fashionette

HALF-YEAR REPORT 2020

ABOUT fashionette AG

(Fashionette GmbH until 30 September 2020)

fashionette is a leading European data-driven online platform for premium and luxury fashion accessories including handbags, shoes, sunglasses, watches and jewelry. Since its foundation in 2008, fashionette has established a market-leading brand recognition for premium and luxury handbags in its core market of Germany. The focus of fashionette is to make personalized online shopping of premium and luxury fashion accessories available to every woman in Europe. For additional information about fashionette, please visit fashionette's websites at corporate.fashionette.com (Corporate Website) and www.fashionette.com (webshop).

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INTERIM MANAGEMENT REPORT

Macroeconomy and sector conditions

For fashionette, the global economy as well as economic growth in Germany and Europe in relation to the offering of premium and luxury fashion accessories are of great significance.

The spread of the worldwide pandemic triggered by the Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2) ("**COVID-19 Pandemic**") in recent months has affected all key economies worldwide, including all markets in Europe, disrupted public life and the operations of multiple businesses. In October, the International Monetary Fund ("**IMF**") forecast a 4.4% slump in global economic output for 2020 following a less severe contraction compared to the June outlook of -4.9%. The revision reflects better Q2 GDP outturns, mostly in advanced economies such as the US and the euro area, where activity began to improve sooner after lockdowns were scaled back in May and June, as well as indicators of a stronger recovery in Q3. At the start of the year, the IMF had been anticipating growth of 3.3%. The IMF also upgraded its 2020 predictions for the eurozone and is now expecting a fall in GDP of 8.3%, 0.8 percentage points less severe than it had forecast in June. An economic recovery in the euro area with growth of up to 5.2% is on the cards for 2021. The IMF revised its Germany forecast upwards by 1.8 percentage points and is now expecting the economy to shrink by 6.0% in 2020 as a whole. It is now expecting growth of 4.2% for 2021, down by 1.2 percentage points on its previous forecast.

The Company operates in the European market for premium and luxury fashion accessories, i. e. for premium and luxury fashion accessories including handbags, shoes, sunglasses, watches and jewelry, in eight countries (Germany, Austria, Switzerland, France, Italy, Netherlands, Sweden and the United Kingdom), with the majority of the Company's revenue currently generated in the DACH region, i. e., Germany, Austria and Switzerland. The European premium and luxury fashion accessories market comprises parts of both (i) the European luxury goods market, and (ii) the European accessories market (source for all following market definitions, estimates and forecasts: Statista Consumer Market Outlook July 2020). From 2020 to 2023, the European luxury goods market is forecasted to grow to EUR 100.9bn market revenue with a compound annual growth rate ("**CAGR**") of 8.6%. In the same period, the online penetration is expected to reach 13.1% (approximately EUR 13.2bn market revenue) growing with a CAGR of 16.6%.

Within the European luxury goods market, the Company is currently active in the market segments (i) luxury leather goods (i.e. relevant brands for luggage, bags, and small leather goods), (ii) luxury footwear, and (iii) luxury eyewear. Together, these market segments are expected to grow to EUR 34.7bn of total market revenue by 2023 with a CAGR of 8.2% for the years 2020 to 2023.

The European accessories market covers watches and jewelry, luggage and bags, small leather goods and handbags. From 2020 to 2023, this market is estimated to grow to EUR 78.9bn market revenue. In the same period, the online penetration is forecasted to reach 17.8% (approximately EUR 14.0bn of market revenue) growing with a CAGR of 11.1%.

Within the European accessories market, the most relevant market segment in which the Company operates is the handbags segment covering handbags and smaller bags for everyday use. The forecasted online revenue CAGR for the years 2020 to 2023 is 11.1% for this market.

KEY TRENDS

The European premium and luxury fashion accessories market is currently impacted by a number of key trends which influence the performance of the Company.

The Company believes that the premium and luxury online e-commerce category is significantly underpenetrated with a strong continued growth potential in the near and medium-term. The online penetration of the global personal luxury goods market is forecasted to grow to 28% to 30% of total market revenue by 2025 (source: Bain – Altgamma Spring 2020 Luxury Goods worldwide market study). The Company believes there was an acceleration in this trend from offline to online in Europe due to the COVID-19 Pandemic and expects this trend to continue to accelerate from that observed in recent years.

Certain categories, such as consumer electronics and consumer appliances, have a more mature and consequently higher (25%+) online retail penetration compared with other less mature categories such as premium and luxury fashion accessories, in many cases having transitioned to e-commerce at a much earlier stage. In Europe, the premium and luxury segments have been slower to move into the online space with online penetration of key categories still at the 10% to 15% of total market revenue level (source: Statista Consumer Market Outlook July 2020), a level also in line with the wider global personal luxury goods market online penetration figure of 12% total market revenue (source: Bain & Company 2019 Luxury Goods worldwide market study). The Company believes this disparity offers the opportunity of potential future growth as consumers become more comfortable shopping for premium and luxury items online.

