board.

Capital increase Q1 2021

On March 12, 2021, the Management Board of windeln.de SE resolved, with the approval of the Supervisory Board and making partial use of the Authorized Capital 2020, to increase the share capital by EUR 1,098,207.00 to EUR 12,080,280.00. The subscription price of the new shares was EUR 1.30. The gross issue proceeds amounted to EUR 1,427,669.10. The capital increase was entered into the commercial register on March 19, 2021.

On March 5, 2021, windeln.de SE entered into a commission agreement with the Chairman of the Supervisory Board Clemens Jakopitsch to remunerate placed underwriting volume in the amount of maximum 3% of the issuing proceeds in connection with the capital increase in March 2021. From this agreement, a commission fee of EUR 43k net was paid to Clemens Jakopitsch in the first half of 2021.

Annual General Meeting / capital increase Q3 2021

On May 14, 2021, the Annual General Meeting resolved, under cancelation of existing the Authorized Capital 2020, the creation of a new Authorized Capital 2021 in the amount of EUR 6,040,140.00 with the possibility of excluding subscription rights.

On June 15, 2021, the Management Board resolved, with the approval of the Supervisory Board and making use of the Authorized Capital 2021, to increase the issued capital by issuing new shares against contribution in cash. The subscription price was determined by EUR 1.30 per new share. In total 4,487,207 new shares were issued in connection with the capital increase. The share capital of the Company increased from EUR 12,080,280.00, comprises into 12,080,280 no par value bearer shares, by EUR 4,487,207.00 by issuing new shares in the amount of 4,487,207, each representing a pro rata amount in the share capital of EUR 1.00, to EUR 16,567,487.00. The gross issue proceeds amounted to EUR 5,833,369.10. The capital increase was entered into the commercial register on July 13, 2021.

With the issue proceeds of the capital increase, the Company plans to improve the financial position of the Group.

On June 15, 2021, windeln.de SE entered into another commission agreement with the Chairman of the Supervisory Board Clemens Jakopitsch in connection with the capital increase in July 2021. For the participation of defined investors in the capital increase, Clemens Jakopitsch receives a commission of 1.5% of the issuing proceeds respectively 2.5% of the issuing proceeds in case the private placement of those investors amounts to at least EUR 2.5 million. From this agreement, a commission fee of EUR 63k net was paid to Clemens Jakopitsch in the second half of 2021.

Spryker

As already described in section 1.1.4, end of 2021 the management has decided to stop the project to outsource the shop architecture and to further use the internally developed shop architecture. This resulted in an extraordinary depreciation of the capitalized right to use asset in the amount of EUR 1,174k, presented in the selling and distribution expenses.

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

2.4.1. Results of operations

Consolidated income statement

kEUR	2021	2020	Change	
			absolute in kEUR	relative in %
Continuing operations				
Revenues	52,092	76,067	-23,975	-32%
Cost of sales	-41,906	-59,883	17,977	-30%
Gross profit	10,186	16,184	-5,998	-37%
Selling and distribution expenses	-15,490	-19,038	3,548	-19%
Administrative expenses	-5,529	-6,319	790	-13%
Other operating income	230	809	-579	-72%
Other operating expenses	-185	-305	120	-39%
Earnings before interest and taxes (EBIT)	-10,788	-8,669	-2,119	24%
Financial income	1	5	-4	-80%
Financial expenses	-100	-73	-27	37%
Financial result	-99	-68	-31	46%
Earnings before taxes (EBT)	-10,887	-8,737	-2,150	25%
Income taxes	-12	-3	-9	>100%
Profit or loss from continuing operations	-10,899	-8,740	-2,159	25%
Profit or loss from discontinued operations	-2,649	-5,008	2,359	-47%
PROFIT OR LOSS FOR THE PERIOD	-13,548	-13,748	200	-1%

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 2021, the Group generated **revenues** of EUR 52,092k (2020: EUR 76,067k). Revenues accordingly fell by EUR 23,975k or 32% compared to previous year. The decline is attributable to both segment China and segment Europe. Revenues in China decreased by EUR 18,161k or 32% to EUR 37,861k (2020: EUR 56,022k). In Europe, revenues decreased by EUR 5,814k or 29% to EUR 14,231k (2020: EUR 20,045k).

In Europe, the development is partially attributable to the relocation of the Group's main warehouse. The move was completed in the second quarter of 2021. As a result, the availability of certain products was restricted between March and May 2021. In March 2020, the Group also recorded a strong order intake in Europe due to the COVID-19 pandemic, which led to a strong increase in revenues in the second quarter of 2020. A similar effect was not observed in 2021.

In China, the Group recognized revenues of EUR 3,926k from VAT adjustments in 2020 (2021: EUR 40k). As a result of the COVID 19 pandemic, the Group also sold hygiene articles amounting to EUR 6,954k to corporate customers in the segment China in 2020. In 2021, sales of hygiene articles to corporate customers amounted to only EUR 765k. In consideration of these two special effects, revenues decreased by 19%. The segment China is also affected by the relocation of the main warehouse of the Group. In March 2021, direct deliveries to China were restricted. In order to conserve liquidity, stock levels were kept low in the Chinese warehouses until the capital increase in Q3 2021. Both, the relocation of the warehouse and the conservation of liquidity negatively affected revenues. In addition, duty-paid deliveries from Germany to China for our Chinese webshop had to be discontinued in mid-August due to a lack of air freight capacities from Europe to China. The customers of our Chinese web shop still have the option to buy duty unpaid from Germany as well as from our bonded warehouse in China, but the discontinuation of the third option had a negative impact. In Q4 2021, the main supplier of the Group changed the recipe of its product. In this context, goods were only available to a limited extent. The resulting lower purchase volume resulted in lower revenues in China compared to prior year in Q4, which is generally the highest in terms of revenues.

The Group expected very strong revenue growth in 2021 compared to 2020. In H1 2021, the Management Board adjusted the forecast and expected a slight increase of revenues in 2021. This expectation achieved due to the special effects described above; revenues declined very significantly.

The **margin** (gross profit as % of revenues) decreased by 1.7pp to 19.6% in 2021 (2020: 21.3%).

At around 20%, the margin in segment Europe remained at prior year's level.

In segment China, the margin decreased by 2.2pp compared to the same period last year. Thereof 5.8pp are attributable to the above-mentioned VAT adjustments. Excluding VAT adjustments, the Group accordingly recorded an improvement in the margin of 3.6pp. In 2021, the customer mix in segment China changed. End customer business accounted for 45% of revenues in China in 2021 (2020: 27%). The margin in the end customer business is significantly higher than the margin that can be achieved with intermediaries and corporate customers. Due to the change of the recipe of our main supplier, there were significantly fewer goods available in the Chinese market in Q4. As a result, the Group was able to sell goods at higher selling prices, which led to a corresponding improvement in the margin. In the Chinese end customer business, more orders were served from the Group's local Chinese warehouses in 2021. An opposing effect on the margin was the increase in the percentage of deliveries from our Chinese warehouses compared to direct

deliveries from Germany, whose share increased from 25% in 2020 to 55% in 2021. Although the margin is lower, the fulfilment from the Chinese warehouses causes significantly lower logistics costs.

Selling and distribution expenses decreased by EUR 3,548k or 19% to EUR 15,490k in the reporting period (2020: EUR 19,038k). The decline is mainly attributable to logistics (decrease by EUR 1,725k or 32%) and personnel expenses (decrease by EUR 1,258k or 21%). Compensation for expenses related to the VAT adjustment (decrease by EUR 992k or 77%) and marketing expenses (decrease by EUR 683k or 27%) also declined. Increasing expenses were recorded for depreciation and amortisation (increase by EUR 712k or 80%) and for external services (increase by EUR 607k or 118%). In addition, a provision for possible fines of EUR 243k related to the data leak occurred in 2020 was made in 2021 for possible fines.

The decrease of logistic expenses is mainly attributable to the development of revenues. The percentage of end customers in total revenues increased. In contrast to business with intermediaries and corporate customers, end customer business causes significantly higher logistic expenses. However, this effect is offset by a higher proportion of deliveries from Chinese warehouses.

The decrease in personnel expenses is mainly attributable to a decrease in the number of employees in all segments and departments, which was mostly achieved through natural fluctuation. Vacancies were not filled. In addition, IT development (in 2020) and accounts receivable department (early 2021) were relocated to our office in Romania, which has led to significant cost savings in these areas. The costs in the item compensation for expenses in 2020 were mainly attributable to the above-mentioned VAT adjustments. In 2021, only expenses of EUR 12k were incurred in this context. The decrease in marketing expenses is mainly due to the margin-oriented use of marketing instruments.

The increase in depreciation and amortization is mainly attributable to the termination of the outsourcing of the shop architecture. The intangible assets related to this project were impaired at the end of 2021. As a result, the Group incurred a one-off expense of EUR 1,132k. The increase in third-party services is mainly attributable to the relocation of inventories (EUR 232k) and increased expenses for marketing agencies (EUR 129k).

Administrative expenses decreased by EUR 790k or 13% to EUR 5,529k in the reporting period (2020: EUR 6,319k). This development is mainly attributable to the decline in legal and consulting costs by EUR 507k, personnel expenses by EUR 242k, external services by EUR 108k and Supervisory Board remuneration by EUR 96k. In the prior year period, higher expenses for legal advice were incurred in relation to the establishment of a new office in Beijing. There were no similar expenses in 2021. As described in selling expenses, the decrease in personnel expenses is attributable to a general reduction in headcount. The reduction of the size of the Executive Board from three to two members in April 2021 also plays a major role here. In the financial year, the Group employed fewer service providers for IT operations in the administrative area, which led to a corresponding decline in external services. The remuneration of the Supervisory Board was reduced by the Annual General Meeting 2020 from July 2020. Since mid-May 2021, the Supervisory Board has also consisted of only three members (previously six members), as three of the six election proposals have not found a majority. Expenses for the audit of the financial statements increased by EUR 60k, which is mainly attributable to additional charges for the annual audit 2020.

Other operating income of EUR 230k (2020: EUR 809k) mainly contains foreign exchange gains of EUR 124k (2020: EUR 383k). In 2020, the Group also reported a one-time foreign exchange gain from the deconsolidation of windeln.ch AG (EUR 207k) and income from subleases of assets (EUR 146k; 2021: EUR 15k). Other operating expenses of EUR 185k (2020: EUR 305k) mainly include foreign exchange losses in the current and previous year.

As a result of the developments mentioned above, **earnings before interest and taxes (EBIT)** significantly deteriorated by EUR 2,119k or 24% to minus EUR 10,788k in 2021 (2020: EUR 8,669k).

The **financial result** amounts to minus EUR 99k in 2021 (2020: minus EUR 68k). As in the previous year, this mainly contains interest expenses for leasing contracts.

As in the previous year, the **tax expense** of EUR 12k (2020: EUR 3k) results mainly from income tax expenses in subsidiaries that do not have tax-loss carry-forwards.

The profit or loss from **discontinued operations** relates to Bebitus operations. The operating result (EBIT) of Bebitus operations was minus EUR 3,016k (2020: minus EUR 2,715k). In addition, income of EUR 462k from the remeasurement of inventories in Q2 2021 and an expense of EUR 84k from the creation of a provision for onerous contracts as of December 31, 2021, were recognized. The loss after tax from discontinued operations amounts to EUR 2,649k (2020: EUR 5,005k).

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 2.4.22 "Financial position" and 2.4.33 "Net assets".

In the 2021 financial year, the following expenses and income were adjusted:

- Income from share-based compensation in the amount of EUR 22k (2020: EUR 61k),
- expenses of EUR 243k for the creation of a provision for the data leak from 2020 (2020: no effect), and
- expenses of EUR 1,132k from the impairment of intangible assets in connection with the outsourcing of the shop architecture (2020: no effect).

In prior year, gains related to the deconsolidation of windeln.ch AG (EUR 207k) and expenses related to the cancelled warehouse move (EUR 250k) were also adjusted.

kEUR		2021	2020	Change	
				absolute in kEUR	relative in %
Earnings before interest and taxes (EBIT)		-10,788	-8,669	-2,119	24%
Adjusted for costs for data security incident in 2020		243	-	243	
adjusted for impairments of intangible assets		1,132	-	1,132	
adjusted for share-based compensation		-22	61	-83	<-100%
adjusted for costs of the cancelled warehouse move		-	250	-250	-100%
adjusted for effects from deconsolidation of windeln.ch AG		-	-207	207	-100%
Adjusted EBIT		-9,435	-8,565	-870	10%
Adjusted EBIT (as % of revenues)		-18.1%	-11.3%	-6.9pp	

Adjusted EBIT from continuing operations deteriorated by EUR 870k or 10% to minus EUR 9,435k. As a percentage of revenues, adjusted EBIT deteriorated by 6.9pp to minus 18.1%. The Group expected a very strong improvement in Adjusted EBIT (as a percentage of revenues) in 2021. In the first half of 2021, the Management Board adjusted the forecast and assumed a significant deterioration for 2021. Overall, the adjusted forecast was also missed, as adjusted EBIT deteriorated very strongly. Although the Group was able to significantly reduce expenses in the 2021, revenues fell disproportionately.

