First half year 2016 results

August 24th, 2016

windeln.de
Everything for my baby

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Summary

Business Update

- Our strategy is unchanged:
  - Market leadership in online market for baby and toddler products in Europa with strong foothold in China
  - Focus on growth and profitability
- Project "STAR" measures announced to support strategy and increase customer experience
- nakiki brand concept to support extension of target group (kids until 8 years) and higher margins
- Chinese market to be addressed by us locally through platforms (Tmall) and bonded warehouse
- Migration of ERP system completed; certain processes still to be optimized

Financial Update

- Financials in H1/Q2 in line with revised May guidance post regulatory changes China and ERP migration
  - Revenues of EUR 101.6m in H1 (+35% growth yoy)
  - Gross margin of 29.2% in H1 (26.2% in H1 2015)
  - Adjusted EBIT margin of -15.3% in H1 (-5.3% in H1 2015)
- Strong liquidity with EUR 81 million including cash as of June 30th and maximum capacity under borrowing base credit facility of EUR 14 million; cash inflow from ongoing inventory reduction
- Outlook 2016 excluding nakiki shopping club business of 25% revenues growth yoy, gross profit margin of 28+% and adjusted EBIT margin of -10% to -12%

Our strategy is unchanged

Attractive market for baby and toddler products

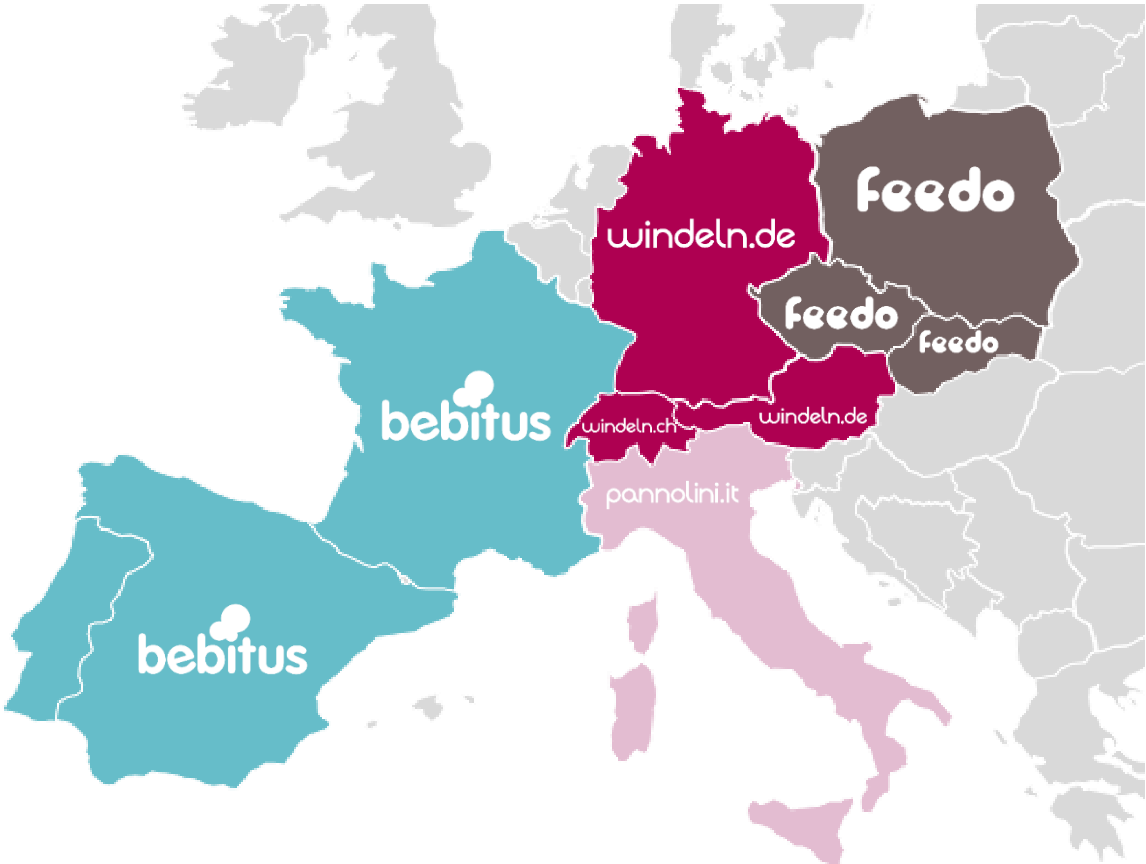
- Large addressable market
  - ~€57bn in Europe
  - ~€30bn China Cross Border E-Commerce
- Low cyclicality and seasonality
- Low online penetration
- Fragmented market structure

Market leadership in Europa and strong foothold in China

- Present in 10 European countries
- Additional expansion potential in Europe
- Well known "windeln.de" brand in China

Focus on growth and profitability

- >100% growth since 2014
- EBIT margin target of 5+%



We keep nakiki brand as “ready-to-ship” sales platform for age and margin extension

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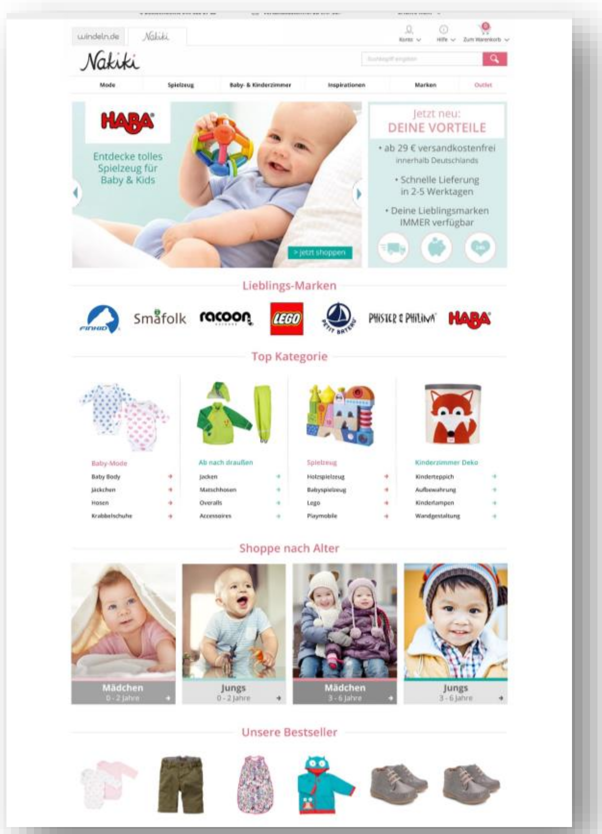
Ready-to-ship model