The younger demographic (“**Generation Z**”) and millennial customers (also known as “**Generation Y**”) are expected to contribute the majority of growth in the global personal luxury goods market with a more conscious attitude towards luxury and given their high affinity for the internet in general and e-commerce in particular. In 2019, Generation Y and Generation Z accounted for 39% of total market revenue in the global personal luxury goods market, in 2025 this is forecasted to grow to 50% to 60% of total market revenue (source: Bain – Altgamma Spring 2020 Luxury Goods worldwide Market study).

The Company believes that Europe continues to represent a highly attractive demographic for the Company's offering of premium and luxury fashion accessories. In particular, in the European segments of the European premium and luxury fashion accessories market which are most important for the Company, i. e. handbags, luxury leather goods, luxury footwear and luxury eyewear, the total online market revenue is forecasted to grow by between 11% and 18% per year between 2020 and 2023, which the Company believes provides a positive outlook for its continued organic growth.

The growth of the Company and the margins depend on the regional economic conditions of these markets and their impact on consumer spending, which may be negatively affected during periods of economic uncertainty and recessions. Even though the COVID-19 Pandemic entailed to a severe decline of sales in the European premium and luxury fashion accessories market for a short period of time, the Company's sales proofed to be resilient and the Company believes to have even benefited from the general shift towards online offerings resulting from the measures and changes of behavior in the context of the COVID-19 Pandemic.

The Company has so far not seen a continuing negative effect of the COVID-19 Pandemic on demand of the products offered by the Company. Furthermore, the effects of the COVID-19 Pandemic coincided with business development projects, i. e., marketing investments, selection expansion etc., that the Company had planned prior to the COVID-19 Pandemic, which resulted in positive tailwind effects during the last months. The Company is, however, not yet in a position to assess the near-term, mid-term and long-term effects of the COVID-19 Pandemic on the markets in which it operates.

Course of Business

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

In the six months ended 30 June 2020, the Company's revenue continued to grow to EUR 39,136k translating into +19% period over period growth compared to the six months ended 30 June 2019. The main driver for growth in the six months ended 30 June 2020 were orders from New Customers[1] (+35.8% period of period) and orders from Active Customers[2], i. e., Number of Orders[3], (+30.1% period of period) with an Average Order Value[4] of EUR 284. This resulted in an EBITDA of EUR 2,838k and an EBITDA margin of 7.3% in the six months ended 30 June 2020.

As a result of the Company's conscious decision to broaden its offering of premium and luxury fashion accessories, optimizing the shopping experience on fashionette's platform and the continuous focus on operational excellence and high-quality customer service, the Company has seen a significant increase in demand for its premium and luxury fashion accessories. This development is evidenced by the increase of Active Customers by 23.0% from 220k as of 30 June 2019 to 270k as of 30 June 2020, also proving the success of the Company's continuously improving marketing efforts. The Number of Orders increased even faster by 30.1% from 187k in the six months ended 30 June 2019 to 243k in the six months ended 30 June 2020, evidencing that the Company not only attracts new customers, but also increases the number of purchases from its existing customers.

The revenue increased from EUR 32,842k in the six months ended 30 June 2019 by EUR 6,293k (or 19.2%) to EUR 39,136k in the six months ended 30 June 2020. This increase was primarily driven by the ability to increase the revenue across product categories. Handbags remained the most important product category in the six months ended 30 June 2020 with a revenue of EUR 25,110k, while categories other than handbags together grew even faster from EUR 9,031k in the six months ended 30 June 2019 by EUR 5,053k (or 56.0%) to EUR 14,085k in the six months ended 30 June 2020.

The Number of Orders increased from 187k in the six months ended 30 June 2019 by 56k (or 30.1%) to 243k in the six months ended 30 June 2020, while the Average Order Value decreased to EUR 284, coming from EUR 317 which is driven by a product category mix shift away from handbags to other categories.