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)	2021	2020	Change
Active customers	263,547	282,857	-19,310
Average orders per active customer (in number of orders)	1.7	1.7	-
Average order value (in EUR)	79.06	88.01	-8.95
Share of repeat customer orders (as % of orders of last 12 months)	60.17%	65.4%	-5.2pp

pp = percentage points

A slight increase in the average order value was forecast for 2021. The forecast could not be fulfilled. In the first half of 2021, the Management Board adjusted this forecast and assumed a slight decline in average order value. In fact, the average order value fell by EUR 8.95 to EUR 79.06. In 2021, the Group discontinued the sale of bundles (combined products) in the Chinese market. In addition, the proportion of direct deliveries from our Chinese storage locations, with smaller shopping baskets on average, has increased. Both led to a decline in the average order value. Active customers fell by 19,310 to 263,547 and the regular customer rate fell by 5.2pp to 60.17%. In order to conserve the cash balance, the purchase of goods was reduced in the middle of the year. As a result, certain goods were not available for a few weeks. Overall, this led to a decline in these two key figures. Average orders per active customer are unchanged at 1.7.

Three non-financial performance indicators, in particular share of repeat customers, 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 2020.

Regional results of operating segments

kEUR		2021	2020	Change	
				absolute in kEUR	relative in %
Revenues					
Europe		21,684	32,651	-10,967	-34%
<i>thereof continuing operations</i>		14,231	20,045	-5,814	-29%
<i>thereof discontinued operations</i>		7,453	12,606	-5,153	-41%
China		37,861	56,022	-18,161	-32%
Operating contribution					
Europe		-1,011	-15	-996	>100%
<i>thereof continuing operations</i>		-697	-359	-338	94%
<i>thereof discontinued operations</i>		-314	344	-658	<-100%
China		4,873	8,152	-3,279	-40%

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

Operating contribution of Europe (continuing operations only) deteriorated by EUR 338k to minus EUR 697k (2020: minus EUR 359k). This change is attributable to the development of revenues. At around 20%, the margin remained at prior year's level. Marketing expenses decreased by EUR 327k to EUR 893k (2020: EUR 1,220k) and fulfillment costs by EUR 547k to EUR 2,614k (2020: EUR 3,161k).

Operating contribution of China deteriorated by EUR 3,279k to EUR 4,873k (2020: EUR 8,152k). As in Europe, this is mainly attributable to lower revenues. The margin decreased from 21.7% in 2020 to 19.5% in 2021. Marketing expenses decreased by EUR 356k to EUR 995k (2021: EUR 1,351k) and fulfillment costs by EUR 1,152k to EUR 1,508k (2020: EUR 2,660k).

2.4.2. Financial position

kEUR		2021	2020	Change	
				absolute in kEUR	relative in %
Loss for the period		-13,548	-13,748	200	-1%
Net cash flows used in operating activities		-10,387	-7,070	-3,317	47%
Net cash flows used in investing activities		-33	-484	451	-93%
Net cash flows used in financing activities		5,989	7,714	-1,725	-22%
Cash and cash equivalents at the beginning of the period		8,530	8,377	153	2%
Net increase in cash and cash equivalents		-4,431	160	-4,591	<-100%
Changes in cash and cash equivalents due to foreign exchange rates		16	-7	23	<-100%
Cash and cash equivalents at the end of the period		4,115	8,530	-4,415	-52%

In 2021, the Group generated negative cash flows from **operating activities** in the amount of EUR 10,387k (2020: EUR 7,070k), which is mainly attributable to the negative result for the period (EUR 13,548k). The cash flow from operating activities is significantly worse than in the 2020 financial year. The loss for the period slightly improved by EUR 200k compared to the previous year. Net working capital also improved in 2021 (change of EUR 1,200k), which has a positive impact on cash flows from operating activities. But the positive impact on cash flows from operating activities is significantly lower than in the previous year (change of EUR 3,222k).

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

- Depreciation and amortization of EUR 2,106k; and
- Creation of a provision for the data leak occurred in 2020 in the amount of EUR 243k.

Cash flows from **investing activities** amount to EUR 33k (2020: cash outflow of EUR 484k). In 2020, the Group purchased new software in the amount of EUR 434k for the web shops. There was no similar purchase in 2021. In order to conserve liquidity, the group significantly reduced investments in 2021.

Cash flows from **financing activities** in 2021 amount to EUR 5,989k (2020: cash inflow of EUR 7,714k) and mainly stem from two capital increases. Gross issue proceeds of the capital increase in March 2021 amounted to EUR 1,428k. Gross issue proceeds of the capital increase in July 2021 amounted to EUR 5,833k (2020: gross issue proceeds EUR 9,592k). In this context, the Group had payments for transaction fees of EUR 509k were made (2020: EUR 763k). Further cash outflows of EUR 655k stem from the repayment of lease liabilities (2020: EUR 1,029k) and the payment of interest of EUR 112k (2020: EUR 86k), mostly related to lease liabilities.

At EUR 4,115k, the **cash and cash equivalents** as of December 31, 2021, is significantly lower than as of December 31, 2020 (EUR 8,530k).

The Group had forecast a cash flow from operating activities in the mid-single-digit million range and a significant reduction in total cash flow for 2021. In the first half of 2021, this forecast was adjusted by the Executive Board. For 2021, the Management Board expected a cash flow from operating activities in the double-digit million range and a significantly higher overall cash flow. The adjusted forecast has been achieved. The cash flow from operating activities amounted to EUR 10,387k. Total cash flow increased by EUR 4,591k.

2.4.3. Net assets

Assets kEUR	Dec. 31, 2021	Dec. 31, 2020	Change	
			absolute in kEUR	relative in %
NON-CURRENT ASSETS				
Intangible assets	241	2,017	-1,776	-88%
Fixed assets	1,035	1,385	-350	-25%
Other financial assets	109	108	1	1%
Other non-financial assets	94	121	-27	-22%
Deferred tax assets	1	6	-5	-83%
Total non-current assets	1,480	3,637	-2,157	-59%
CURRENT ASSETS				
Inventories	4,219	4,079	140	3%
Prepayments	6	435	-429	-99%
Trade receivables	764	718	46	6%
Income tax receivables	3	2	1	50%
Other financial assets	1,014	1,405	-391	-28%
Other non-financial assets	676	1,148	-472	-41%
Cash and cash equivalents	4,115	8,530	-4,415	-52%
Total current assets	10,797	16,317	-5,520	-34%
Disposal group	-	1,089	-1,089	-100%
TOTAL ASSETS	12,277	21,043	-8,766	-42%

Non-current assets amount EUR 1,480k as of December 31, 2021 (December 31, 2020: EUR 3,637k). The significant decline of EUR 2,157k is mainly attributable to the decrease in intangible assets by EUR 1,776k to EUR 241k (December 31, 2020: EUR 2,017k). In Q4 2021, the project to outsource the shop architecture was cancelled. In this context, assets in the amount of EUR 1,174k were impaired. The remaining decrease is attributable to the amortization of intangible assets. Fixed assets also decreased compared to December 31, 2020 (December 31, 2021: EUR 1,035k; 31 December 2020: EUR 1,385k). The decline is attributable to depreciation.

Current assets decreased by EUR 5,520k to EUR 10,797k compared to prior year (December 31, 2020: EUR 16,317k). The decrease is mainly attributable to the decrease of cash and cash equivalents by EUR 4,415k, other non-financial assets by EUR 472k, prepayments for inventories by EUR 429k and other financial assets by EUR 391k. For explanations on the development of cash and cash equivalents, please refer to Section 2.4.2. Financial Position. The decrease in other non-financial assets is attributable to VAT receivables. As of December 31, 2021, these were significantly lower than at the end of the previous year, which is mainly attributable to a lower purchasing volume in Spain in H2 2021. The development of prepayments for inventories is attributable to a transaction with corporate clients. In December 2020, prepayments were made for hygiene products. The products were delivered in Q1 2021. There was no similar transaction as of December 31, 2021. The decrease in other financial assets is attributable to the decline of advertising subsidies and paid security deposits. In 2021, advertising subsidies were increasingly billed during the year. In addition, annual bonuses are lower overall due to the lower purchasing volume. windeln.de received repayments of EUR 197k from security deposits from service providers in 2021.

Inventories increased by EUR 140k to EUR 4,219k compared to the end of the previous year (December 31, 2020: EUR 4,097k). The previous year's amount does not include inventories attributable to the Bebitus operation. The inventories for the Bebitus operation were reported in assets held for sale as of December 31, 2020. Considering this, inventories decreased by EUR 942k in 2021. The main reason for this development is the discontinuation of the Bebitus operation. At the end of 2021, the stock levels in the Chinese warehouses were also significantly lower than at the end of the previous year. This is mainly attributable to supply bottlenecks of our main supplier.

As of December 31, 2020, assets held for sale contained the remeasured assets that were to be sold as part of the planned sale of Bebitus. These are the inventories in the warehouse in Barcelona, prepayments for inventories for the Bebitus shops and the domains bebitus.com, bebitus.fr and bebitus.pt. The remeasurement resulted in expenses of EUR 2,282k in 2020 (2021: income EUR 462k). As of December 31, 2021, no non-current assets were classified as held for sale.

Equity and liabilities kEUR	Dec. 31, 2021	Dec. 31, 2020	Change	
			absolute in kEUR	relative in %
EQUITY				
Issued capital	16,567	10,982	5,585	51%
Share premium	174,854	173,714	1,140	1%
Accumulated loss	-188,030	-174,482	-13,548	8%
Cumulated other comprehensive income	10	-11	21	<-100%
Total equity	3,401	10,203	-6,802	-67%
NON-CURRENT LIABILITIES				
Accrued employee benefits	48	45	3	7%
Financial liabilities	1,286	1,693	-407	-24%
Total non-current liabilities	1,334	1,738	-404	-23%
CURRENT LIABILITIES				
Other provisions	358	138	220	>100%
Financial liabilities	313	603	-290	-48%
Trade payables	4,040	3,490	550	16%
Deferred revenues	801	2,210	-1,409	-64%
Income tax payables	-	2	-2	-100%
Other financial liabilities	1,570	1,958	-388	-20%
Other non-financial liabilities	460	701	-241	-34%
Total current liabilities	7,542	9,102	-1,560	-17%
TOTAL EQUITY AND LIABILITIES	12,277	21,043	-8,766	-42%

Equity decreased by EUR 6,802k or 67% to EUR 3,401k (December 31, 2020: EUR 10,203k). The negative result for the period of EUR 13,548k was partially offset by the capital measures in Q1 and Q3 2021. Gross issue proceeds amounted to EUR 1,428k in Q1 and EUR 5,833k in Q3 2021. In connection with the capital increases, transaction costs amounting to EUR 509k were recognized in Share premium.

The decrease of **non-current liabilities** by EUR 404k to EUR 1,334k (December 31, 2020: EUR 1,738k) is mainly attributable to the development of financial liabilities. Financial liabilities consist exclusively of liabilities related to leasing contracts. The decrease of EUR 407k is attributable to the repayment of these lease liabilities.

Compared to prior year, **current liabilities** decreased by EUR 1,560k to EUR 7,542k (December 31, 2020: EUR 9,102k). This is mainly attributable to the decrease of deferred revenues by EUR 1,409k, other financial liabilities by EUR 388k, financial liabilities by EUR 290k and other non-financial liabilities by EUR 241k. In contrast, trade payables and other provisions increased by EUR 550k and EUR 220k respectively. The development of the deferred revenues is mainly attributable to lower revenues. As of December 31, 2020, we also received high prepayments in connection with the sale of hygiene products. The transaction was completed in Q1 2021. A similar transaction did not exist as of 31 December 2021. The decrease in financial liabilities is attributable to the regular repayment of lease liabilities and the modification of lease liabilities in connection with the discontinuation of the outsourcing of the shop architecture. In 2021, the number of employees and the Executive Board decreased. As a result, provisions for bonus payments and vacation are decreasing. In 2021, the Group also repaid a security deposit in connection with a terminated sublease agreement. Both lead to a decrease in other financial liabilities. The decrease in other non-financial liabilities is due to lower VAT liabilities, mainly due to the discontinuation of the Bebitus operation, and due to lower liabilities for social security contributions.