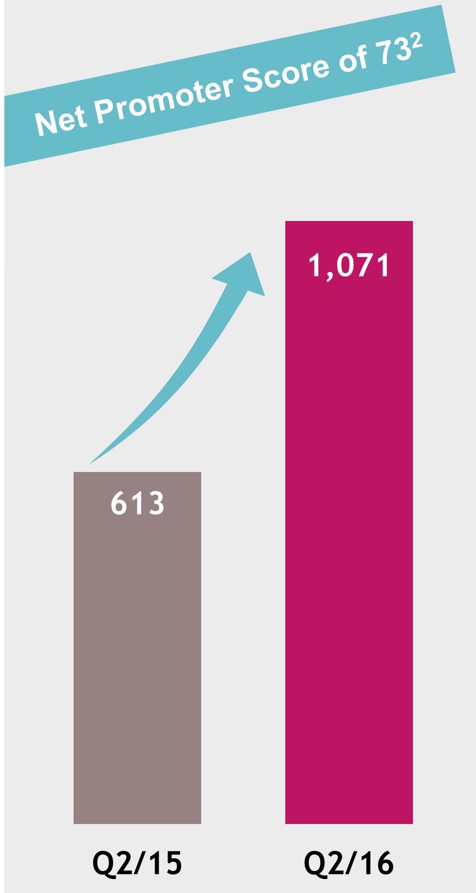


Nakiki

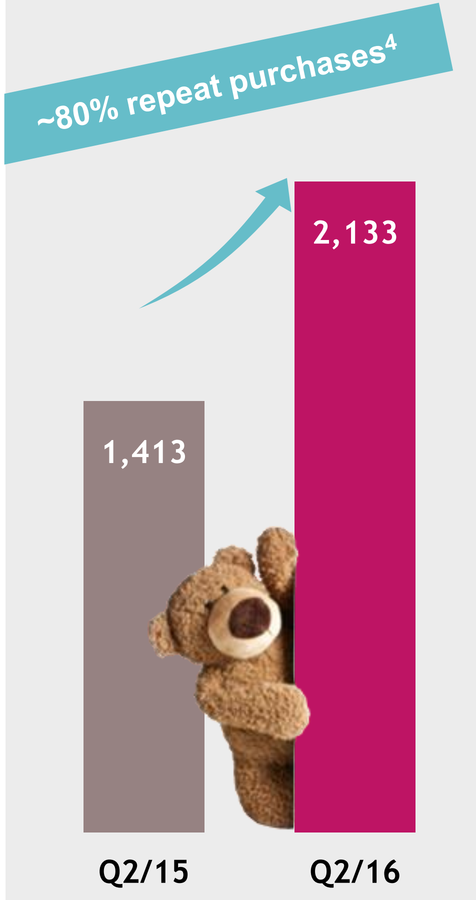
- **Ready-to-ship model** (instead of flashsales)
- Product focus will be **fashion, accessories and toys** as well as **outlet and sale**
- Target group: **0 to 8 years**
- Nakiki brand stands for **emotional merchandising, inspiration, high quality and lovingly chosen products**
- Part of **German Shop business segment**

KPIs continued to improve in Q2 2016

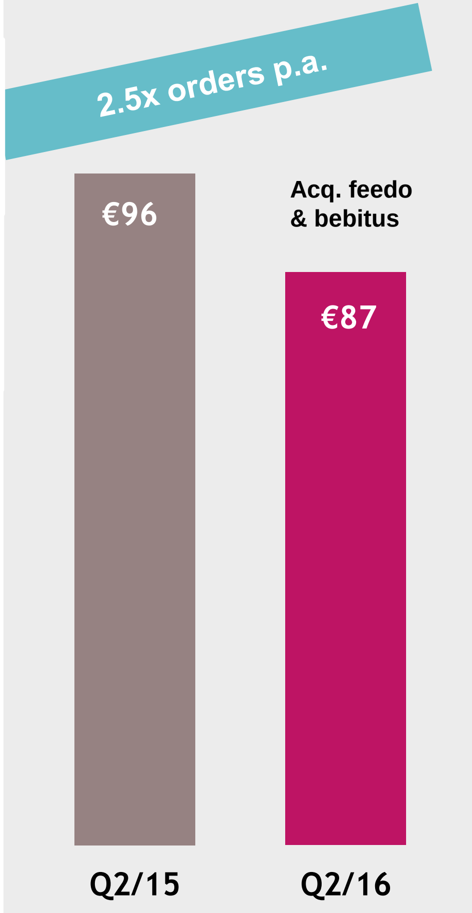
of active customers[1]
in thousands



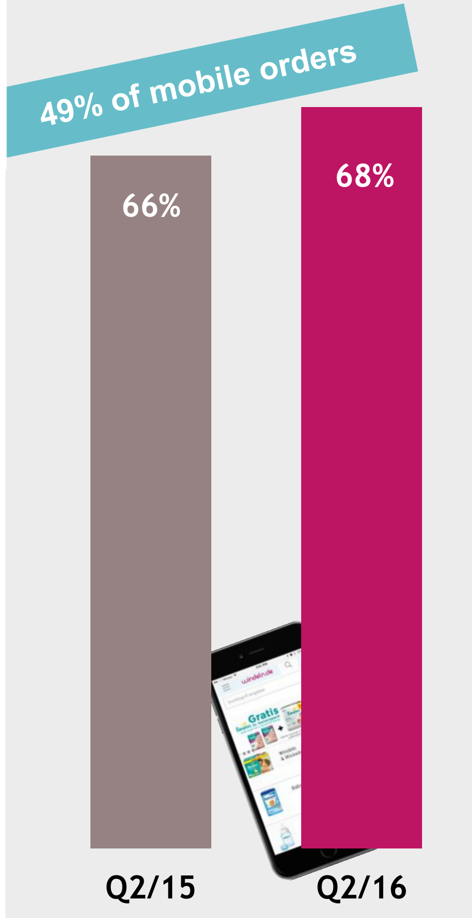
of repeat customer orders[3]
in thousands



of average orders[5] and average order value[6]