The DACH region continued to be the most important geographic market for the Company in the six months ended 30 June 2020, generating 87% of revenue

[1] Defined as the number of orders placed by customers which have placed the first not canceled order on one of the Company's websites in the measurement period, irrespective of returns.
[2] Defined as the number of customers placing at least one order in the last twelve months on one of the Company's websites in the measurement period, irrespective of returns.
[3] Defined as the number of customer orders placed on one of the Company's websites in the measurement period after cancelations and 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.
[4] Defined as the order value divided by the Number of Orders in the measurement period.

and continued to grow 17.0% compared to the six months ended 30 June 2019.Starting with premium and luxury handbags as core category in an emotionally charged market segment, the Company is attracting a customer base that has the financial means to buy additional products from adjacent product categories. In the six months ended 30 June 2020, the existing adjacent categories grew 56% year over year in revenue versus 15% in the comparable period in 2019. Therefore, the Company sees a continued cross-sell potential and organic growth drivers from adjacent categories by expanding the existing categories' selection as well as from the expansion into new adjacent categories.

With logistics costs of 6.9% of revenue in the six months ended 30 June 2020 (6.2% for the six months ended 30 June 2019), the Company believes to benefit from low logistics costs as a percentage of revenue. The Company has thus demonstrated to be able to scale its logistic services along with topline growth and is confident this will continue with its further growth.

Approximately 81% of all Site Visits[5] and 75% of the Company's revenue in the six months ended 30 June 2020 was generated by mobile devices compared to 75% and 71% in the six months ended 30 June 2019.

The other operating income increased from EUR 251k in the six months ended 30 June 2019 by EUR 138k (or 55.2%) to EUR 389k in the six months ended 30 June 2020, mainly driven by the write off of receivables (EUR 127k) and an increasing amount of income from foreign currency translation (EUR 30k).

The cost of materials increased from EUR 19,361k in the six months ended 30 June 2019 by EUR 4,509k (or 23.3%) to EUR 23,869k in the six months ended 30 June 2020. This increase was primarily driven by an increase in revenue. Cost of materials as percent of revenue increased by 204 basis points, which is driven by a product category mix shift away from handbags to other categories.

Personnel expenses increased from EUR 3,330k in the six months ended 30 June 2019 by EUR 83k (or 2.5%) to EUR 3,413k in the six months ended 30 June 2020. This was due to an increase in the average number of employees from 137 to 146.

The depreciation and impairment of intangible assets and property, plant and equipment almost stayed flat, with only a slight increase from EUR 1,230k in the six months ended 30 June 2019 by EUR 1k to EUR 1,231k in the six months ended 30 June 2020. Thereof EUR 708k amounted to the amortization of goodwill.

The other operating expenses increased from EUR 7,940k in the six months ended 30 June 2019 by EUR 1,464k (or 18.4%) to EUR 9,404k in the six months ended 30 June 2020. This increase was primarily driven by (i) an increase in distribution expenses from EUR 2,029k in the six months ended 30 June 2019 by EUR 675k (or 33.3%) to EUR 2,704k in the six months ended 30 June 2020, driven by an increase of orders by 30.1%, (ii) an increase of marketing expenses from EUR 3,438k in the six months ended

[5] Defined as the number of daily unique page requests from the same device and source on the same domain in the measurement period.

30 June 2019 by EUR 206k (or 6.0%) to EUR 3,644k in the six months ended 30 June 2020, and (iii) an increase of miscellaneous operating expenses from EUR 1,864k in the six months ended 30 June 2019 by EUR 187k (or 10.1%) to EUR 2,052k in the six months ended 30 June 2020, mainly driven by an increase of factoring costs by EUR 74k.

The other interests and similar income almost stayed flat, with only a slight decrease from EUR 11k in the six months ended 30 June 2019 by EUR 1k to EUR 10k in the six months ended 30 June 2020.

Interests and similar expenses increased from EUR 740k in the six months ended 30 June 2019 by EUR 28k (or 3.9%) to EUR 769k in the six months ended 30 June 2020. This increase was primarily driven by increasing interest costs for factoring (EUR 38k).

The income taxes increased from EUR 406k in the six months ended 30 June 2019 by EUR 109k (or 26.8%) to EUR 515k in the six months ended 30 June 2020, mainly driven by the increase in earnings before taxes and thus the tax base.

Earnings after taxes increased from a profit of EUR 97k in the six months ended 30 June 2019 by EUR 237k (or 244.4%) to a profit of EUR 334k in the six months ended 30 June 2020. This increase was primarily driven by the factors mentioned above influencing revenue, expenses and income taxes.

The fixed assets decreased from EUR 17,984k as of 31 December 2019 by EUR 903k (or 5.0%) to EUR 17,080k as of 30 June 2020. This is mainly due to the amortization of goodwill in the amount of EUR 708k.

The current assets decreased from EUR 27,279k as of 31 December 2019 by EUR 2,039k (or 7.5%) to EUR 25,240k as of 30 June 2020. This is mainly due to the decrease of trade receivables by EUR 2,028k.