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, 2021	Dec. 31, 2020	Change	
			absolute in kEUR	relative in %
Inventories	4,219	5,619 ³⁵	-1,400	-25%
Prepayments	6	435 ³⁶	-429	-99%
Trade receivables	764	718	46	6%
Accrued advertising contributions and supplier rebates	384	583	-199	-34%
Creditors with debit balances	193	132	61	46%
VAT receivables net of VAT liabilities	292	430	-138	-32%
minus Trade payables	-4,040	-3,490	-550	16%
minus Deferred revenues	-801	-2,210	1,409	-64%
Net working capital	1,017	2,217	-1,200	-54%

As of December 31, 2021, net working capital amounted to EUR 1,017k and was thus 54.1% lower than as of December 31, 2020 (EUR 2,217k). A very strong decrease was forecast for 2021. This forecast was not fully achieved with only a strong reduction, as the advance payments received were lower than expected due to the low level of revenues.

2.4.4. Net overall statement

Overall, the financial year 2021 did not go satisfactorily. Revenues, operating contribution margin and adjusted EBIT fell far short of expectations. windeln.de was able to achieve savings, especially in other selling and administrative expenses. However, these are not sufficient to compensate for the strong decline in revenues.

The decline in revenue is the result of several special effects that had a negative impact on our product availability:

- The relocation of our European central warehouse has led to lower product availability in our webshops from March to May;
- In order to conserve liquidity, stocks were kept low in the second quarter to the middle of the third quarter;
- Due to the change in the recipe, our main supplier for the Chinese business was unable to adequately serve our orders in the important fourth quarter.

Furthermore, the planned business with hygiene products could not be expanded. Our new sales channels JD and WeChat Mini Program could not compensate for the revenue gaps.

In response to the failure to meet the planned sales targets, costs were deliberately saved in other sales and administrative departments. However, these savings could not compensate for the decline in sales, which is why adjusted EBIT deteriorated on the earnings side compared to the previous year.

In 2021, the cash outflow from operating activities could not reach the level of the previous year. The main reason for this is that net working capital was reduced significantly more in 2020 than in 2021.

The Group was able to further reduce net working capital in 2021. In particular, the liquidity commitment for deliveries to our Chinese customers was successfully shortened.

In 2021, windeln.de has successfully placed two capital increases and thereby could generate gross proceeds in the amount of EUR 7,261k.

2.5. Other financial performance indicators

	2021	2020	Change
Marketing cost ratio (as % of revenues)	3.6%	3.4%	0.2pp
Fulfilment cost ratio (as % of revenues)	7.9%	7.7%	0.2pp
Adjusted other SG&A expenses (as % of revenues)	26.1%	21.5%	4.6pp
Operating contribution (as % of revenues)	8.0%	10.2%	-2.2pp

pp = percentage points

In the consolidated income statement, marketing costs are recognized within selling and distribution expenses. Marketing costs mainly consist of advertising expenses including search engine marketing, online display and other marketing channel expenses, costs for external marketing partners as well as costs for the marketing tools of the Group. In 2021, marketing costs amounted to EUR 1,888k (2020: EUR 2,571k). We define marketing cost ratio as marketing costs divided by revenues for the measurement period. The marketing cost ratio (3.6%) is on prior year's level. In absolute figures, marketing expenses decreased due to a more efficient use of marketing tools compared to prior year. Due to the disproportionate decrease of revenues, the marketing cost ratio decreased by 0.2pp compared to prior year as windeln.de's reaction with regards to lower revenues was delayed.

³⁵ Incl. inventories of Bebitus operation, disclosed in assets held for sale

³⁶ Incl. Prepayments of Bebitus operation, disclosed in assets held for sale

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			Change	
			absolute in kEUR	relative in %
	2021	2020		
Logistics	3,717	5,442	-1,725	-32%
Warehouse rent	405	379	26	7%
Fulfilment costs	4,122	5,821	-1,699	-29%
Fulfilment cost ratio (as % of revenues)	7.9%	7.7%	0,2pp	

The fulfilment ratio is on prior year's level. Logistic expenses decreased by 32% compared to prior year, corresponding to the decrease of revenues. The costs for the warehouse rent slightly increased by 7%. The Group had double warehousing costs during the relocation.

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			Change	
			absolute in kEUR	relative in %
	2021	2020		
Selling and distribution expenses (w/o marketing and fulfilment costs)	9,480	10,646	-1,166	-11%
Administrative expenses	5,529	6,319	-790	-13%
Other operating income	-230	-809	579	-72%
Other operating expenses	185	305	-120	-39%
Other SG&A expenses	14,964	16,461	-1,497	-9%
Adjustments	-1,353	-103	-1,250	>100%
Adjusted other SG&A expenses	13,611	16,358	-2,747	-20%
Adjusted other SG&A expenses (as % of revenues)	26.1%	21.5%	4,6pp	

In absolute figures, adjusted other SG&A expenses decreased by EUR 2,747k. This is attributable to significantly higher adjustments in 2021 and to the decrease of other SG&A expenses. Prior to adjustments, other SG&A expenses declined by EUR 1,497k. Please refer to section 2.4.2 Results of operations. Adjusted other SG&A expenses as percentage of revenue amount to 26.1% compared 21.5% in the prior year. The change is attributable to the disproportionate decrease 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			Change	
			absolute in kEUR	relative in %
	2021	2020		
Gross profit	10,186	16,184	-5,998	-37%
Marketing costs	-1,888	-2,571	683	-27%
Fulfilment costs	-4,122	-5,821	1,699	-29%
Operating contribution	4,176	7,792	-3,616	-46%
Operating contribution (as % of revenues)	8.0%	10.2%	-2.2pp	

In 2021, operating contribution amounts to EUR 4,176k or 8.0% of revenues (2020: EUR 7,792k or 10.2%). Marketing expenses and fulfilment expenses decreased by 27% or 29% respectively. Simultaneously, gross profit declined by 37%. This is mainly attributable to the very strong decrease of revenues compared to prior year. As a result, operating contribution (as % of revenues) deteriorates by 2.2pp compared to the prior year period. For operating contribution, a significant improvement was predicted. In H1 2021, the Executive Board adjusted the outlook and predicted a very significant deterioration of operating contribution. In fact, operating contribution strongly deteriorated. For operating contribution (as % of revenues), a very significant decrease was predicted. This expectation was met, operating contribution (as % of revenues) very significantly decreased by 2.2pp.

2.6. Other non-financial performance indicators

	2021	2020	Change
Site visits (in thousands)	20,348	20,727	-379
Mobile visit share (as % of site visits)	91.7%	87.0%	4.7pp
Mobile orders (as % of number of orders)	69.0%	63.5%	5.5pp
Number of orders	440,957	481,673	-40,716
Gross order intake (in kEUR)	34,862	42,390	-7,528
Returns (as % of gross revenues from orders)	1.8%	2.5%	-0.7%

pp = percentage points

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.

The mobile shopping trend continues, especially in China. Mobile visit share increased by 5.2pp to 91.7% and mobile orders (as % of number of orders) increased by 5.5pp to 69.0%. Unfortunately, the trend in the number of orders and the gross order intake also continued. The group again observes a decline in these two performance indicators. Site visits have remained stable with a 2% drop. The group spared its cash in the middle of the year. As a result, windeln.de offered fewer goods. The same applies to the unfulfilled orders from our main milk formula supplier in Q4 2021. As the site visits show, there was interest. However, a shortage of goods led to a decline in orders and the associated gross order intake.

3. Outlook

The e-commerce market for baby and toddler supplies in Germany is expected to be worth around EUR 2.8 billion in 2022.³⁷ Sales in the baby, toddler, and children's supplies segment in the German speaking region in 2022 are expected to be around EUR 19.4 billion, growing by 9.8%.³⁸ In China, the baby, toddler, and children's supplies e-commerce market is predicted to be worth approximately EUR 188 billion in 2022, with a projected average growth rate of over 4.23% through 2025.³⁹ The e-commerce market for baby, toddler, and children's products, as well as for products from the drugstore, cosmetics, and nutritional supplements sectors, represents an important growth segment in these markets.

In the 2022 financial year, the focus will be on profitable sales growth in the important Chinese market. Revenue growth is planned in all existing sales channels in the end customer business as well as in the business with intermediaries and corporate customers. Growth is to be achieved both with existing customers and with new customers. In particular, existing product categories are to be supplemented by new products or brands and new product categories are to be developed. The possibility of duty-cleared delivery from Germany to China is to be reactivated as soon as the logistics chains affected by the corona virus worldwide allow it again. Another major driver of sales growth is reliable product availability on the supplier side.

In the European segment, which consists mainly of the German speaking region after the closure of the Bebitus business at the end of 2021, the focus is on margin optimization. The Group intends to focus on promising business models such as dropshipment and to include new high-margin products and brands in its product assortment as well. Unprofitable products or product areas are to be discontinued.

An important role in achieving profitability is also played by the further optimization of costs. On the cost side, the Group is thus continuing to focus on reducing other selling and administrative expenses. Already in 2021, the number of employees has been significantly reduced and jobs have been relocated to our Romanian site, which will have a positive impact on personnel costs in 2022. Furthermore, various further cost savings, e.g. discontinuation of IT programs in various departments, are planned.

As of December 31, 2021, net working capital was at a very low level. To reflect the planned sales growth in China, a very strong build-up in net working capital in 2022 is indispensable in order to ensure sufficient availability of goods.

Management expects very strong sales growth in the 2022 financial year. Management anticipates a significant increase in the average order value. The repeat customer rate, the active customers, and the number of orders per active customer are not planned because these are reactive control variables. For these three performance indicators, only historical data is analyzed in order to derive reactions to specific developments.

The Group's focus remains on achieving profitability and securing liquidity. Management anticipates a significant improvement in the operating contribution margin as a percentage of revenues. The Group is aiming for a very strong improvement in adjusted EBIT as a percentage of revenues for 2022. The Management Board believes that if business develops favorably, it will be possible to achieve positive adjusted EBIT across the Group in Q4 2022, at least on a monthly basis. The break-even based on adjusted EBIT should be reached for the first time in 2023. For the 2022 financial year, a cash outflow from operating activities in the mid-single-digit million range is planned.

Risks relating going concern of the Group

The Group continues to be subject to material uncertainties regarding the implementation of equity increases or the possible raising of debt capital, the achievement of planned revenues and margin increases as well as further planned cost reductions, the occurrence of which is absolutely necessary to ensure the achievement of a positive net cash flow.

³⁷ Statista: <https://de.statista.com/prognosen/497188/prognose-der-umsaetze-im-e-commerce-spielzeug-und-baby-deutschland>, retrieved on February 10, 2022

³⁸ Statista: <https://de.statista.com/outlook/dmo/ecommerce/spielzeug-hobby-diy/d-a-ch?currency=aud>, retrieved on March 2, 2022

³⁹ Statista: <https://de.statista.com/outlook/dmo/ecommerce/spielzeug-hobby-diy/china>, retrieved on February 10, 2022

In the area of sales increases, very strong growth is planned in China. Among other things, it is planned to expand the product range and to be able to offer duty-paid delivery from Germany again. Uncertainty consists in obtaining the planned purchasing volumes from the suppliers. Furthermore, there is uncertainty regarding the timing of the recovery of air freight capacity to China. Regarding margin increases in the German speaking region, various measures are planned, including a further improvement in the product mix by delisting low-margin products and the relisting of high-margin product categories. There are uncertainties regarding the acceptance of the changed product range by our customers. Significant savings are planned in the area of other selling and administrative expenses. Uncertainties consist in the fact that planned measures are delayed or cannot be implemented to the planned extent.

The Management Board is responding to the uncertainties described in the previous paragraph with various measures. For example, a dedicated project management system is set up in controlling to regularly monitor and control all planned measures and, if necessary, to initiate countermeasures at an early stage. Ultimately, the Management Board hopes to further improve supplier conditions through continuous dialogue with trade credit insurers and suppliers.

The continued existence of the Company and thus of the Group is at risk and the maintenance of solvency essentially depends on the ability to achieve the increase in revenues as well the decrease in costs. The capital increase planned in June 2022 is intended to secure funding for 2022 and beyond. Furthermore, the continuation of the Company's activities depends on the fact that the budget can be realized. If the planned measures cannot be fully implemented or do not have the planned effects, the cash and cash equivalents, taking into account the equity financing round planned in the second quarter of 2022, will be in the course of 2022 not sufficient to fully meet the payment obligations.