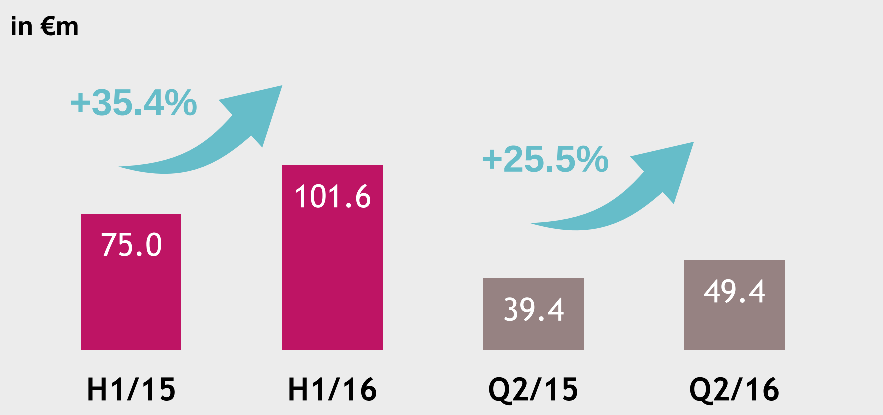
Mobile traffic share[7]



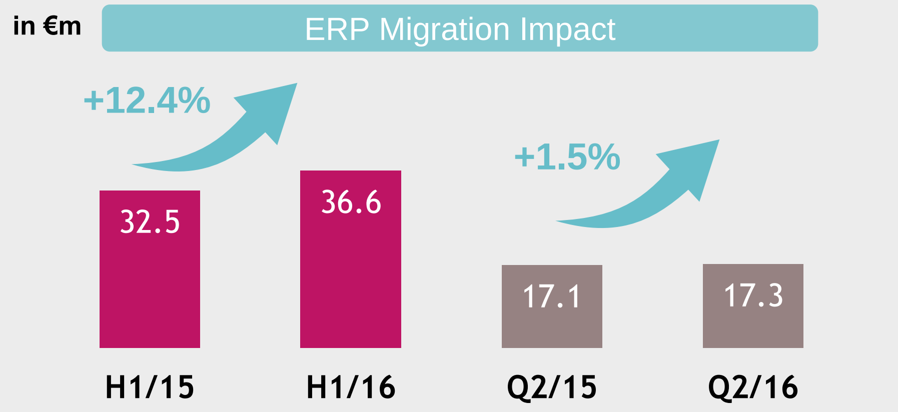
1 Number of customers who placed an order within the last twelve months.
2 NPS measures the loyalty that exists between a provider and a consumer. NPS can be as low as -100 (everybody is a detractor) or as high as +100 (everybody is a promoter); Q1 2016 average for windeln.de Europe; (Q1 2016 average incl. China: NPS 69); tracked by windeln.de.
3 Number of orders from customers who had previously purchased from windeln.de at any point in time, irrespective of returns.
4 Refers to the share of repeat customer orders (in % of number of orders) that we define as the number of orders from repeat customers divided by the number of orders during the measurement period (last twelve months).
5 Number of orders divided by the number of active customers in the measurement period.
6 Order intake (incl. VAT and shipping) divided by total number of orders during respective year.
7 Share of mobile traffic from non-Chinese customers; does not include traffic on the windeln.de magazine.