Finally, the total assets decreased from EUR 45,848k as of 31 December 2019 by EUR 2,902k (or 6.3%) to EUR 42,946k as of 30 June 2020. This is mainly due to the factors mentioned above changing current and fixed assets.

The Company's equity increased from EUR 28,297k as of 31 December 2019 by EUR 334k (or 1.2%) to EUR 28,632k as of 30 June 2020. This is due to the positive net income for the six months ended 30 June 2020. Its liabilities decreased from EUR 16,350k as of 31 December 2019 by EUR 3,148k (or 19.3%) to EUR 13,202k as of 30 June 2020, mainly due to the decrease of liabilities to banks by EUR 3,938k.

The Company's investments in the six months ended 30 June 2020 amounted to EUR 327k, primarily reflecting capitalized development costs for the proprietary webshop and customized Enterprise Resource Planning system.

Outlook, opportunity and risk report

OVERALL RISK

As of the date of the preparation of the half-year report for the first half of 2020, the Management Board and Supervisory Board were not aware of any risk that could jeopardize the Company as a going concern due to insolvency or overindebtedness. The development of the Company's net assets, financial position and results of operations depends on various different opportunities and risks that are typical for the industry in which the Company operates. Their effects on the net assets, financial position and results of operations are not quantified internally, as their probability of occurrence is difficult to forecast.

The Company faces intense competition in the market it operates in, which may intensify even further. The European market for premium and luxury fashion accessories in which the Company operates is highly competitive, fragmented and rapidly changing. The Company faces competition from a diversified group of competitors operating under various brands. The Company competes with a diverse group of retailers, including, but not limited to:

- multi-category pure-play online fashion retailers and marketplaces;
- pure-play online retailers for certain product categories such as handbags and sunglasses;
- multi-category online retailers and marketplaces trying to increase their presence across a range of categories including handbags and accessories;
- offline-focused vertically integrated retailers and department stores, including their respective online offerings;
- retail fashion & accessories stores of designer brands;
- traditional retail chains with a special focus on certain product categories such as jewelry and watches, including their respective online offerings;
- individual fashion stores and fashion outlets;
- mail order retailers from Europe and Non-European companies seeking to enter the geographical focus markets of the Company, who are expanding their own virtual shelf space using their own websites; and
- fashion price comparison websites.

In addition, most of the Company's suppliers are producers or distributors of fashion products that also sell premium and luxury fashion accessories directly to end-customers. The Company could experience additional competitive pressure if such suppliers initiate or successfully expand their own online retail operations, since they have access to their merchandise at lower costs and could therefore sell it at lower prices while maintaining higher margins on their revenue than the Company can. The Company believes these factors make the European premium and luxury fashion accessories Market particularly competitive and potentially even more competitive in the future.

Many of the Company's competitors have longer operating histories, far greater brand recognition, larger fulfillment infrastructures, greater technical capabilities, faster and less costly shipping networks, significantly greater financial, marketing and other resources and a larger customer base compared to the Company. These advantages may allow the Company's competitors to derive higher revenue and profits from their existing customer base, acquire customers at lower costs or respond faster to new or emerging technologies and changes in consumer habits. The Company may undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may adversely impact the Company's competitive position. In addition, many of the traditional retail chains of Premium and Luxury Fashion Accessories are increasingly investing in their online offerings, leading to growing competition in the European premium and luxury fashion accessories market. Furthermore, new competitors may emerge, or retailers for premium and luxury fashion accessories that currently operate in other countries may choose to enter or expand into the Company's markets. Furthermore, some of the competitors of the Company may merge or form strategic partnerships, increasing their size even further.

Moreover, in some countries the Company's offering of premium and luxury fashion accessories is so attractive to customers precisely because the Company allows them to pay by installments. Competitors could turn to offer this type of payment to a large extent too, thus making it more difficult for the Company to stand out.

Competitive pressure from the Company's current or future competitors or an inability to adapt effectively and quickly to a changing competitive landscape could adversely affect demand for the Company's premium and luxury fashion accessories, force the Company to cut prices and thereby adversely affect its growth and its margins.

In conclusion, the Company competes for customers mainly on the basis of the breadth and quality of its product offering, the attractiveness of its prices, the strength of the brands offered and the quality of its services, including its customer service, the convenience and functionality of its online selling platform, its marketing effectiveness and financial capabilities as well as the speed of the Company's deliveries. If the Company fails to compete effectively in any one of these areas, it may lose existing customers and fail to attract new customers.

If the Company is unable to maintain its competitive position, in particular against intense competition from other retailers in the European premium and luxury fashion accessories market, it could lose market share to its competitors.

The Company may fail to maintain, protect and enhance the reputation of the Company, its brands and the popularity of its platform.