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

- 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

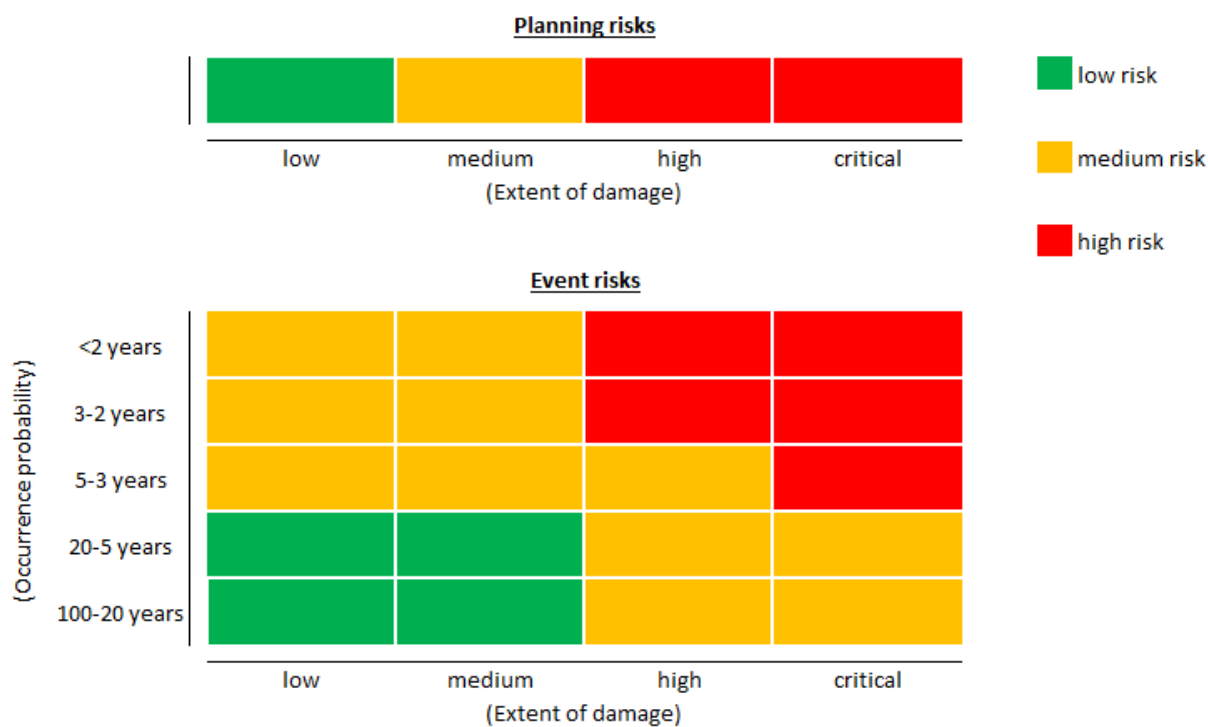
Class	Probability of occurrence	Description
1	0% - 4.9%	Occurrence possible once in 100 to 20 years
2	5% - 19.9%	Occurrence possible once in 20 to 5 years
3	20% - 29.9%	Occurrence possible once in 5 to 3 years
4	30% - 49.9%	Occurrence possible once in 3 to 2 years
5	50% - 100%	Occurrence possible at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



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, the Group's dependence on individual key suppliers of dairy foods also represents one of the greatest risks for the Group. Through an active exchange and intensive negotiations, the Group tries to establish or maintain a close and long-term business relationship with its suppliers and thus minimize the risk. Nevertheless, a deterioration in supplier conditions or delivery volumes could have a significant negative impact on business performance.

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 on several occasions by raising equity. In addition to the raising of equity planned for June 2022, further raising of equity are possible measures to further counteract this risk

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 and regulatory 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. Due to the high importance of the Chinese market for the Group as well as possible changes in the Chinese law are difficult to predict, the risk assessment is unchanged regarded as high.

A continuous monitoring of these risks as well as offering both 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 increased 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.

By building a close partnership with its suppliers, the Group aims to offer its customers an ideal range of baby and toddler products and thus counteract the risk. The Group is also continuing to expand its shipping and distribution channels and, for example, opened a further distribution channel with JD.com at the end of 2020 and commissioned a third warehouse in China (Bonded Warehouse 3) for this purpose. In 2021, windeln.de launched its own WeChat Mini program and opened a flagship store on the Babytree online platform. Compared to the previous year, the risk assessment with regard to competitive risks has become lower, as there are no plans to open up new sales channels in 2022.

4.3.2. Opportunities and risks from operations

Opportunities and risks from the COVID 19 pandemic

Despite emerging progress in combating the Covid 19 pandemic, temporary disruptions to supply chains and restrictions on cross-border commuting by employees still cannot be ruled out. This may result in lost revenues and adversely affect the Group's earnings before interest and taxes.

We consider the currently restricted trade in goods with China to be an additional risk. If this continues in the course of 2022, there is a risk that competitors will also increasingly use local warehouses in China. We are continuously monitoring the situation in order to be able to respond flexibly with our existing logistics processes.

At the same time, the pandemic is reinforcing the previously visible change in the behavior of private consumers, who are sourcing an increasingly large proportion of their purchases via online retail.

The aforementioned effects are counteracting, which limits the potentially adverse effects of the Covid 19 pandemic in the overall picture.

Based on the experience in 2020 and 2021 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 the extent of damage to be low 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 exposed to the risk that ordered quantities cannot be delivered, 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 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. Due to a stronger concentration of the number of suppliers, better monitoring of orders as well as inventories and the associated risks will be possible in the future.

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. In order to minimize the risk of data theft, so-called penetration tests are being introduced, which also include the item "hacks". In addition, the Executive Board is countering the risk from the data privacy incident in 2020 by recognizing a provision. The probability of occurrence of the IT-risks has decreased compared with the previous year and represents 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. Due to the further increase in the proportion of customers in China who place their orders via apps, the Group expects the extent of damage from this risk to increase compared with the previous year in the event of a risk materializing, i.e., technical problems with the online platforms.

Risks related to logistics

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.

Another risk is posed by possible increases in the prices for transporting, processing, and shipping the goods. Changes in market conditions, price increases by logistics partners, or higher costs for packaging are possible risk factors that could have a negative impact on business. To be able to take countermeasures at an early stage, possible alternatives in the area of logistics are continuously examined. Overall, the risk from the logistics area is assessed as medium and has increased slightly compared to 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 turnover or illness rate could lead to additional costs. The risk has not changed compared with the previous year and is therefore still 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) in the previous years 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. 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 still estimated to be a medium risk.

The Group is exposed to various risks in direct connection with the IPO. Due to this, windeln.de SE has taken out a corresponding insurance policy as part of the IPO. Due to the seriousness of the damage, but at the same time the very low probability of occurrence, this risk is still classified as a medium risk.

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

5. Internal controls and risk management systems of the Group financial reporting process

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

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

The IFRS consolidated financial statements and group management report are prepared centrally using a uniform reporting format at the group headquarters in Munich. A standard software that is protected from unauthorized access has been implemented across the Group. The methods provided by the system to limit access rights are used to map the various responsibilities. The group headquarters defines binding reporting calendars and issues uniform reporting structures that generally serve to safeguard completeness and comparability. There is a standardized group chart of accounts which aims to ensure that the same issues are presented consistently. Currency translation, the consolidation of income and expenses and the elimination of

intercompany balances are performed automatically. Any offsetting differences are automatically posted in the system but checked manually and adjusted if necessary. The automatic validation processes in place and the additional analytical plausibility checks, which are performed regularly, guarantee the correctness and completeness of the consolidated financial statements of windeln.de SE. Corporate issues are analyzed, assessed, and recorded for accounting purposes by the local finance teams as well as by employees in group accounting department and therefore included in external financial reporting. External accounting specialists are consulted if necessary. The exercise of accounting and measurement options is coordinated by the local finance entities with the group accounting 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.

Because 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 web shop "windeln.ch" (in CHF) as well as in our Tmall and JD.com shops (in CNY respectively USD). Especially cost of sales incurred almost only in EUR. Along with the centralization of procurement, logistics, marketing, and administrative functions of the Group, cost of sales and operating expenses for the Swiss shop are incurred mainly in EUR. Operating expenses for the platform Tmall partial incur in CNY. Operating expenses for the platform JD.com incur in CNY and USD. 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.

Because 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, 2021, 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 factoring partners as they arise; therefore, the Group has no default risk for those transactions. In addition, credit card payments have been PSD2-compliant since beginning of 2021, which significantly reduces the default risk. All outstanding receivables are regularly monitored and undergo a three-stage reminder procedure. To reduce the risk, lump-sum individual value adjustments are made, considering 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 several 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 always solvent. 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 2022 could result in a material deterioration of the liquidity situation of the Group. The Group may require taking 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 2022, 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 16,567,487.00 as of December 31, 2021. The capital stock is divided into 16,567,487 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 2021, 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	Singapur
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 2021/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 May 13, 2026 by up to a total of EUR 6,040,140.00 by issuing new no-par value bearer shares in return for cash or non-cash contributions and, subject to the approval of the supervisory board, to preclude the shareholders' subscription rights under certain conditions and within defined limits (authorized capital 2020). In the German commercial register, the authorized capital as of May 14, 2021, is named Authorized Capital 2021/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 <https://corporate.windeln.de/corporate-governance/>.

Munich, May 12, 2022

windeln.de SE

Bastian Salewsky

Xiaowei Wei

Financial statements as of December 31, 2021



Consolidated statement and other comprehensive income

kEUR	Notes	2021	2020
Continuing operations			
Revenues	9.1	52,092	76,067
Cost of sales	9.2	-41,906	-59,883
Gross profit		10,186	16,184
Selling and distribution expenses	9.2	-15,490	-19,038
Administrative expenses	9.2	-5,529	-6,319
Other operating income	9.1	230	809
Other operating expenses	9.2	-185	-305
Earnings before interest and taxes (EBIT)		-10,788	-8,669
Financial income	9.3	1	5
Financial expenses	9.3	-100	-73
Financial result		-99	-68
Earnings before taxes (EBT)		-10,887	-8,737
Income taxes	8.12	-12	-3
Profit or loss from continuing operations		-10,899	-8,740
Profit or loss after taxes from discontinued operations	4	-2,649	-5,008
PROFIT OR LOSS FOR THE PERIOD		-13,548	-13,748
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	11.1	21	-211
OTHER COMPREHENSIVE INCOME OR LOSS, NET OF TAX		21	-211
TOTAL COMPREHENSIVE INCOME OR LOSS, NET OF TAX		-13,527	-13,959
Basic earnings per share (in EUR)	9.4	-2.91	-5.15
Basic earnings per share from continuing operations (in EUR)	9.4	-2.34	-3.27

Consolidated statement of financial position

Assets				
kEUR	Notes	December 31, 2021	December 31, 2020	
NON-CURRENT ASSETS				
Intangible assets	8.1	241	2,017	
Fixed assets	8.2	1,035	1,385	
Other financial assets	8.3	109	108	
Other non-financial assets	8.4	94	121	
Deferred tax assets	8.12	1	6	
Total non-current assets		1,480	3,637	
CURRENT ASSETS				
Inventories	8.5	4,219	4,079	
Prepayments	8.5	6	435	
Trade receivables	8.3	764	718	
Income tax receivables	8.12	3	2	
Other financial assets	8.3	1,014	1,405	
Other non-financial assets	8.4	676	1,148	
Cash and cash equivalents	8.6	4,115	8,530	
Total current assets		10,797	16,317	
Disposal group	4	-	1,089	
TOTAL ASSETS		12,277	21,043	
Equity and liabilities				
kEUR	Notes	December 31, 2021	December 31, 2020	
EQUITY				
Issued capital	8.7	16,567	10,982	
Share premium	8.7	174,854	173,714	
Accumulated loss	8.7	-188,030	-174,482	
Cumulated other comprehensive income		10	-11	
Total equity		3,401	10,203	
NON-CURRENT LIABILITIES				
Accrued employee benefits	8.8	48	45	
Financial liabilities	8.10	1,286	1,693	
Total non-current liabilities		1,334	1,738	
CURRENT LIABILITIES				
Other provisions	8.9	358	138	
Financial liabilities	8.10	313	603	
Trade payables	8.10	4,040	3,490	
Deferred revenues	9.1	801	2,210	
Income tax payables	8.12	-	2	
Other financial liabilities	8.10	1,570	1,958	
Other non-financial liabilities	8.11	460	701	
Total current liabilities		7,542	9,102	
TOTAL EQUITY AND LIABILITIES		12,277	21,043	

Consolidated statement of cash flows

kEUR	Notes	2021	2020
Profit or loss for the period		-13,548	-13,748
Amortization (+) / impairment (+) of intangible assets	8.1	1,624	790
Depreciation (+) / impairment (+) of fixed assets	8.2	482	666
Payment (-) of share-based payment obligations	8.8	-2	-
Increase (+) / decrease (-) in other provisions	8.9	220	-154
Non-cash income (-) or expenses (+) from employee benefits	8.8	-24	57
Other non-cash expense (+) / income (-) items	4	31	2,692
Increase (-) / decrease (+) in inventories	8.5	941	1,096
Increase (-) / decrease (+) in prepayments	8.5	436	-448
Increase (-) / decrease (+) in trade receivables	8.3	-47	121
Increase (-) / decrease (+) in other assets	8.3, 8.4	893	1,957
Increase (+) / decrease (-) in trade payables	8.10	550	-150
Increase (+) / decrease (-) in deferred revenues	9.1	-1,408	-77
Increase (+) / decrease (-) in other liabilities	8.10, 8.11	-648	52
Gain (-) / loss (+) from disposal of intangible and fixed assets	8.1, 8.2	-1	-5
Interest expenses (+) / income (-)	9.3	111	80
Income tax expenses (+) / income (-)	8.12	12	3
Income tax paid (-) / received (+)	8.12	-9	-2
Net cash flows used in operating activities		-10,387	-7,070
Proceeds (+) from sales of intangible and fixed assets	8.1, 8.2	1	2
Purchase (-) of intangible assets	8.1	-2	-434
Purchase (-) of fixed assets	8.2	-33	-57
Interest received (+)	9.3	1	5
Net cash flows from investing activities		-33	-484
Proceeds (+) from issue of shares	8.7	7,261	9,591
Transaction cost (-) on issue of shares or capital decrease	8.7	-509	-762
Repayment (-) of lease liabilities	8.6, 10	-655	-1,029
Proceeds (+) from financial liabilities	8.10	5	-
Interest paid (-)	9.3	-113	-86
Net cash flows from financing activities		5,989	7,714
Cash and cash equivalents at the beginning of the period	8.6	8,530	8,377
Net decrease in cash and cash equivalents		-4,431	160
Change in cash and cash equivalents due to foreign exchange rates		16	-7
Cash and cash equivalents at the end of the period	8.6	4,115	8,530