Good group revenues growth despite regulatory and ERP impact

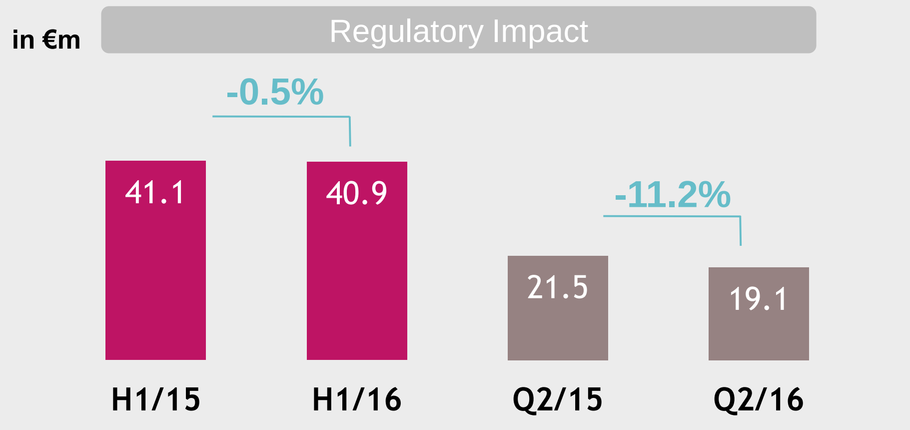
Group



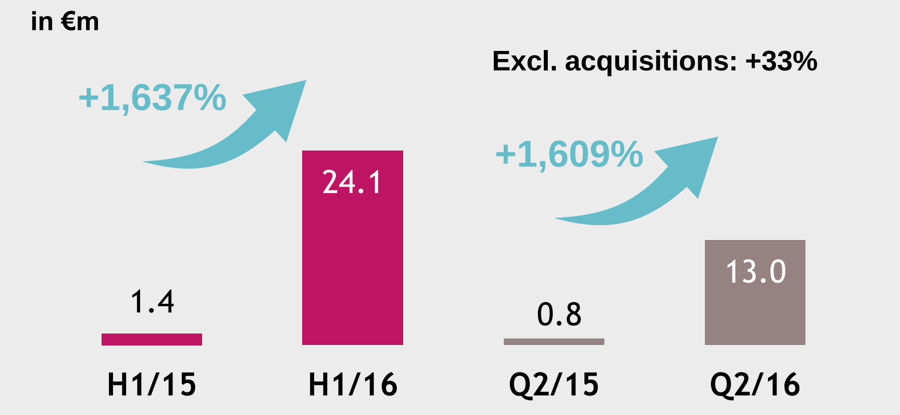
DACH



China

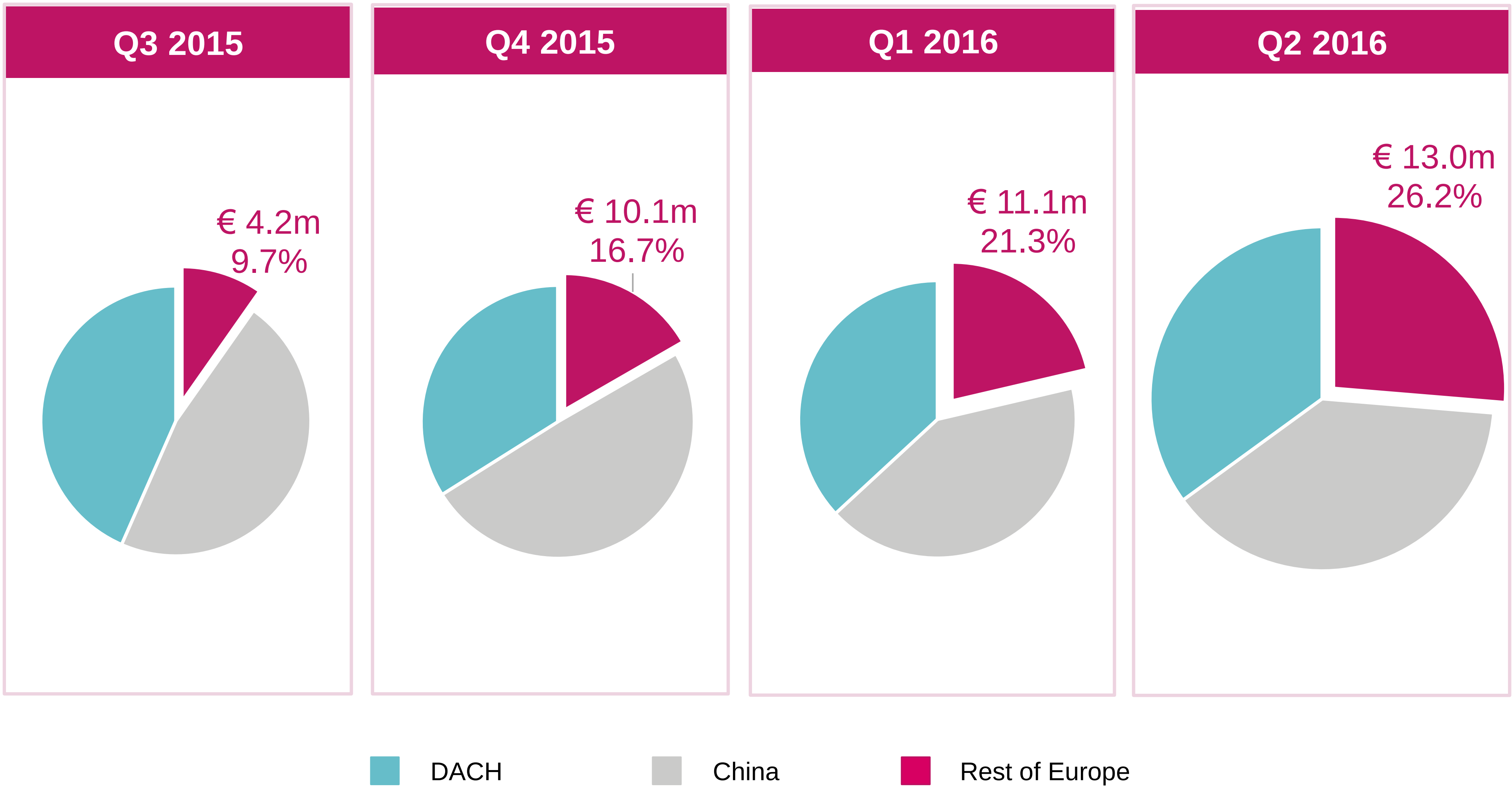


Rest of Europe



Note: Regional split based on net merchandise value (same calculation methodology as in 2015).

The diversification of revenues continues

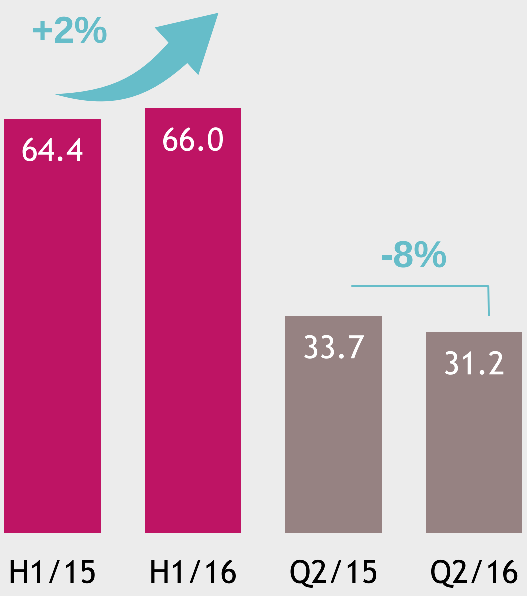


Regulatory changes and ERP introduction with strong impact on German Shop business segment…