The recognition and reputation of the Company, in particular the brand "fashionette", among customers and suppliers are critical for the growth and continued success of its business as well as for its competitiveness in the European premium and luxury fashion accessories market. Maintaining "fashionette" as a strong and well reputed brand is key in the European premium and luxury fashion accessories market and competition among online retailers where typically the market participants with the strongest brands are favored. While lesser brands may also be able to operate profitably, the market participant with the strongest brand typically captures a larger market share.

If the Company proves unable to present the premium and luxury fashion accessories on its platform in an inspiring and attractive way as well as at competitive prices and favorable conditions or if customers regard the fulfillment capabilities of the Company, in particular delivery, returns and payment, as not entirely convenient, the Company may be unable to win new customers, may lose existing customers or may be faced with reduced volumes of purchases on its platform.

As competition intensifies, the Company anticipates that maintaining and enhancing its reputation and the popularity of its platform will become increasingly difficult and expensive. Many factors, some of it being outside the Company's control, are important for maintaining and enhancing the Company's competitiveness, including the ability to:

- compile an attractive offering of premium and luxury fashion accessories sold at attractive prices and favorable conditions;
- increase brand awareness through marketing and brand promotion activities;
- preserve the reputation of the Company;
- increase purchase frequency;
- attractively present and market the Premium and Luxury Fashion Accessories as part of an inspiring and convenient shopping experience;
- maintain, monitor and improve its relationships with suppliers;
- manage new and existing technologies and sales channels; and
- maintain and improve the efficiency, reliability and quality of the Company's delivery and fulfillment processes to ensure comparably short delivery times.

Any failure to offer high-quality premium and luxury fashion accessories and excellent customer service could damage the reputation, the brands of the Company and the popularity of its platform and hence result in the loss of customers. Since all of the premium and luxury fashion accessories of the Company are supplied by third-party suppliers, the Company may also receive negative publicity in case of in-appropriate actions of its suppliers (e. g., violations of product safety regulation, environmental standards, labor laws or a use of child and slave labor). This becomes increasingly relevant as there are currently plans in the German government to enact a so-called sup-ply chain act (*Lieferkettengesetz*). According to the current drafts, a company will be liable if it neglects its duty of care to avoid human rights violations along its supply chain. An actual or even only alleged infringement of this law could taint a supplier's reputation severely as well as that of those companies selling its products.

Moreover, the Company is active on social media (e. g., Facebook and Instagram) for the promotion of the offered Premium and Luxury Fashion Accessories and marketing efforts, and any negative publicity may be accelerated through social media due to its immediacy and accessibility as a means of communication. Such negative publicity, even if factually incorrect or based on isolated incidents, could damage the reputation of the Company, diminish the value of its brands, undermine the trust and credibility it has established and have a negative impact on its ability to attract new or retain existing customers. Given the rapid nature of social media, the Company may be unable to react to such negative publicity in a timely manner.

The economic conditions may deteriorate, in particular due to the COVID-19 Pandemic. The Company sells the premium and luxury fashion accessories via its platform in the DACH Region, i. e. Germany, Austria and Switzerland, as well as in some other selected European countries as well as the United Kingdom. Its growth and the margins depend on the regional economic conditions of these markets and their impact on consumer spending, which is likely to decline during periods of economic uncertainty and recessions. The still unclear outcome of the negotiations on the withdrawal of the United Kingdom from the European Union ("**Brexit**") could have an adverse effect on the revenue development of the Company in that area amounting to 5.1% of the Company's whole revenue in 2019. The same applies for the potential impact of the COVID-19 Pandemic. Even though the COVID-19 Pandemic entailed to a severe decline of sales in the European premium and luxury fashion accessories market for a short period of time, the Company's sales quickly recovered and the Company has even benefited from the general shift towards online offerings resulting from the measures and changes of behavior in the context of the COVID-19 Pandemic. However, the COVID-19 Pandemic significantly increased economic and demand uncertainty and it is possible that the current outbreak or continued spread of COVID-19 Pandemic may cause an economic slowdown or even a global recession. Given that the premium and luxury fashion accessories being crucial for the Company's product offering are neither essential nor required for everyday use, consumers may be reluctant to make such investments in periods of economic downturns. As a result, the European premium and luxury fashion accessories market may be more adversely affected by such developments compared to other markets. Even markets with currently stable economies, e. g., Germany, may experience downturns as such caused by the COVID-19 Pandemic and it is unclear what further repercussions the COVID-19 Pandemic might entail to. A decline in consumer spending and purchasing power could lead to customers ordering less, selecting only cheaper products, or not ordering online at all.