Consolidated statement of changes in equity

kEUR	Notes	Issued capital	Share premium	Accumulated loss	Actuarial gains or losses from remeasurement of defined benefit pension plans	Exchange differences on translation of foreign operations	Other comprehensive income or loss	Total equity
As at January 1, 2021		10,982	173,714	-174,482	3	-14	-11	10,203
Total comprehensive income or loss of the period		-	-	-13,548	-	21	21	-13,527
Capital decrease		-	-	-	-	-	-	-
Issue of share capital	8.7	5,585	1,676	-	-	-	-	7,261
Transaction costs	8.7	-	-509	-	-	-	-	-509
Share-based payments	8.8	-	-27	-	-	-	-	-27
As at December 31, 2021		16,567	174,854	-188,030	3	7	10	3,401
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

Notes to the consolidated financial statements for the financial year from January 1 to December 31, 2021

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, through intermediaries as well as through business partners.

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 2021 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 May 12, 2022, 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 on realization of the budget in the next two years and on the related implementation of measures to reduce costs and on generating growth. 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 2022.

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.

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 2021:

Standard	Effective date	Impact on the Group's net assets, financial position, and results of operations
Amendments to IFRS 4: Insurance Contracts deferral of IFRS 9	January 1, 2021	none
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2	January 1, 2021	none
Amendments to IFRS 16: (I) Covid-19-Related Rent Concessions; (II) Covid-19-Related Rent Concessions beyond June 30, 2021	January 1, 2021	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, 2023	not yet endorsed*
Amendments to IAS 1 and IFRS PS 2: Disclosure of Accounting policies	January 1, 2023	not yet endorsed*
Amendments to IAS 8: Definition of Accounting Estimates	January 1, 2023	not yet endorsed*
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023	not yet endorsed*
Annual improvements to IFRSs (2018-2020 cycle; Amendments to IFRS 3, IAS 16 and IAS 37)	January 1, 2022	not yet endorsed*
IFRS 17 Insurance contracts	January 1, 2023	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 to 10.

4. Discontinued operations

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

On March 31, 2020, the Management Board adopted a plan to dispose of the Bebitus business unit. On June 30, 2020, the plan was amended to the effect that, with material assets to be sold and the remainder to be shut down. In financial year 2020, the assets held for sale were combined in a disposal group.

Until the fourth quarter of 2021, discussions with interested parties remained without result. Therefore, in the fourth quarter of 2021, the Management Board decided to close the Bebitus business. The related web shops were closed on December 17, 2021, and the major part of the staff was dismissed by end of the year. Therefore, the Bebitus business meets the requirement for a discontinued operations according to IFRS 5 as of December 31, 2021.

As the Bebitus business meets the requirement for a discontinued operations, 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	2021	2020
Discontinued Bebitus operations		
Revenues	7,453	12,606
Operating expenses	-10,469	-15,320
Earnings before interest and taxes (EBIT)	-3,016	-2,715
Earnings before taxes (EBT)	-3,027	-2,723
Tax result	-	-
Profit or loss from remeasurement of assets held for sale and from onerous contract provisions	-84	-2,282
Profit or loss from remeasurement of assets, which are not held for sale anymore	462	-
Related income tax expense	-	-
Profit or loss after taxes from discontinued Bebitus operations	-2,649	-5,005
Net cash flows:		
Net cash flows used in operating activities	-1,522	-2,256
Net cash flows used in investing activities	-	-1
Net cash flows used in financing activities	-71	-99

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 expenses in 2020.

kEUR	2021	2020
Profit or loss after taxes from discontinued operations	-2,649	-5,008
thereof discontinued Bebitus operations	-2,649	-5,005
thereof discontinued Feedo operations	-	-3
Basic earnings per share from discontinued operations (in EUR)	-0.57	-1.87
thereof discontinued Bebitus operations	-0.57	-1.87
thereof discontinued Feedo operations	-	0.00

Significant accounting judgments and estimates

Significant judgements and estimates are made in the valuation of the disposal group at fair value, in prior year 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.

The Group consists of 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 whose operating business was discontinued in December 2021. 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 working 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	2021	2020
Revenues		
Europe	21,684	32,651
<i>thereof continuing operations</i>	14,231	20,045
<i>thereof discontinued operations</i>	7,453	12,606
China	37,861	56,022
Operating contribution		
Europe	-1,011	-15
<i>thereof continuing operations</i>	-697	-359
<i>thereof discontinued operations</i>	-314	344
China	4,873	8,152

Segment revenues and segment results reconcile to Group revenues and Group results as follows:

kEUR	2021	2020
Revenues Europe (continuing operations only)	14,231	20,045
Revenues China	37,861	56,022
Revenues from continuing operations	52,092	76,067
Operating contribution Europe (continuing operations only)	-697	-359
Operating contribution China	4,873	8,152
Operating contribution from continuing operations	4,176	7,792
Other selling, general and administration expenses	-14,964	-16,462
Earnings before interest and taxes (EBIT) from continuing operations	-10,788	-8,669
Financial income	1	5
Financial expenses	-100	-73
Income taxes	-12	-3
Profit or loss after taxes from discontinued operations	-2,649	-5,008
PROFIT OR LOSS FOR THE PERIOD	-13,548	-13,748

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 financial year 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. In financial year 2021, windeln.de did not recognize revenue with a single customer above 10%. The breakdown of revenues by product category is explained in note 9.1.

Revenues China include revenues from VAT corrections of prior years' deliveries in the amount of EUR 40k (2020: EUR 3,926k).

The operating contribution margin Europe (only from continuing operations) includes depreciation in the amount of EUR 6k. The operating contribution margin China includes depreciation in the amount of EUR 4k.

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, 2021, 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, 2021	Purpose of the company
Bebitus Retail S.L.U., Barcelona, Spain	100%	-2,854	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. The operating activities of the company were stopped in the end of 2021.
windeln.ro labs SRL, Sibiu, Romania	100%	111	Programming activities and other IT and software services. The company was founded in 2015.
Cunina GmbH, München, Deutschland	100%	-168	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%	328	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 2020.

7. Fair value hierarchy

Accounting policy

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

Recognition in Group financial statements

As of December 31, 2021, no assets and no liabilities were measured at fair value. As of December 31, 2020, assets intended for sale in the planned divestiture of Bebitus were classified as held of sale and measured at fair value. Measurement followed 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.

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, an impairment test is performed on level of each individual domain as well as on level of the cash generating unit. 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, 2021	975	1,446	1,884	3,598	2,183	10	10,096
Currency differences	-	0	-	-	-	-	0
Reclass	-	-	-	-	-	-	-
Additions	-	1	-	-	-	0	1
Reclass to assets held for sale	-	-	-	-	11,121	-	11,121
Modification	-	-	-153	-	-	-	-153
Disposals	-	-	-	-	-	-	-
as of December 31, 2021	975	1,447	1,731	3,598	13,304	10	21,065
Accumulated amortization and impairment as of January 1, 2021	975	1,370	177	3,598	1,959	-	8,079
Currency differences	-	0	-	-	-	-	0
Additions (amortization)	-	71	369	-	-	-	440
Additions (impairment losses)	-	-	1,174	-	-	10	1,184
Reclass to assets held for sale	-	-	-	-	11,121	-	11,121
Disposals	-	-	-	-	-	-	-
as of December 31, 2021	975	1,441	1,720	3,598	13,080	10	20,824
Carrying amount							
as of December 31, 2020		75	1,707	-	224	10	2,017
as of December 31, 2021	-	6	11	-	224	-	241

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

In financial years 2021 and 2020, no in-house costs were capitalized as development projects. Development costs of EUR 4,385 were recognized as expense in the fiscal year 2021 (2020: EUR 3,153k). As of December 31, 2021, and 2020, there were no in-progress development projects. In 2021, impairments in the amount of EUR 1,184 were recognized (2020: no impairments). The impairments are mainly related to the rights of use in connection with the outsourcing of the shop architecture.

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

kEUR	2021	2020
Cost of sales from continuing operations	-	4
Selling and distribution expenses from continuing operations	1,476	605
Administrative expenses from continuing operations	20	11
Profit or loss from discontinued operations	128	170
Amortization and impairment of intangible assets	1,624	790

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 based on 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 considers 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 material 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, 2021. In a first step, the fair value less costs of disposal of the domain is determined, using an income approach valuation method. In addition, 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: 5.9%
- Perpetuity growth rate: 1.3%
- Discount rate: 13.5%

The assumed growth rate is based on experience and past values as well as expectations concerning future market developments in Switzerland. 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 5 years
- Right-of-use assets expected lease term (2 to 4 years)

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

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

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

Recognition in group financial statements

kEUR	Right-of-use assets				Total
	Leasehold improvements	Furniture and fixtures	Furniture and fixtures	Office spaces	
Cost as of January 1, 2021	6	803	204	1,529	2,541
Currency differences	-	1	-	7	8
Additions	-	35	-	94	129
Disposals	-	-379	-66	-	-445
as of December 31, 2021	6	460	138	1,630	2,234
Accumulated depreciation as of January 1, 2021	5	741	106	305	1,157
Currency differences	-	1	-	4	5
Additions (depreciation)	1	42	41	375	459
Additions (impairments)	-	-	13	10	23
Disposals	-	-379	-66	-	-445
as of December 31, 2021	6	405	94	694	1,199
Carrying amount					
as of December 31, 2020	1	63	97	1,224	1,385
as of December 31, 2021	-	55	44	936	1,035

kEUR	Leasehold improvements	Technical equipment and machinery	Furniture and fixtures	Right-of-use assets		Total
				Furniture and fixtures	Office spaces	
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

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

kEUR	2021	2020
Cost of sales from continuing operations	10	36
Selling and distribution expenses from continuing operations	127	286
Administrative expenses from continuing operations	244	223
Profit or loss from discontinued operations	101	121
Depreciation of fixed assets	482	666

As of December 31, 2021, there are no contractual commitments for the acquisition of fixed assets (December 31, 2020: none). In financial year 2021, unused office spaces and unused furniture and fixtures were impaired. In prior year, there were no impairments pursuant to IAS 36.

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. Except for 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.

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 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 marketplace (regular way trades) are recognized on the trade date, i. e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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 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 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. Trade receivables with a volume of more than EUR 5k are reviewed and measured separately.

Recognition in group financial statements**Trade receivables**

Most 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, 2021, and 2020, trade receivables were as follows:

KEUR	December 31, 2021	December 31, 2020
Gross carrying amount	1,944	2,787
Impairment loss	-1,180	-2,069
	764	718

As of December 31, 2021, impairment charges of EUR 21k were recognized due to default risks (December 31, 2020: EUR 132k). The account for impairment losses developed as follows:

kEUR	2021	2020
As of January 1	2,069	2,060
Addition	21	134
Utilization	-889	-125
Reversal	-21	-
As of December 31	1,180	2,069

Maturity bands used for the measurement of expected credit losses as of December 31, 2021, break down as follows:

Maturity band	Gross carrying amount (kEUR)	Credit impaired
Not overdue and up to 30 days overdue	642	No
31 to 90 days overdue	7	No
more than 90 days overdue	1,295	Yes
	1,944	

In financial year 2021, the write-downs due to uncollectible receivables amount to EUR 889k (2020: EUR 125k).

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, 2021	December 31, 2020
Lease and other deposits	109	108
Other non-current financial assets	109	108
Lease and other deposits	423	620
Accrued advertising contributions and supplier rebates	384	583
Creditors with debit balances	193	132
Sundry	14	70
Other current financial assets	1,014	1,405
Other financial assets	1,123	1,513

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.

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, 2021		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Debt instruments at amortized cost:				
Trade receivables	764	764	718	718
Other financial assets	1,123	1,123	1,513	1,513
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	1,887	1,887	2,231	2,231
current	1,778	1,778	2,123	2,123
non-current	109	109	108	108

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 10k (December 31, 2020: EUR 14k). Those assets qualify as "financial assets at fair value through profit or loss" but are recognized at cost because they cannot be measured at fair value and because of their immaterial amount.