German Shop

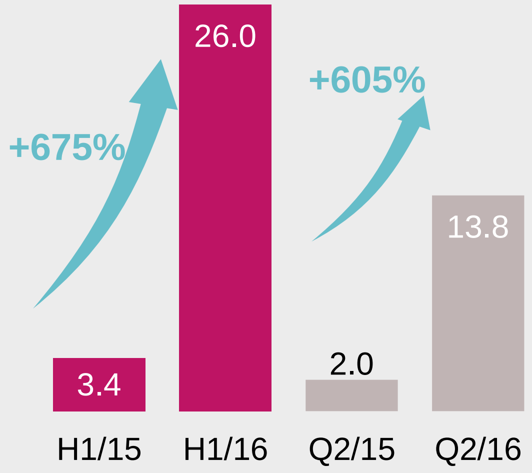
Revenues, €m

Regulatory + ERP Impact



International Shops

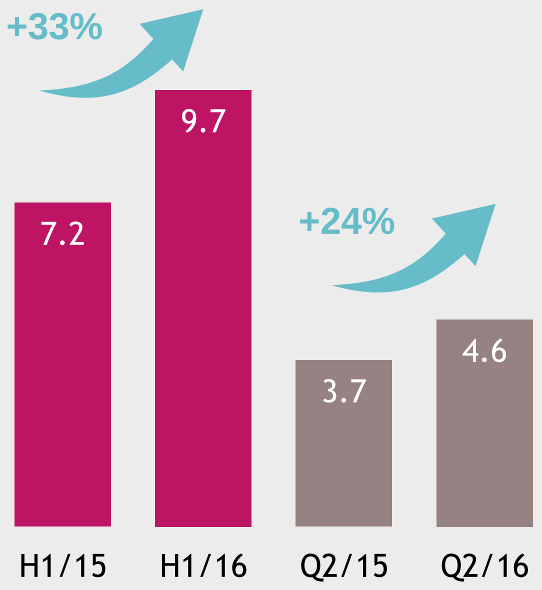
Revenues, €m



Shopping Clubs

Revenues, €m

Flashsale to be discontinued



…and overall group margins

Regulatory and ERP impact

Revenues m / % of Revenues	Q1 2016	Q2 2016	H1 2016
Revenues m	52.1	49.4	101.6
Gross profit	28.6%	29.7%	29.2%
Adj. Fulfilment [1]	18.6%	18.7%	18.7%
Marketing [2]	6.7%	8.0%	7.3%
Operating contribution	3.4%	3.2%	3.3%
Adj. other SG&A [3]	18.1%	19.1%	18.6%
Adj. EBIT [4]	(14.8)%	(15.9)%	(15.3)%

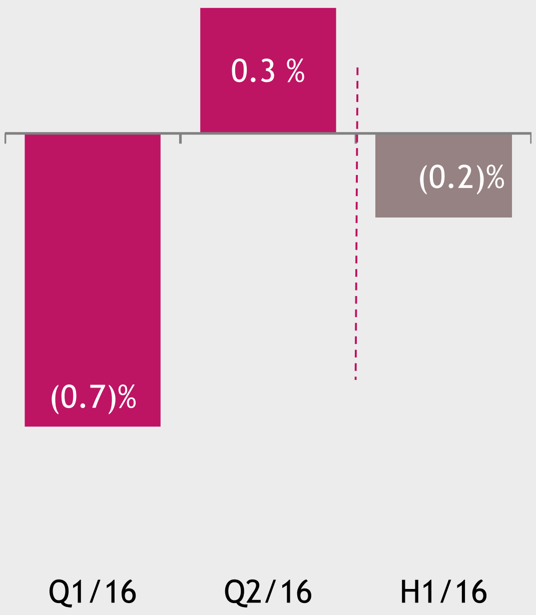
- Gross margin progression continued
- Mktg. and other SG&A expenses as % of revenues higher due to lower revenues given impact from regulatory changes and ERP migration

1 Adj. fulfillment costs comprise logistics and related rental expenses.
2 Marketing costs consist mainly of advertising expenses, including search engine marketing, online display and other marketing channel expenses, as well as costs for our marketing tools, which include tools for automated SEA bidding and multivariate landing page optimization, and allocated overhead costs, but not costs related to our loyalty program. Allocated overhead costs include rent and depreciation, but not costs of shared services.
3 We define adjusted other SG&A expenses as selling and distribution expenses plus administrative expenses and other operating expenses less other operating income, but excluding marketing and fulfillment costs; adjusted to exclude share-based compensation expenses, acquisition, integration and expansion costs and IPO related expenses and income, acquisition and integration and expansion costs as well as costs for reorganization and restructurings under corporate law as well as one-time costs for ERP system change
4 Adjusted to exclude share-based compensation and IPO related expenses, acquisition and integration and expansion costs as well as costs for reorganization and restructurings under corporate law as well as one-time costs for ERP system change