The opportunities and risks for our business and the impact of the COVID-19 Pandemic are presented in comprehensive detail in the securities prospectus of the Company dated 20 October 2020 which was published on the Company's corporate website (corporate.fashionette.com) under the "IPO" section and in the annual financial statements 2019 published in the German Federal Gazette (*Bundesanzeiger*) (German language only). In our opinion, the significant risks for the Company have not changed since the publication of the securities prospectus.

FUTURE DEVELOPMENT OF FASHIONETTE

fashionette's historic growth has been primarily organic and it aims to continue this successful track record in the years to come. fashionette expects that future organic growth will primarily result from and will be affected by the following trends:

Further shift to e-commerce: The European premium and luxury fashion accessories market is believed to be benefiting from the accelerating shift from offline to online in the premium and luxury e-commerce segment. The COVID-19 Pandemic even accelerated this trend in the recent months. The Company believes that the premium and luxury online e-commerce category is significantly under-penetrated with a strong continued growth potential in the near and medium-term. As consumers become more comfortable shopping for premium and luxury items online, the Company believes that this offers an opportunity of potential future growth.

Demographic trends: Based on Bain Altgamma Personal Luxury Goods Survey May 2020, Generation Z and Generation Y are expected to contribute the majority of growth in the global personal luxury goods market with a more conscious attitude towards luxury and given their high affinity for the internet in general and e-commerce in particular.

Geographic trends: The Company believes that Europe continues to represent a highly attractive demographic for the Company's offering of premium and luxury fashion accessories. In particular, the segments of the European premium and luxury fashion accessories market which are most important for the Company, i. e., handbags, luxury leather goods, luxury footwear and luxury eyewear, are forecasted to grow by between 11% and 18% per year between 2020 and 2023 according to Statista Revenue projections July 2020. The Company believes that this provides a positive input and outlook for its continued organic growth.

Fashion trends: The premium and luxury fashion accessories available on fashionette's platform are subject to rapidly changing design trends and constantly evolving consumer tastes and demands. The success and further growth of the Company is dependent on its ability to anticipate, identify and respond to the latest design trends and customer demands and to translate such trends and demands into product offerings in a timely manner.

Driven by these factors, the Company targets to continue its organic growth by:

- leveraging the Company's existing customer base to further categories and section expansion of existing categories;
- increasing site visits and customer engagement, and in particular to encourage repeat purchases;
- geographic expansion in further European countries, initially focused on the Netherlands; and
- constantly investing in hiring and retaining talented employees.

For the nine months 2020, the Company forecasts an accelerated revenue growth of 24% with expected revenues of EUR 62.0 million period over period.

INTERIM FINANCIAL STATEMENTS

Balance sheet
as at 30 June 2020

ASSETS in EUR k	30/06/2020	31/12/2019
A. FIXED ASSETS		
I. **Intangible assets**		
1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	1,677	2,087
2. Goodwill	14,857	15,564
3. Prepayments	285	56
	16,820	17,708
II. **Property, plant and equipment**		
Other equipment, furniture and fixtures	261	276
	17,080	17,984
B. CURRENT ASSETS		
I. **Inventories**		
1. Raw materials, consumables and supplies	88	88
2. Merchandise	16,620	15,686
3. Prepayments	340	164
	17,048	15,940
II. **Receivables and other assets**		
1. Trade receivables	6,469	8,497
2. Other assets	130	571
	6,599	9,068
III. **Cash on hand and bank balances**	1,594	2,273
	25,240	27,279
C. PREPAID EXPENSES	625	586
Total assets	42,946	45,848

LIABILITIES in EUR k	30/06/2020	31/12/2019
A. EQUITY		
I. Subscribed capital	25	25
II. Capital reserves	28,175	28,175
III. Profit (+)/ loss (-) carryforward	97	-1,302
IV. Net income (+)/ net loss (-) for the period	334	1,400
	28,632	**28,297**
B. PROVISIONS		
1. Tax provisions	689	792
2. Other provisions	424	408
	1,112	**1,201**
C. LIABILITIES		
1. Liabilities to banks	4,606	8,545
2. Advance payments received on orders	120	115
3. Trade payables	5,433	5,253
4. Other liabilities	3,043	2,437
	13,202	**16,350**
Total equity and liabilities	**42,946**	**45,848**

Income statement
for the period from 1 January to 30 June 2020

	in EUR k	H1 2020	H1 2019
1.	Revenue	39,136	32,842
	a) total revenue	70,693	60,865
	b) less	31,558	28,022
2.	Other operating income	389	251
		39,524	**33,093**
3.	Cost of materials		
	Cost of purchased merchandise	23,869	19,361
4.	Personnel expenses		
	a) Wages and salaries	2,910	2,829
	b) Social security, pension and other benefit costs	503	501
5.	Amortization, depreciation and impairment of intangible assets and property, plant and equipment	1,231	1,230
6.	Other operating expenses	9,404	7,940
		37,917	**31,860**
7.	Other interest and similar income	10	11
8.	Interest and similar expenses	769	740
9.	Income taxes	515	406
10.	**Earnings after taxes**	334	97
11.	**Net income for the period**	334	97