Significant accounting judgments and estimates

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

8.4 Non-financial assets

kEUR	December 31, 2021	December 31, 2020
Prepaid expenses	94	121
Non-current non-financial assets	94	121
VAT receivables	344	634
Prepaid expenses	305	441
Right to recover possession of goods	27	72
Sundry	-	1
Current non-financial assets	676	1,148
Non-financial assets	770	1,269

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, 2021, and December 31, 2020, 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, 2021	December 31, 2020
Gross merchandise	4,552	4,174
Impairment of merchandise	-333	-95
Inventories	4,219	4,079

Inventories are impaired due to a decline in net realizable values and due to slow-moving stock. In addition, the remaining stocks in our warehouse in Barcelona were impaired as the Bebitus business was closed mid of December 2021. No inventories are pledged as securities for liabilities.

Prepayments of EUR 6k (December 31, 2020: EUR 435k) 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, 2021	December 31, 2020
Cash at banks	4,094	8,487
Restricted cash	20	42
Cash on hand	1	1
Cash and cash equivalents	4,115	8,530

Bank balances in China are interest-bearing with 0.3% p.a. All other 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 based on 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 2021 are:

- amortization and depreciation in the amount of EUR 2,106k; and
- Recognizing of a provision for the data security incident (EUR 243k).

Positive cash flows from financing activities result mainly from two capital increases. The gross proceeds of the capital increase in March 2021 amounted to EUR 1,428k. The gross proceeds of the capital increase in July 2021 amounted to EUR 5,833k. In this context, the Group had payments of EUR 509k for equity transaction costs. Further payments of EUR 646k relate to the repayment of leasing liabilities and the payment of interest of EUR 112k, which mainly result from the leasing liabilities. As of December 31, 2021, financial liabilities comprise lease liabilities (EUR 1,593k) and to a small extent liabilities for banks (EUR 5k). As of December 31, 2020, 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	2021	2020
Lease liabilities as of January 1	2,296	620
Currency differences (non-cash effective)	2	-2
Additions (non-cash effective)	94	2,707
Modification (non-cash effective)	-144	-
Repayment (cash-effective)	-655	-1,029
Lease liabilities as of December 31	1,593	2,296

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 March 12, 2021, the Management Board of windeln.de SE decided – with approval of the Supervisory Board and by partially using the Authorized Capital 2020 – on a capital increase of EUR 1,098,207.00 to EUR 12,080,207.00. The subscription price of the new shares amounted to EUR 1.30 each. Gross issuing proceeds amounted to EUR 1,427,669.10.

On May 14, 2021, the Annual General Meeting passed the following resolution that became effective by registration in the Commercial Register as of June 1, 2021:

The Annual General Meeting resolved to cancel the Authorized Capital 2020 in the amount of EUR 160,087.00 and replace by a new Authorized Capital 2021 in the amount of EUR 6,040,140.00. By Authorized Capital 2021, Management Board is authorized, with the consent of the supervisory board, to increase the Company's share capital by May 13, 2026 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.

On June 15 2021 and on July 8, 2021, the Management Board resolved, with the approval of the Supervisory Board and making use of the Authorized Capital 2021, to increase the issued capital by issuing new shares against contribution in cash. The share capital of the Company increased from EUR 12,080,280.00 by EUR 4,487,207.00 to EUR 16,567,487.00 by issuing new shares in the amount of 4,487,207, each representing a pro rata amount in the share capital of EUR 1.00, to EUR 16,567,487.00. Based on the determined subscription price of EUR 1.30 per new share, the gross issue proceeds amounted to EUR 5,833,369.00.

After the equity transactions described above, the Authorized Capital 2021 amounts to EUR 1,552,933.00, the Conditional Capital 2016/II and 2018/I amount to EUR 7,851.00 and EUR 15,737.00. The Conditional Capital 2020/I and 2020/II amount to EUR 3,263,882.00 and EUR 788,228.00.

Issued capital

As of December 31, 2021, the issued capital of the Group parent amounts to EUR 16,567 k (December 31, 2020: EUR 10,982 k). It has been fully paid in and comprises 16,567,487 (December 31, 2020: 10,982,073) 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, 2021			10,982,073
Capital increase	June 24, 2020	March 19, 2021	1,098,207
Capital increase	May 14, 2021	July 13, 2021	4,487,207
As of December 31, 2021			16,567,487

Share premium

As of December 31, 2021, the share premium amounts to EUR 174,853k (December 31, 2020: EUR 173.714k) and breaks down as follows:

kEUR	December 31, 2021	December 31, 2020
Premium from financing rounds and/or IPO	174,478	172,802
Capital increases from Company funds	-25,232	-25,232
Contributions in kind	4,465	4,465
Costs of equity transactions	-7,792	-7,283
Share-based payments	28,895	28,922
Premium from exercise of stock options	40	40
Share premium	174,854	173,714

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 the local management receive share-based payment for their work in the form of equity or cash settlement. 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 rendered 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.

Where appropriate, defined non-marked performance conditions with regards to the possibility of exercise of stock options are considered in the quantity structure with their likelihood. Where appropriate, defined marked performance conditions with regards to the possibility of exercise of stock options are considered in the fair value. This can lead to the fact that already forfeited stock options will still be recognized as personal expenses over the remaining theoretical vesting period, even if market performance conditions are finally not met.

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, 2021, are described below.

Recognition in group financial statements**Description of program VSOP 1 and 2**

As part of the Virtual Stock Option Program (VSOP 1), share-based payment arrangements were made with employees of the Group up to and including 2014, which were modified in 2015 due to the upcoming stock exchange listing. In addition to that, beginning of 2015 further share-based payment arrangements (VSOP 2) were made with employees of the Group. All stock options from these programs are treated as equity-settled share-based payments.

For these two programs, in 2021 there was no granting anymore. However, options can still be exercised up to 15 years starting from grant date.

Description of program 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) were issued. In general, 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. Provided that specified revenue growth targets are met for the Group (so called non-market 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. With regards to the accounting and measurement of the RSU from this program we refer to the paragraph "Change in planned settlement".

For this program, in 2021 there was no granting anymore. As of December 31, 2021, no stock options from this program can be exercised anymore, as for all stock options the performance conditions were not met. The accrued amount for not settled RSUs is equal to the settlement amount and amounts to EUR 0k as of December 31, 2021.

Description of program 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) were 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 (non-market 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 from this program 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. Before 2020 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 disproportionately high costs of a settlement in cash. Indeed, in 2021 fully vested RSUs, which were granted in 2017, were settled in cash as well.

Thereupon, in prior year the accounting of the RSUs was modified pursuant to IFRS 2. A one-time reclassification from share premium 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 recognized at their fair value at the grant date, with this expense being allocated proportionately to share premium 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 program LTIP 2020-2024 – SO and RSU

In 2020 and 2021, 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 regards 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 (market 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 Management 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 regards 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 based on 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 based on 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, 2021. The table does not include information for SOs forfeited as of December 31, 2021, and RSUs accounted for at the actual settlement amount as of December 31, 2021.

	VSOP 1-2	LTIP 2018-2020		LTIP 2020-2024	
		RSU	SO	RSU	SO
Expected volatility (%)	37.46% - 40.80%	110.08% - 136.95%	44.51% - 47.88%	114.03% - 117.65%	72.01% - 72.40%
Risk-free interest rate (%)	0.00%	-0.70% - -0.66%	0.00%	-0.65% - 0.63%	-0.68% - 0.59%
Expected dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Expected life of options (years)	0.25 - 4	0.52 - 1.26	4 - 4.67	2.72 - 3.28	6.17
Average share price on the measurement date (in EUR)	13.25	0.69	1.26 - 2.17	0.69	0.98 - 1.81

The stock options' subscription rights recognized exclusively in equity changed as follows:

	VSOP 1-2	LTIP 2015-2017 (SO)	LTIP 2018-2020 (SO)	LTIP 2020-2024 (SO)
Outstanding at the beginning of the reporting period (January 1, 2021)	4,416	99	11,228	120,820
Granted during the reporting period	-	-	-	154,000
Exercised during the reporting period	-	-	-	-
Forfeited during the reporting period	-	-99*	-6,393**	-139,321***
Expired during the reporting period	-	-	-	-
Outstanding at the end of the reporting period (December 31, 2021)	4,416	-	4,835	135,499
Exercisable at the end of the reporting period (December 31, 2021)	4,416	-	-	-

* For the stock options granted in 2017 and which were still outstanding as of December 31, 2020, the pretended performance target relating to the defined average revenue growth during the four-years vesting period were finally not met. Therefore, the options are forfeited.

** For the stock options granted in 2018, the pretended performance target relating to defined EBIT-targets were finally not met. Therefore, the options are forfeited.

*** For the stock options granted in 2020, the pretended increase in stock price in the defined period was not met. Therefore, the options are 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, 2021)	35.00	107.47	25.38	1.20
For stock options granted during the reporting period	-	-	-	1.30
For stock options exercised during the reporting period	-	-	-	-
For stock options forfeited during the reporting period	-	107.47	39.06	1.21
For stock options expired during the reporting period	-	-	-	-
For stock options outstanding at the end of the reporting period (December 31, 2021)	35.00	-	7.28	1.30
For stock options exercisable at the end of the reporting period (December 31, 2021)	35.00	-	-	-

The weighted average remaining contractual life for the stock options outstanding as of December 31, 2021, is three years. The weighted average fair value of the restricted stock units granted in 2021 was EUR 1.31 as of grant date. The weighted average fair value of the stock options granted in 2021 was EUR 0.20. Considering the capital decreases in 2019, the exercise price range for the equity-settled stock options outstanding as of December 31, 2021, is EUR 1.30 to EUR 35.00, if an exercise price has been set.

Presentation of financial impacts

In 2021, a total income of EUR 22k (2020: expense of EUR 57k) was recognized for share-based payment compensation. Thereof, an income of EUR 37k (2020: expense of EUR 30k) can be allotted to equity-settled share-based payment obligations and an expense of EUR 15k (2020: expense of EUR 27k) can be allotted to cash-settled share-based payment obligations.

As of December 31, 2021, an amount of EUR 11,961k is reported in the share premium for equity-settled and cash-settled share-based payment obligations from stock option programs (December 31, 2020: EUR 11,988k). As of December 31, 2021, an amount of EUR 48k is reported as provision for cash-settled share-based payment obligations from stock option programs (December 31, 2020: EUR 45k).

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 48k. 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, 2021	8	103	27	138
Addition	84	23	243	350
Reversal	-	-86	-	-86
Utilization	-	-17	-27	-44
As of December 31, 2021	92	23	243	358

As of December 31, 2021, other current provisions included mainly a provision for a possible penalty in connection with the data security incident occurred in the year 2020, and provisions for onerous contracts in connection to the closure of the Bebius business. As of December 31, 2020, other current provisions were mainly recognized for a legal dispute with employees.

In the financial year 2020, a data security incident occurred. In this context, windeln.de submitted a statement to the German Federal Office for Information Security (BSI) end of 2020. Until today, a response from side of BSI is outstanding. The BSI could impose a fine within a three-year period. After the judgement of an external lawyer firm in the beginning of 2021, the Management Board concluded that the occurrence of a fine is likely. The amount of the possible fine is estimated to EUR 243k. The amount is oriented on the concept of the independent data protection authorities of the state and the federates for measurement of penalties in proceedings against companies.

Other financial obligations

Obligations

As of December 31, 2021, future obligations from goods ordered but not yet delivered amounted to EUR 1,683k (December 31, 2020: EUR 2,417k). In addition, as of December 31, 2020, future obligations from a service agreement amounted 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 an Incentive 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 countered 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. In the second quarter of 2021, the Group has won the trial in the first instance whereby no further payments need to be done to both employees. In the meantime, both employees have given notice of appeal. The Management Board estimates the chances to win the appeals procedure to more than 50% and therefore the posted provision in the amount of EUR 86k has been released affecting net income.

Furthermore, like in prior year there are no material legal disputes as of December 31, 2021.

As of December 31, 2021 and 2020, no guarantees have been provided.

Significant accounting judgments and estimates

Provisions are determined based on 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, 2021, trade payables amount to EUR 4,040k (December 31, 2020: EUR 3,490k), 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 lease liabilities (December 31, 2021: EUR 1,593k; December 31, 2020: EUR 2,296k) and to a small extent liabilities from banks (December 31, 2021: EUR 5k; December 31, 2020: none). The measurement of lease liabilities as of December 31, 2021, is outlined in note 10.