German Shop and International Shop EBIT margin increased

German Shop

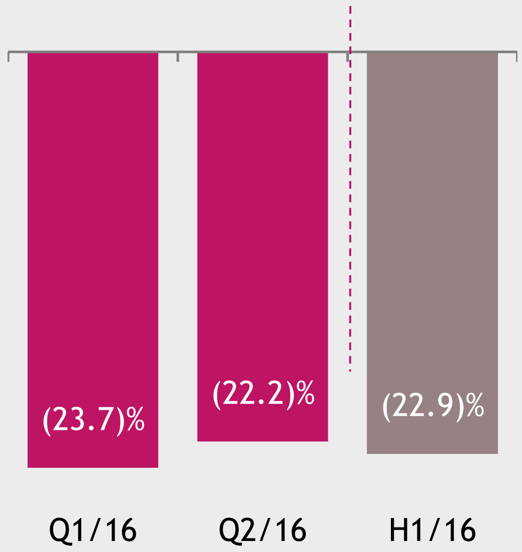
Adjusted EBIT contribution margin, in %



65% of total revenues

International Shops

Adjusted EBIT contribution margin, in %

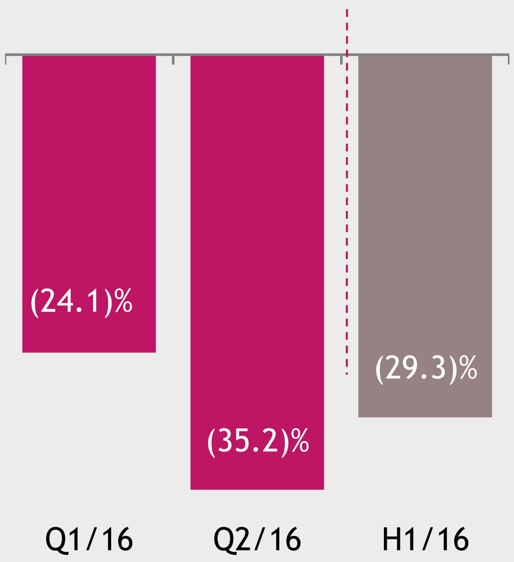


26% of total revenues

Shopping Clubs

Adjusted EBIT contribution margin, in %

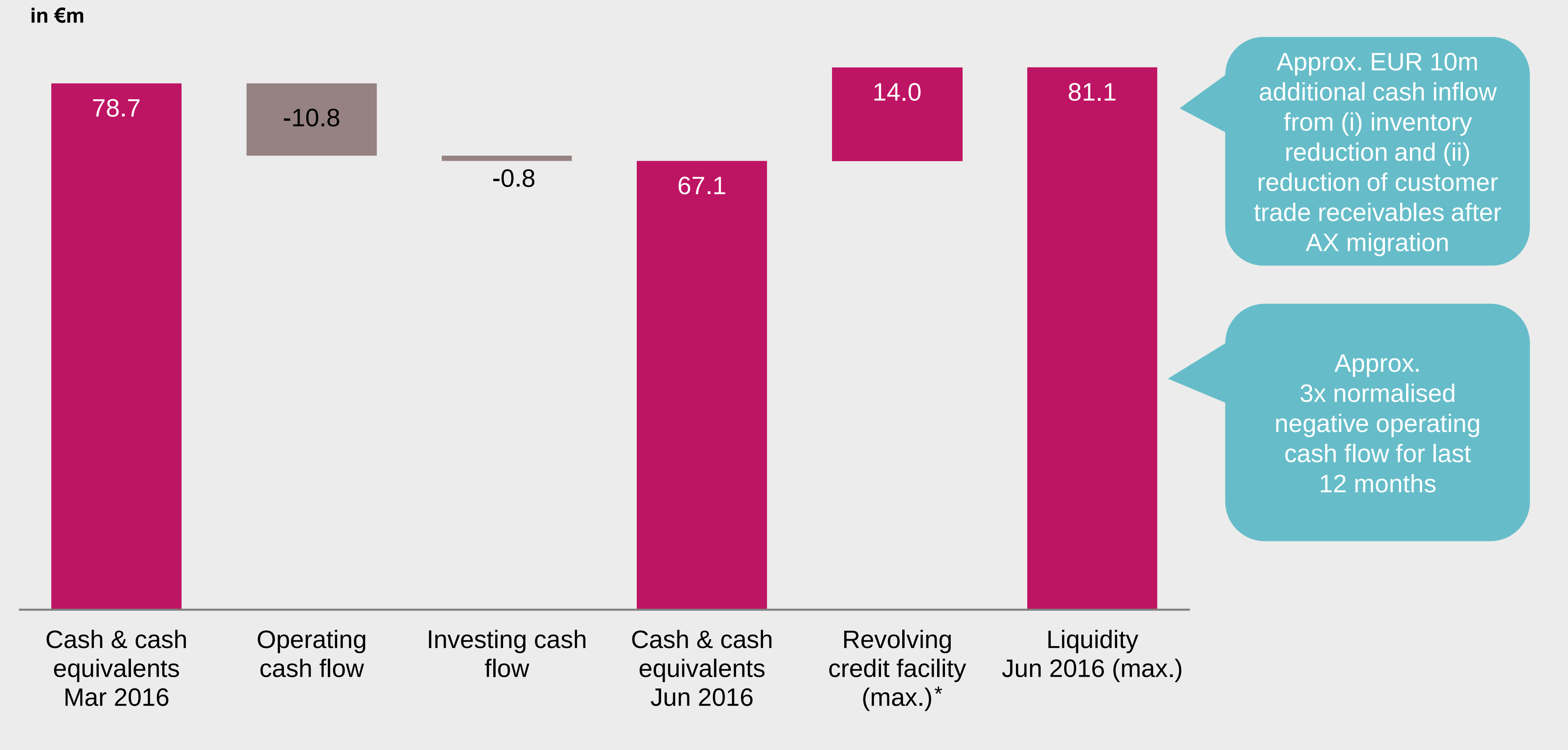
Flashsale to be discontinued



10% of total revenues

Liquidity position remains strong

Liquidity bridge (30 June 2016)

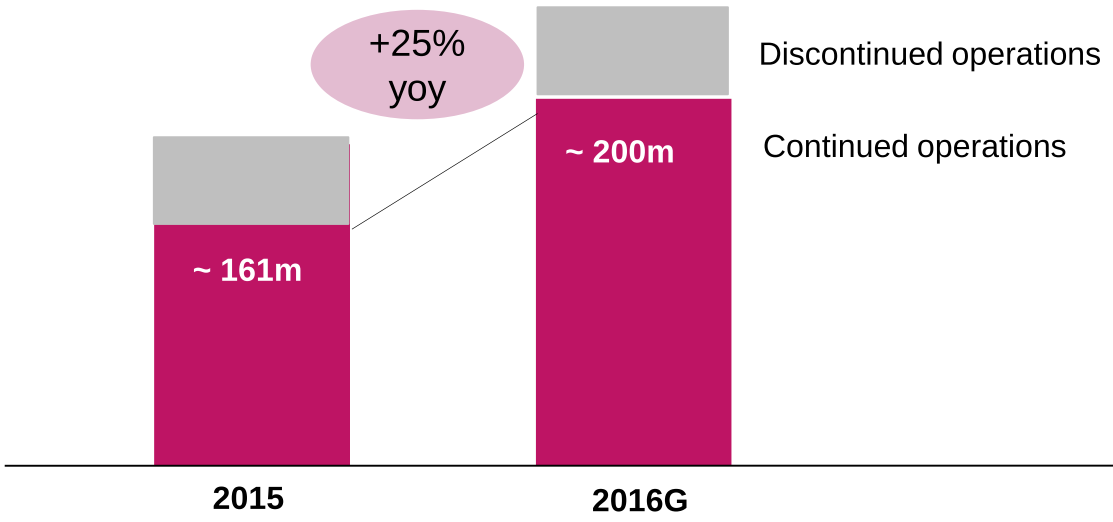


* As of June 30th, due to AX conversion no request for borrowing base submitted.