NOTES TO THE INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2020

General

These interim financial statements as of and for the six months ended 30 June 2020 were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. of the German Commercial Code (*Handelsgesetzbuch* – "**HGB**") as well as in accordance with the relevant provisions of the German Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*). The Company is subject to the requirements for large corporations as defined by Sec. 267 (4) HGB in conjunction with Sec. 267 (3) HGB.

The fiscal year is the calendar year.

The income statement was prepared using the nature of expense method in accordance with Sec. 275 (2) HGB.

The disclosures required by law on the balance sheet and income statement items and the disclosures which may be made either in the balance sheet, income statement or the notes to the financial statements are mostly made in the notes to the financial statements in the interest of greater clarity of presentation.

The Company, having its registered office in Düsseldorf, was registered under the name of Fashionette GmbH with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Düsseldorf under HRB 76016 until 1 October 2020.

In accordance with the resolution of the shareholders meeting on 22 September 2020, Fashionette GmbH was converted into a stock corporation by way of a change of legal form. The change of legal form was registered with the commercial register on 1 October 2020. Since 1 October 2020, the Company has been registered under the name fashionette AG, having its registered office in Düsseldorf, with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Düsseldorf under HRB 91139.

Accounting policies

The following accounting policies, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Purchased **intangible fixed assets** are recognized at acquisition cost and amortized using the straight-line method over their estimated useful lives.

Purchased **goodwill** is recognized as the excess of the value of the individual assets less liabilities at the time of the acquisition over the consideration and amortized over its limited useful life.

Property, plant and equipment are recognized at acquisition cost and are depreciated if they have a limited life.

Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method. Low-value assets with a value of more than EUR 250.00 but no greater than EUR 1,000.00 are pooled in an account and depreciated on a straight-line basis over a period of five years. Assets up to EUR 250.00 are immediately expensed in full. All other depreciation of additions to property, plant and equipment is charged pro rata temporis.

Inventories are recorded at acquisition cost or nominal value in accordance with the lower of cost or market principle. Merchandise with reduced marketability is written down to the lower net realizable value.

Adequate allowances provide for all identifiable inventory valuation risks resulting from slow-moving stock, reduced usability and lower replacement costs.

Apart from normal retentions of title and partial assignments as collateral for liabilities to banks of EUR 4,606k (prior year: EUR 9,196k), no inventories have been pledged as security to third parties.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. The general credit risk is provided for by a general bad debt allowance.

Revenue recognition is adjusted by an appropriate allowance on receivables in the amount of the expected returns, recognized in accordance with the gross method. Both the profit share of returns and the cost of materials of the expected returns are deducted from revenue.

Cash on hand and **bank balances** are stated at nominal value.

Prepaid expenses relate to expenses before the reporting date that relate to a certain period after this date. They do not include any items within the meaning of Sec. 250 (3) HGB.

Tax provisions and **other provisions** account for all identifiable risks, potential losses and uncertain liabilities on the basis of prudent business judgment. They are recognized at the settlement value deemed necessary, i. e., including future cost and price increases. Provisions with a residual term of more than one year are discounted using the average market interest rate for their respective residual term.

Liabilities and **prepayments received** are recognized at their settlement value or nominal value.

Deferred income comprises income before the reporting date that relates to a certain period after this date.

Foreign currency assets and liabilities are translated using the mean spot rate on the reporting date. If they had residual terms of more than one year, the realization principle (Sec. 252 (1) No. 4 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

The “thereof” items presented in the income statement under income and expenses from currency translation mainly include realized exchange differences.

Disclosures and notes on individual items of the consolidated balance sheet

All receivables and other assets are due within one year, as in the previous year.

Other provisions relate mainly to outstanding invoices. Furthermore, costs for the preparation of the financial statements are reported.

Notes to the balance sheet

FIXED ASSETS

Acquired goodwill is amortized over a period of 15 years based on the assumption that the acquired customer lists, market position and know-how will decrease in value over this period.

RECEIVABLES AND OTHER ASSETS

As of 30 June 2020, all receivables and other assets are due in up to one year. As of 30 June 2020, trade receivables do not include any receivables from the shareholder. Receivables from factoring companies from customer receivables sold but not yet paid are presented under trade receivables.

CAPITAL STOCK

The Company's capital stock is unchanged on the prior year at EUR 25,000.00 and is fully paid in.