Other financial liabilities

kEUR	December 31, 2021	December 31, 2020
Debtors with credit balances	498	527
Bonus liabilities	317	588
Other personnel-related liabilities	263	322
Audit of financial statements and tax advisory services	223	189
Liabilities for supervisory board	163	203
Liabilities for other advisors	83	21
Expected refund obligations for returns	23	65
Sundry	-	43
Other current financial liabilities	1,570	1,958

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:

kEUR	December 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities at amortized cost:				
Trade payables	4,040	4,040	3,490	3,490
Other financial liabilities	1,570	1,570	1,958	1,958
Financial liabilities at fair value through profit or loss:				
---	-	-	-	-
Total financial liabilities, without lease liabilities	5,610	5,610	5,448	5,448
current	5,610	5,610	5,448	5,448
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.

8.11 Non-financial liabilities

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

kEUR	December 31, 2021	December 31, 2020
Liabilities from customs authorities	214	264
Liabilities from social security, wage, and church taxes	194	233
VAT liabilities	52	204
Current non-financial liabilities	460	701

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 soon.

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 2021 and 2020 are:

kEUR	2021	2020
Current income taxes	7	7
Actual income taxes	7	7
Deferred taxes from temporary differences	2	-1
Deferred taxes from tax losses	3	-3
Deferred taxes	5	-4
Income tax benefit (-) and expense (+)	12	3
<i>thereof from continuing operations</i>	12	3
<i>thereof from discontinued operations</i>	-	-

Current taxes in Germany are calculated by applying a uniform corporate income tax rate including solidarity surcharge of 15.8% (2020: 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 17.1% (2020: 17.1%), resulting in an overall tax rate in Germany of 32.9% (2020: 32.9%). windeln.de SE's deferred tax assets and liabilities were measured using the aggregate tax rate of 32.9% (December 31, 2020: 32.9%).

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

Romania – 16.0%
Spain – 25.0%
China – 2.5%

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 2021 and 2020 is as follows:

kEUR	2021	2020
Earnings from continuing operations before income tax	-10,887	-8,736
Earnings from discontinued operations before income tax	-2,649	-5,008
Earnings before income taxes	-13,536	-13,744
Expected income tax benefit (-) and expense (+)	-4,543	-4,823
Unused tax losses without deferred tax assets	4,766	4,730
Loss carryforwards with recognition of deferred tax assets from excess liabilities	-	75
Unrecognized deferred tax assets arising on temporary differences	229	-152
Non-deductible operating expenses	41	56
Tax-free foreign dividend income	-5	-
Effects from changes in effective tax rates	10	-
True-up from changes of preliminary tax calculation of prior years	-195	-
Other effects	-291	117
Effective tax expense (+) or tax income (-)	12	3
Expected tax rate (in %)	33.56%	35.09%
Effective tax rate (in %)	-0.09%	-0.03%

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

kEUR	2021	2020
Tax-loss carry-forward	58,196	53,625
Inventories	53	69
Other current provisions	132	53
Other current financial liabilities	12	3
Current financial liabilities	102	179
Non-current financial liabilities	423	551
Trade receivables	14	21
Intangible assets	0	0
Deferred tax assets	58,933	54,501
Fixed assets	321	971
Trade receivables and other financial assets	18	-
Other	61	1
Deferred tax liabilities	399	972
After netting:		
Deferred tax assets (total)	58,534	53,529
Deferred tax liabilities (total)	-	-
Thereof recognized in the statement of financial position (deferred tax assets)	1	6
Thereof recognized in the statement of financial position (deferred tax liabilities)	-	-

In the Group, German loss carryforwards for corporate income tax totaled EUR 175,901k (December 31, 2020: EUR 162,216k), and German loss carryforwards for trade tax totaled EUR 172,268k (December 31, 2020: EUR 158,780k). As of December 31, 2021, there were no longer any foreign tax-loss carry-forwards from continuing operations (December 31, 2020: EUR 58k).

The tax-loss carryforwards in China from 2020 could be fully utilized in 2021. As of December 31, 2021, there are not tax-loss carryforwards in China anymore. The deferred tax asset in the amount of EUR 3k as of December 31, 2020 was fully utilized in 2021.

From discontinued operations, foreign tax-loss carry-forwards totaled EUR 3,568 (December 31, 2020: EUR 3,613k). No deferred tax assets were recognized on foreign tax-loss carryforwards in Spain due to the loss histories of Bebitus Retail S.L.U. Tax-loss carryforwards in Spain can be used for an unlimited period. Due to the closure of the Bebitus business the management expects that the tax-loss carryforwards cannot be utilized anymore in the future. Unrecognized deferred tax assets on tax-loss carryforwards as of December 31, 2021 amounted to EUR 892k in Spain (December 31, 2020: EUR 903k).

Due to the liquidation of windeln.ch AG in 2020, all tax-loss carryforwards have expired. As in the prior year, there are no loss tax-loss carryforwards in Romania.

As of December 31, 2021 and 2020, no deferred tax liabilities were recognized on temporary differences associated with investments in subsidiaries (2021: EUR 1k; 2020: EUR 1k). The temporary differences are related to discontinued operations.

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 45 days after the order date for JD 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.

Coupons

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 coupons 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	2021	2020
Revenues from continuing operations by type		
Revenue from the sale of merchandise	52,006	75,772
Revenue from other services	86	214
Revenue from sales commissions	-	81
	52,092	76,067

In 2020, three transactions with corporate customers were structured as commission business and recognized in the income statement accordingly. In financial year 2021, there was no commission business. Geographic regions correspond to our operating segments (see note 5).

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 23k as of December 31, 2021, (December 31, 2020: EUR 65k). The corresponding right to recover possession of goods is recognized within current non-financial assets and amounts to EUR 27k as of December 31, 2021, (December 31, 2020: EUR 72k).

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:

kEUR	Deferred revenues			
	for outstanding shipments	for purchased vouchers	for loyalty bonuses	for customer benefit plans
As of January 1, 2020	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
thereof recognized as revenue in 2021*	2,001	83	27	8
As of December 31, 2021	626	109	66	-

* comprises both revenues from continuing and discontinued operations

As an additional contract liability, accrued losses from coupons in the amount of EUR 8k are recognized within provisions as of December 31, 2021 (December 31, 2020: EUR 8k) (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	2021	2020
Gains from currency differences	124	383
Time-barred customer overpayments or liabilities to suppliers	78	227
Income from subleases	15	146
Government assistance	-	30
Income from sales to suppliers	-	2
Sundry	13	21
Other operating income from continuing operations	230	809

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	2021	2020
Cost of sales from continuing operations		
Cost of materials	41,337	58,552
Personnel expenses	262	436
Handling fees	223	759
Amortization and depreciation	10	40
Other cost of sales	74	96
	41,906	59,883
Selling and distribution expenses from continuing operations		
Personnel expenses	4,603	5,861
Logistics expenses	3,717	5,442
Marketing	1,888	2,571
Amortization, depreciation, and impairments	1,603	891
External services	1,121	514
IT environment	785	715
Payment processing	611	678
Rental expenses	465	509
<i>thereof warehouse rent</i>	405	379
Sales commissions and compensation for expenses	290	1,282
Provision for possible penalty (data security incidence)	243	-
Bad debts / valuation allowances	17	107
Other selling and distribution expenses	147	468
	15,490	19,038
Administrative expenses from continuing operations		
Personnel expenses	3,308	3,550
IT environment	472	453
Closing expenses and audit fees	302	242
Amortization, depreciation, and impairments	264	234
Legal and consulting costs	250	757
Insurance	192	145
Supervisory board remuneration including out-of pocket expenses	96	192
External services	70	178
Rental expenses	62	102
Other administrative expenses	513	466
	5,529	6,319
Other operating expenses from continuing operations		
Losses from currency differences	185	304
Losses from the disposal of non-current assets	-	1
	185	305

Expenses for defined benefit obligations and other accrued employee benefits

kEUR	2021	2020
Wages and salaries	8,529	10.237
Share-based payments	-22	57
Social security expenses	1,433	1.439
Personnel expenses	9,940	11.733
<i>thereof from continuing operations</i>	<i>8,173</i>	<i>9.847</i>
<i>thereof from discontinued operations</i>	<i>1,767</i>	<i>1.886</i>

In 2021, the Group had an average of 165 active employees (2020: 197 active employees⁴⁰). The contributions to the statutory pension insurance schemes amount to EUR 636k in 2021 (2020: EUR 577k).

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	2021	2020
Interest and similar income	1	5
Financial income from continuing operations	1	5
Interest expense on lease liabilities	98	71
Other interest and financial expenses	2	2
Financial expenses from continuing operations	100	73
Financial result from continuing operations	-99	-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	2021	2020
Profit or loss from continuing operations (kEUR)	-10,899	-8,740
Profit or loss from discontinued operations (kEUR)	-2,649	-5,008
Profit or loss for the period (kEUR)	-13,548	-13,748
Basic weighted average number of shares (thousands)	4,654	2,672
Earnings per share from continuing operations (EUR)	-2.34	-3.27
Earnings per share from discontinued operations (EUR)	-0.57	-1.88
Earnings per share (EUR)	-2.91	-5.15

⁴⁰ In the Notes 2020, 211 employees were disclosed; incl. active and inactive employees.

As per IAS 33, the impact of potential ordinary shares was not considered in the determination of diluted earnings per share as of financial years as of December 31, 2021 and 2020, as 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, 2021, 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 2021.

Until August 2021, an unused vehicle was 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, 2020	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
Currency differences	-	-	2
Additions and modifications	-153	-	94
Depreciation, amortization, and impairment	-1,542	-54	-384
Disposals	-	-	-
Carrying amount as of December 31, 2021	12	43	936

Lease liabilities have developed as follows:

kEUR	2021	2020
Carrying amount as of January 1,	2,296	620
Currency differences	2	-2
Additions	94	2.707
Modification of lease agreements	-144	-
Total cash outflow for leases	-766	-1,109
thereof repayment	-655	-1.029
thereof interest	-111	-80
Interest expense on lease liabilities	111	80
Carrying amount as of December 31	1,593	2,296

As of December 31, 2021, the current portion of the lease liabilities amounts to EUR 307k (December 31, 2020: EUR 603k) and the non-current portion amounts to EUR 1,286k (December 31, 2020: EUR 1,693k).

Further disclosures:

kEUR	2021	2020
Expense for low-value leases with lease terms of more than twelve months	24	125
Income from subleasing right-of-use assets	15	147

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 in 2021 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)		Closing rate (1 EUR = 1 CU FC)	
		2021	2020	Dec. 31, 2021	Dec. 31, 2020
People's Republic of China	CNY	7.6282	7.8747	7.1947	8.0225
Romania	RON	4.9215	4.8383	4.9490	4.8683
Switzerland	CHF	1.0811	1.0705	1.0331	1.0802
U.S.A.	USD	1.1827	1.1422	1.1326	1.2271

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://windeln.de.tmall.hk>) as well. Transactions are concluded in Renminbi Yuan (CNY). Receivables from customers arise in CNY, incoming customer payments are converted to EUR by the payment provider. windeln.de SE is also generating 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, 2021 (1 EUR = 1 CU FC)	Effect on net profit 2021 at +10% (in kEUR)	Effect on net profit 2021 at -10% (in kEUR)
CHF	293	1,0331	-26	32
USD	76	1,1326	-7	8
CNY	467	7,1947	-14	17
RON	0	4,9490	10	-10

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, 2021 and 2020, there are no material 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, 2021, 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. 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 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, flat rate 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 of the 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 several banks with good credit ratings.

11.3 Liquidity risk

The liquidity risk is the risk that the Group may not be able 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 to cover net cash outflows from operating activities. Depending on the business development, the Group may, beside the planned capital increase in the second quarter of 2022, need further financial funding until the achievement of positive cash flows; either in form of equity instruments or debt instruments to secure the Group's solvency and to have an adequate 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, 2021	5,632	286	1,286
Lease liabilities	101	207	1,286
Liabilities from banks	5	-	-
Trade payables	4,040	-	-
Other financial liabilities	1,491	79	-

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 supervisory board on January 19, 2021, Mr. Christian Reitermann is a related party. Since his resignation as member of the Management Board on March 31, 2021, Mr. Dr. Nikolaus Weinberger is not a related party anymore. Since their resignations as member of the Supervisory Board of windeln.de SE on May 14, 2021, Mr. Weijian Miao, Mrs. Yafang Tang and Mrs. Xiao Jing Yu are not a related party anymore.

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.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. If outstanding balances exist at the year-end, those are unsecured, interest free and settlement is made in cash. There have been no guarantees provided or received for any related party receivables or payables. No impairment losses were recognized on receivables from related parties in the financial years 2021 and 2020.

Transactions with key management personnel

In 2020 and in 2021, windeln.de SE entered into commission agreements with the chairman of the supervisory board Clemens Jakopitsch relating to the capital increases in February 2020, in October 2020, in March 2021 and in July 2021. From those agreements, commission fees including out-of pocket expenses of EUR 106k were paid in 2021 (2020: EUR 108k).

In addition, key management personnel of the Group did not purchase goods in the ordinary course of business in fiscal year 2021 (2020: below EUR 1k). As of December 31, 2021 and 2020, there were no outstanding receivables from the sale of goods from key management personnel.