Outlook 2016 for unchanged

2016 Guidance (Continued Operations)

Revenues



	2015	2016G	
Gross Profit Margin	26%	28+%	Continued operations
Adj. EBIT Margin	-8.5%	-10% to -12%	Continued operations

Sustainable double digit annual growth rates

Long-term EBIT margin 5+%

Appendix

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Key performance indicators quarter over quarter

Consolidation of Feedo (Q3'15) · Consolidation of Bebitus (Q4'15)

	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15	Q2 '15	Q3'15	Q4'15	Q1'16	Q2'16
Site Visits (in thousand) [1]	1,385	1,697	2,263	2,837	4,682	6,120	5,759	5,874	7,323	8,483	10,647	12,459	14,299	14,785	18,516	24,014	27,478	28,185
Mobile Visit Share (in % of Site Visits) [2]	9.9%	13.2%	16.7%	19.7%	26.2%	32.6%	39.3%	42.0%	47.9%	52.7%	58.2%	60.5%	65.5%	66.5%	64.2%	61.9%	65.2%	67.5%
Mobile Orders (in % of Number of Orders) [3]	6.2%	8.6%	10.0%	12.2%	16.4%	21.2%	26.8%	27.8%	32.7%	37.3%	41.2%	42.3%	46.7%	47.6%	45.8%	43.6%	47.4%	49.4%
Active Customers (in thousand) [4]	92	117	142	163	194	229	259	290	334	372	430	496	556	613	743	955	1,009	1,071
Number of Orders (in thousand) [5]	62	78	92	114	154	198	202	219	273	303	363	416	454	460	575	698	708	639
Average Orders per Active Customer (in number of orders) [6]	1.8	1.9	2.0	2.1	2.3	2.4	2.6	2.7	2.7	2.7	2.7	2.7	2.8	2.8	2.7	2.4	2.5	2.5
Orders from Repeat Customers (in thousand) [7]	36	48	58	82	114	153	158	175	211	238	286	328	350	369	453	479	525	489
Share of Repeat Customer Orders (in % of Number of Orders) [8]	59.1%	62.0%	63.6%	71.7%	73.9%	77.5%	78.0%	79.7%	77.2%	78.7%	78.8%	78.9%	83.6%	83.8%	83.3%	81.4%	80.1%	79.8%
Gross Order Intake (in € thousand) [9]	4,188	5,638	7,148	9,862	12,209	15,034	15,676	18,226	23,241	26,208	32,111	38,891	41,970	44,133	50,306	62,880	63,778	55,324
Average Order Value (in €) [10]	67.9	72.6	77.9	86.3	79.3	76.1	77.5	83.2	85.2	86.6	88.5	93.5	92.5	95.9	87.5	90.1	90.4	86.5
Returns (in % of Net Merchandise Value) [11]	4.4%	4.1%	4.9%	4.4%	4.3%	4.6%	4.9%	5.8%	5.1%	5.8%	6.8%	5.1%	6.0%	7.4%	7.3%	7.0%*		8.5%

* Due to the warehouse move of Nakiki in Q4 2015 certain orders were also returned in Q1 2016.

Definitions of key performance indicators

1) We define Site Visits as the number of series of page requests from the same device and source in the measurement period and include visits to our online magazine. A visit is considered ended when no requests have been recorded in more than 30 minutes. The number of site visits depends on a number of factors including the availability of the products we offer, the level and effectiveness of our marketing campaigns and the popularity of our online shops. Measured by Google Analytics.
2) We define Mobile Visit Share (in % of Site Visits) as the number of visits via mobile devices (smartphones and tablets) to our mobile optimized websites divided by the total number of Site Visits in the measurement period. We have excluded visits to our online magazine and visits from China. We exclude visits from China because the most common online translation services on which most of our customers who order for delivery to China rely to translate our website content are not able to do so from their mobile devices, and therefore very few of such customers order from their mobile devices. Measured by Google Analytics.
3) We define Mobile Orders (in % of Number of Orders) as the number of orders via mobile devices to our mobile optimized websites divided by the total Number of Orders in the measurement period. We have excluded orders from China. Measured by Google Analytics.
4) We define Active Customers as the number of customers placing at least one order in the 12 months preceding the end of the measurement period, irrespective of returns.
5) 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’’.
6) We define Average Orders per Active Customer as Number of Orders divided by the number of Active Customers in the measurement period.
7) We define Orders from Repeat Customers as the number of orders from customers who have placed at least one previous order, irrespective of returns.
8) We define Share of Repeat Customer Orders as the number of orders from Repeat Customers divided by the Number of Orders in the last 12 months.
9) We define Gross Order Intake as the aggregate Euro amount of customer orders placed in the measurement period minus cancellations. The Euro amount includes value added tax and excludes marketing rebates.
10) We define Average Order Value as Gross Order Intake divided by the Number of Orders in the measurement period.
11) We define Returns (in % of Net Merchandise Value) as the Net Merchandise Value of items returned divided by Net Merchandise Value in the measurement period. From Q2/2016 onwards including Bebitus and Feedo returns.

Selected business segment and geographic data

Business segments

In €k	H1 2016	H1 2015 R*	yoy growth	Q2 2016	Q2 2015 R*	yoy growth
Revenues	**101,575**	**75,026**	***35.2%***	**49,443**	**39,377**	***25.2%***
German Shop	65,958	64,434	*2.1%*	31,163	33,736	*-8.1%*
International Shops	26,009	3,355	*675%*	13,765	1,953	*605%*
Shopping Clubs	9,650	7,237	*33.2%*	4,557	3,688	*23.3%*
Reconciling item	-42	-		-42	-	
Adj. EBIT[2]	**-15,555**	**-3,965**		**-7,861**	**-2,689**	
German Shop	-137	3,383		94	1,680	
% margin	*-0.2%*	*5.3*		*0.3%*	*5.0*	
International Shops	-5,956	-868		-3,053	-334	
% margin	*-22.9%*	*-25.9*		*-22.2%*	*17.1*	
Shopping Clubs	-2,828	-2,382		-1,602	-1,609	
% margin	*-29.3%*	*-32.9*		*-35.2%*	*-43.6*	
Reconciling item	-6,634	-4,098		-3,300	-2,426	

Geographic region

In €k	H1 2016	H1 2015 R*	yoy growth	Q2 2016	Q2 2015 R*	yoy growth
Revenues	**101,575**	**75,026**	**35.2%**	**49,443**	**39,377**	**25.6%**
DACH[3]	36,571	32,539	12.4%	17,346	17,096	1.5%
China[4]	40,901	41,100	-0.5%	19,123	21,522	-11.2%
Rest of Europe[5]	24,103	1,387	1,638%	12,974	759	1,609%

1 Adjusted to exclude share-based compensation and IPO related expenses, acquisition and integration and expansion costs as well as costs for reorganization and restructurings under corporate law as well as one-time costs for ERP system change
2 Adjusted EBIT at the Group level does not correspond to the sum of the Adjusted EBIT Contributions of the "German Shop", "International Shops" and "Shopping Clubs" business segments because (a) certain income/expenses relating to shared services are managed and contracted on a central basis and not allocated to the business segments and (b) effects resulting from intersegment transactions are eliminated at the Group level.
3 Our "DACH" geographic region consists of that part of our business that generates product and services revenues from customers ordering for delivery to Germany, Austria and Switzerland.
4 Our "China" geographic region consists of that part of our business that generates product and services revenues from customers ordering for delivery to China.
5 Our "Other/rest of Europe" geographic region consists of that part of our business that generates product and services revenues from customers ordering for delivery to countries other than Germany, Austria, Switzerland and China.
* In the comparative period H1 2015 expenses for share-based payments have been restated. For further information please refer to the Nine Months Report 2015.