OTHER PROVISIONS

Other provisions were chiefly set up for personnel expenses (EUR 338k).

LIABILITIES

The remaining terms of the liabilities are presented separately in the statement of liabilities:

STATEMENT OF LIABILITIES AS OF 30 JUNE 2020

in EUR k	30 June 2020 up to 1 year	more than 1 year	more than 5 years	Total
Liabilities to banks	**4,606**	**0**	**0**	**4,606**
Prepayments received on account of orders	**120**	**0**	**0**	**120**
Trade payables	**5,433**	**0**	**0**	**5,433**
Other liabilities	**3,043**	**0**	**0**	**3,043**
thereof for taxes	2,980	0	0	2,980
thereof for social security	5	0	0	5

DISCLOSURE OF THE COLLATERAL PROVIDED FOR LIABILITIES
The liabilities to banks are secured by assignments of inventories. The collateral amounts to EUR 4,597k (31 December 2019: EUR 8,487k).

OFF-BALANCE SHEET TRANSACTIONS
In order to fund operating activities, Fashionette GmbH has concluded agreements with Arvato Payment Solutions GmbH (formerly BFS finance GmbH) and RatePAY GmbH on the purchase of end consumer receivables. Under these arrangements, Fashionette GmbH offers both factoring companies, receivables from invoices and installments on a daily basis, with the later bearing the del credere risk. As of the reporting date, receivables of EUR 1,560k (31 December 2019: EUR 3,564k) had been sold.

OTHER FINANCIAL OBLIGATIONS
Other financial obligations comprise long-term rental obligations to third parties. The financial obligation amounts to EUR 1,115k in future fiscal years, EUR 238k of which is due in 2020. Apart from the other financial obligations presented and the off-balance sheet transactions described above, there are no transactions that are not shown in the balance sheet.

CONTINGENT LIABILITIES
There were no contingent liabilities as of the reporting date.

Notes to the income statement

BREAKDOWN OF REVENUE

87% of revenue is attributable to the GSA (German, Switzerland and Austria) region, 8% to the other EU countries (excluding the UK) and 6% to the UK.

OTHER OPERATING INCOME

In the six months ended 30 June 2020, there were no income items that were unusually high or of extraordinary significance and no significant out-of-period income.

OTHER OPERATING EXPENSES

Other operating expenses mainly include premises expenses (EUR 234k), advertising expenses (EUR 3,644k), distribution costs (EUR 2,704k), payment transfer costs (EUR 1,171k), losses on receivables (EUR 153k), IT expenses (EUR 299k) and expenses for currency translation (EUR 257k). In the six months ended 30 June 2020, there were no expense items that were unusually high or of extraordinary significance and no significant out-of-period expenses.

INCOME TAX EXPENSE

The entire income tax expense was levied on earnings before taxes.

Other mandatory disclosures

MANAGEMENT BOARD

The general managers in fiscal year 2020 were:

Mr. Thomas Buhl (COO/CTO)

Mr. Daniel Raab (CEO)

All general managers are authorized to represent the Company alone and, according to the commercial register, have been exempted from the restrictions prescribed in Sec. 181 BGB ["*Bürgerliches Gesetzbuch*": German Civil Code].

Management board remuneration amounted to EUR 350k in the first half of 2020.

AUDITOR'S FEES

The auditor's total fees for the half of the year comprise EUR 32k and relate in full to audit services.

NUMBER OF EMPLOYEES

The Company had an average of 146 employees during the fiscal year (prior year: 137). As in the prior year, they are all salaried employees.

PROPOSAL FOR THE APPROPRIATION OF PROFIT

The net income for the fiscal year will be carried forward to new account.

Subsequent events

Fashionette GmbH was converted into a stock corporation in accordance with the resolution of the shareholders' meeting on 22 September 2020. The change of legal form was registered with the commercial register on 1 October 2020.

There were no significant events after the close of the fiscal year of significance for the assets, liabilities, financial position and financial performance.

Dusseldorf, 12 October 2020

The Management Board

Thomas Buhl Daniel Raab

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Disclaimer

This half-year report contains forward-looking statements that are based on certain assumptions and expectations at the time of its publication. These statements are therefore subject to risks and uncertainties, which means that actual results may differ substantially from the future-oriented statements made here. Many of these risks and uncertainties relate to factors that are beyond fashionette AG's ability to control or estimate precisely. This includes future market conditions and economic developments, the behaviour of other market participants, the achievement of expected cost savings and productivity improvements, as well as legal and political decisions. fashionette AG does not undertake any obligation to publicly correct or update these forward-looking statements to reflect events or circumstances that have occurred after the publication date of this material.