Remuneration granted to members of the management board and of the supervisory board are described in the remuneration report, which is available on the corporate website under <https://corporate.windeln.de/en/investor-relations/#verguetungsbericht>.

Management board

The expense for the management board recognized in the financial years 2021 and 2020 is broken down below by category of compensation:

kEUR	Total 2021	Total 2020
Fix compensation	584	805
Variable compensation	131	-94
Share-based payments	-13	45
Post employment benefits	-	250
Fringe benefits	54	66
Total	756	1,072

With the exception of the income from the share-based payment, all remuneration components are due in the short term.

Board remuneration xx

The total remuneration granted to the Management Board in 2021 amounts to EUR 921k (prior year: EUR 1,148k). This remuneration includes fixed salary components of EUR 584k (prior year EUR 812k) and variable components of EUR 283k (prior year EUR 270k) as well as fringe benefits and social security contributions of EUR 54k (prior year EUR 66k). In 2021, 100,000 stock options and 100,000 RSUs were issued to the members of the Management Board, which had a fair value of EUR 151k (prior year: EUR 153k) at the time they were granted. Compensation in connection with the termination of the employment relationship was not paid to members of the Management Board in 2021 (previous year: EUR 250k).

Supervisory board

The supervisory board compensation was newly settled by the Annual General Meeting held on June 24, 2020, with effective date of July 1, 2020. The compensation 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 15k or EUR 30k 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.

A total expense (incl. out of pocket expenses) of EUR 96k was recognized for supervisory board compensation for the financial year 2021 (2020: EUR 196k).

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

Transactions with other related parties

In the financial years 2021 and 2020, no goods were sold close family members of key management personnel in the normal course of business. In the financial years 2021 and 2020, there were no loans from or to related parties.

13. Corporate boards

13.1 Management board

Name	Profession	External mandates
Matthias Peuckert (until March 31, 2022)	CEO of windeln.de SE and responsible for Marketing, Category Management, Logistics, Customer Service, Procurement, Strategy and Projects units as well as for the scope of functions by Dr. Nikolaus Weinberger since his resignation	None
Xiaowei Wei	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
Dr. Nikolaus Weinberger (until March 31, 2021)	Until his resignation 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

If not mentioned otherwise, external mandates comprise memberships in supervisory boards and other controlling bodies as of December 31, 2021, 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, 2021. Non-voting positions as board observers are not disclosed as external mandates.

13.2 Supervisory board

Name	Profession	External mandates
Clemens Jakopitsch, Chairman	Independent business consultant	<ul style="list-style-type: none"> - mybet Holding SE (deputy chairman of the supervisory board) - United Mobility Technology AG (member of the supervisory board) - Nanorepo AG (member of the supervisory board)
Maurice Reimer	Managing Director of several entities	<ul style="list-style-type: none"> - Hauptstadt Mobile HM GmbH (Managing Director) - Hauptstadt Immobilien HI GmbH (Managing Director) - Datedicted GmbH (Managing Director) - Hauptstadt Capital HC UG (Managing Director) - Reimer Consulting & Investment Ltd. (Managing Director) - Mybet SE (member of the supervisory board)
Christian Reitermann (since January 19, 2021)	CEO of Ogilvy Asia	<ul style="list-style-type: none"> - Babytree Group (independent member of the supervisory board)
Weijian Miao (until May 14, 2021)	Business owner	<ul style="list-style-type: none"> - 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 (until May 14, 2021)	Professional investor	None
Xiao Jing Yu (until May 14, 2021)	Consultant	None

The profession describes the main occupation of the supervisory board member as of December 31, 2021, 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, 2021, 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, 2021. 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	2021	2020
Audit services	262	198
thereof for prior years	71	44
Other assurance services	120	112
Tax advisory services	-	-
Other services	-	-
Total fee	382	311

15. 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

Extraordinary General Meeting

At an Extraordinary General Meeting on January 28, 2022, it was resolved to reduce the share capital of windeln.de SE by cancelling two shares as preparation for an ordinary capital reduction. It was also resolved to reduce the share capital of windeln.de SE by way of an ordinary capital reduction by a reverse stock split at a ratio of 3 : 1 from EUR 16,567,485 by EUR 11,044,990 to EUR 5,522,495. This measure was intended to give the Company the opportunity to raise capital on the capital market by issuing new shares. The merger of the shares reduces the number of shares in the Company without affecting the assets of the Company.

Furthermore, it was resolved to increase the share capital of the company by up to EUR 7,000,000.00 against cash contribution and with indirect subscription rights of the shareholders.

At last, an amendment to Article 8 of the Articles of Association (Supervisory Board, composition, elections, term of office) was resolved. Accordingly, the Supervisory Board is permanently composed of three members (previously six members).

Capital decrease

On February 22, 2022, the capital reduction was entered in the commercial register. Since then, the share capital of windeln.de SE has been EUR 5,522,495.

Change in the Executive Board

On March 18, 2022, windeln.de announced that CEO Matthias Peuckert resigns as of March 31, 2022. Effective 1, 2022, Mr Bastian Salewsky was appointed as the new Chairman of the Executive Board. For the time being, the Executive Board contract has a term of one year.

Capital increase

On March 28, 2022, the Management Board of windeln.de SE determined, with approval of the Supervisory Board, the further details of the ordinary capital increase resolved upon by the Extraordinary General Meeting on January 28, 2022. It was determined to increase the share capital of the Company in accordance with the resolution of the General Meeting from EUR 5,522,495.00 by up to EUR 6,730,769.00 to up to EUR 12,253,264.00 by issuing up to 6,730,769 new no-par value bearer shares in the Company, each with a proportionate amount of the share capital of EUR 1.00 and with full dividend rights from January 1, 2021 (the "New Shares") against cash contributions. The subscription price per New Share is EUR 1.04. The original subscription period began on March 31, 2022 and was intended to end on April 13, 2022.

In the forefront of the capital increase, two investors signed commitment agreements and undertook towards the Company to buy New Shares at the subscription price up to a defined maximum number. In total, the Company received commitment agreements with regard to New Shares in an equivalent value (based on the subscription price) of up to EUR 5.5 million.

As the investors that undertook to buy New Shares by means of the commitment agreements are temporarily not in a position to fulfil their commitments due to the COVID-19 caused lockdown in parts of China, in April 2022, the Management Board, with approval of the Supervisory Board, extended the subscription period until May 11, 2022. On May 9, 2022, the subscription period was extended again, and now ends on June 8, 2022.

16. Corporate governance declaration

windeln.de SE has submitted the declaration of compliance with the German Corporate Governance Code required by Sec. 161 AktG and made it available to its shareholders on the website <https://corporate.windeln.de/en/corporate-governance>.

Munich, May 12, 2022

Bastian Salewsky

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, May 12, 2022

Bastian Salewsky

Xiaowei Wei

Disclaimer of opinion of the independent auditor

To windeln.de SE, Munich

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

Statement of the non-issuance of audit opinions

We have been engaged to audit 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, 2021, the consolidated statement of comprehensive income/loss, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2021, as well as notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have been engaged to audit the group management report of windeln.de SE for the financial year from January 1 to December 31, 2021.

We do not issue audit opinions with regards to the attached consolidated financial statements and the attached group management report. Due to the importance of the circumstances described in "Basis for the statement of the non-issuance of audit opinions" we were not able to gain sufficient audit evidence as basis for audit opinions with regards to the consolidated financial statements and the group management report, and therefore we refuse the audit opinion.

Basis for the statement of the non-issuance of audit opinions

The Company and thus the Group are in a tense liquidity situation. The legal representatives have prepared the consolidated financial statements under the assumption of going concern. This assumption is based on a liquidity planning which considered the cancelled capital increase beginning of July 2022. We have not obtained an updated liquidity planning without capital increase. Therefore, due to insufficient audit evidence, especially with regards to the possibility of a capital increase in the future, we were not able to make conclusions on the adequacy of the going concern accounting standard applied by the legal representatives.

This circumstance has material importance also for the judgement of the presentation of the course of business as presented in the group management report, and the situation of the Group, as well as the presentation of opportunities and risks of the future development.

Additionally, we refer to the following fact which would have been led to a limitation in case of the issuance of an audit opinion on the consolidated financial statements and management report. The consolidated financial statements and the group management report were prepared as of May 12, 2022.

The outlook presented in the group management report was prepared under consideration of the planned capital increase in the second quarter of 2022. This was stopped by the management board on July 1 2022. An update of the outlook was not done.

An update of the information in the subsequent events presented in the notes to the consolidated financial statements was not performed.

Responsibility of the legal representatives and the supervisory board for the consolidated financial statements and the group management report

The legal representatives are 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, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material intentional or unintentional misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are 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, the legal representatives are 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, the legal representatives are 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 responsibility for the audit of the consolidated financial statements and the group management report

Our responsibility is to conduct an audit of the consolidated financial statements and the group management report in accordance with Section 317 HGB, and the EU Audit Regulation (No. 537/2014), and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Furthermore, our responsibility is to issue an audit opinion.

Due to the circumstances described in "Basis for the statement of the non-issuance of audit opinions" we were not able to gain sufficient audit evidence as basis for audit opinions with regards to the consolidated financial statements and the group management report.

We are independent from the company in accordance with the European as well as the German statutory and professional law and have complied our other German professional duty in accordance with these requirements. In addition, we declare in line with Article 10 paragraph 2 letter f EU Audit Regulation that we have not performed any prohibited non-audit-services according to Article 5 paragraph 1 EU Audit Regulation.

Other legal and regulatory requirements**Report on the assurance in accordance with Section 317 (3a) 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 3a 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 downloaded by the issuer from the electronic client portal with access protection, „windelnde-2021-12-31-de (1).zip“ (SHA256-Hashwert: fc574ff1f3937e1c8d4ef3e68f930a0d443e94ad25d5c47e3ed1aec7f0c01830) 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 audit 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 explanation of the non-issuance of audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2021 contained in the "Disclaimer of Opinion 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 paragraph 3a HGB under consideration of the IDW Assurance Standard: Assurance in accordance with Section 317 paragraph 3a HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 410 (10/2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities according to this are further described below. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in Audit Firms (IDW QS 1).

The legal representatives are 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 legal representatives are 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 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 skepticism 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 valid on the reporting date.
- 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 as required by articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 14, 2021. We were engaged by the audit committee on February 2, 2022. We have been group auditor of windeln.de SE without interruption since financial year 2019.

We declare that the opinion of the non-issuance of audit opinions expressed in this disclaimer of opinion is consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other information – Usage of the disclaimer of opinion

Our disclaimer of opinion must always be read in connection with the consolidated financial statements and the group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report, both converted into XHTML format – also the version to be published in the German Federal Gazette – are only electronical reproductions of the consolidated financial statements and the group management report, and do not replace those. Especially the ESEF opinion and our audit opinion included in it can be used only in connection with the audited ESEF documents prepared in electronic format.

German Public Auditor responsible for the engagement

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

Munich, August 4, 2022
KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by]

gez. Rupprecht
Wirtschaftsprüfer
[German Public Auditor]

gez. Reule
Wirtschaftsprüfer
[German Public Auditor]

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 twelve 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 customers

We define average orders per active customer as number of orders divided by the number of active customers in the last twelve 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 ("existing customers"), irrespective of returns. The share of repeat customer orders represents the number of orders from existing 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 our web shops in the measurement period minus cancellations. The Euro amount includes value added tax and excludes marketing rebates.

Average order value

We define average order value as gross order intake divided by the number of orders in the measurement period.

Returns (in % of 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. Gross revenues from orders are defined as the total aggregated Euro amount spent by our customers minus cancellations but irrespective of returns. The 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.

Fulfillment cost ratio

We define fulfillment cost ratio as fulfillment 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, the in 2021 recorded provision for a possible penalty in connection with the data protection incidence from the year 2020, the impairment of the external shop architecture due to the cancellation of the project (in 2021), the cancelled warehouse move planned for 2020 (in 2020), as well as one-time foreign exchange effects from the deconsolidation of windeln.ch AG (in 2020).

Operating contribution

We define operating contribution as gross profit reduced by marketing and fulfilment costs.

Imprint

Editorial team and contact

windeln.de SE
Stefan-George-Ring 23
81929 München, Deutschland
corporate.windeln.de

Corporate communications

E-Mail: investor.relations@windeln.de

Concept, text, layout and design

windeln.de SE

Picture credits

Shutterstock, iStock, Unsplash

Disclaimer

This Annual Report contains forward-looking statements, which are based on assumptions and estimates of the management of windeln.de SE. Even if the management of the Company 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 may include, for example, changes in the macroeconomic situation, the legal and regulatory framework in Germany, the EU, and China, and changes in the industry, but also those factors mentioned in the Risk Report on pages 36 to 39.

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 to adapt them to events or developments after the date of this report.

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



windeln.de