Income statement

In €k	H1 2016	H1 2015 R*	Q2 2016	Q2 2015 R*
Revenues	**101,575**	**75,026**	**49,443**	**39,377**
Cost of sales	-71,952	-55,404	-34,746	-28,884
Gross profit	**29,623**	**19,622**	**14,697**	**10,493**
% margin	*29.2%*	*26.2%*	*29.7%*	*26.6%*
Selling and distribution expenses	-39,609	-20,363	-19,837	-11,190
Administrative expenses	-12,155	-10,484	-5,728	-4,122
Other operating income	3,754	2,591	2,583	2,205
Other operating expenses	-602	-305	-519	-42
EBIT	**-18,989**	**-8,939**	**-8,804**	**-2,656**
% margin	*-18.7%*	*-11.9%*	*-17.8%*	*-6.7%*
Financial result	805	-96	756	-87
EBT	**-18,184**	**-9,035**	**-8,048**	**-2,743**
% margin	*-17.9%*	*-11.9%*	*-16.3%*	*-6.7%*
Income taxes	-8	-1,528	-8	-1,333
Profit or loss for the period	**-18,192**	**-10,563**	**-8,056**	**-4,076**
% margin	*-17.9%*	*-14.1%*	*-16.3%*	*-10.4%*
EBIT	**-18,989**	**-8,939**	**-8,804**	**-2,656**
Share-based compensation	5,089	4,754	2,326	778
Acquisition, integration and expansion costs	-2,529	536	-1,944	431
IPO related expenses	-	-316	-	-1,242
Reorganization	351	-	103	-
Costs of restructuring under corporate law	132	-	67	-
One-time costs of ERP system change	391	-	391	-
Adjusted EBIT	**-15,555**	**-3,965**	**-7,861**	**-2,689**
% margin	*-15.3%*	*-5.3%*	*-15.9%*	*-6.8%*

* In the comparative period H1 2015 expenses for share based payments have been restated. For further information please refer to the Nine Months Report 2015.

Continued vs. discontinued operations

in €k	H1 2016 Total	H1 2016 Discontinued (Shopping Clubs)	H1 2016 Continuing (ex Shopping Clubs)	Q2 2016 R* Total	Q2 2016 R* Discontinued (Shopping Clubs)	Q2 2016 R* Continuing (ex Shopping Clubs)
Revenues	**101,575**	**9,650**	**91,925**	**49,443**	**4,557**	**44,886**
% yoy growth	*35.2%*	*33.2%*	*35.5%*	*25.2%*	*23.3%*	*25.4%*
Gross profit	**29,623**	**3,223**	**26,400**	**14,697**	**1,529**	**13,168**
% margin	*29.2%*	*33.4%*	*28.7%*	*29.7%*	*33.5%*	*29.3%*
EBIT	**-18,989**	**-2,891**	**-16,098**	**-8,804**	**-1,661**	**-7,143**
% margin	*-18.7%*	*-30.0%*	*-17.5%*	*-18.2%*	*-36.8%*	*-16.3%*
Adjusted EBIT[1]	**-15,555**	**-2,828**	**-12,727**	**-7,861**	**-1,602**	**-6,259**
% margin	*-15.3%*	*-29.5%*	*-14.0%*	*-15.9%*	*-35.2%*	*-13.9%*

* In the comparative period H1 2015 expenses for share based payments have been restated. For further information please refer to the Nine Months Report 2015.

Balance sheet and cash flow statement

Consolidated statement of financial position

In €k	June 30, 2016	December 31, 2015
Total non-current assets	**35,150**	**34,086**
Inventories	29,272	27,099
Prepayments	311	1,670
Trade receivables	5,485	2,469
Miscellaneous other current assets[1]	6,672	5,457
Cash and cash equivalents	67,116	88,678
Total current assets	**108,856**	**125,373**
Total assets	**144,006**	**159,459**
Issued capital	26,283	25,746
Share premium	159,578	154,570
Accumulated loss	-83,608	-65,416
Cumulated other comprehensive income	-425	-22
Treasury shares	-370	-
Total equity	**101,458**	**114,878**
Total non-current liabilities	**7,574**	**10,208**
Other provisions	2,314	2,221
Financial liabilities	48	41
Trade payables	16,468	18,137
Deferred revenue	4,608	4,352
Miscellaneous current liabilities[2]	11,536	9,622
Total current liabilities	**34,974**	**34,373**
Total equity & liabilities	**144,006**	**159,459**

Consolidated statement of cash flows

In €k	H1 2016	H1 2015 R[3]	Q2 2016	H1 2015 R[3]
Net cash flows from/used in operating activities	**-19,834**	**-3,817**	**-10,801**	**-5,019**
Net cash flows from/used in investing activities	-1,672	-1,209	-776	-624
Net cash flows from/used in financing activities	-53	93,761	-34	95,143
Cash and cash equivalents at the beginning of the period	88,678	33,830	78,730	33,065
Net increase/decrease in cash and cash equivalents	**-21,559**	**88,735**	**-11,611**	**89,500**
Cash and cash equivalents at the end of the period	**67,116**	**122,565**	**67,116**	**122,565**

1 Miscellaneous other current assets include income tax receivables, current other financial assets and current other non-financial assets.
2 Miscellaneous other current liabilities include income tax payables, current other financial liabilities and current other non-financial liabilities.
3 In the comparative period H1 2015 share-based payments have been restated. For further information please refer to the Nine Months Report 2015.
4 In the comparative period Q4 2016 share-based payments have been restated. For further information please refer to the Six Months Report 2016.