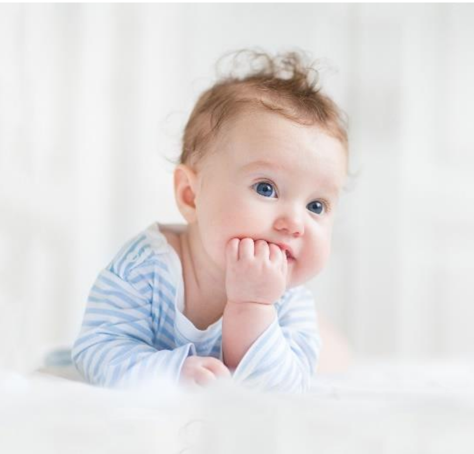
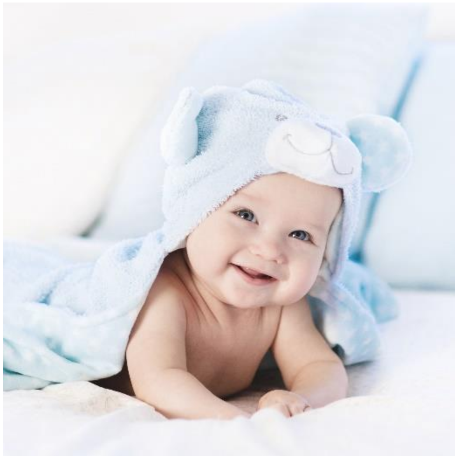
HALF YEAR REPORT 2018

January – June 2018





windeln.de

alles für mein Baby

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WINDELN.DE GROUP AT A GLANCE

Performance indicators (continuing operations only)	H1 2018	H1 2017 R	Q2 2018	Q2 2017 R
Site visits	21,382,234	40,667,318	9,126,914	18,118,798
Mobile visit share (as % of site visits)	72.1%	70.9%	71.8%	71.4%
Mobile orders (as % of number of orders)	54.2%	48.3%	55.2%	48.8%
Active customers	681,426	914,875	681,426	914,875
Number of orders	613,671	991,279	283,462	468,192
Average orders per active customer (as number of orders)	2.18	2.20	2.18	2.20
Share of repeat customer orders (as % of orders of last 12 months)	74.9%	76.2%	74.9%	76.2%
Gross order intake (in EUR)	55,287,823	90,877,992	25,514,022	45,712,184
Average order value (in EUR)	90.09	91.68	90.01	97.64
Returns (as % of Net revenues from orders)	3.5%	3.4%	3.6%	2.8%
Marketing cost ratio (as % of revenues)	4.6%	5.2%	4.6%	4.8%
Adjusted fulfilment cost ratio (as % of revenues)	17.5%	15.1%	19.7%	14.5%
Adjusted other SG&A expenses (as % of revenues)	22.1%	17.2%	24.6%	17.8%
Earnings position (continuing operations only)				
Revenues (in kEUR)	56,371	94,909	23,548	48,324
Gross profit (in kEUR)	13,459	24,058	5,589	12,952
Gross profit (as % of revenues)	23.9%	25.3%	23.7%	26.8%
Operating contribution (in kEUR)	1,270	4,833	-52	3,653
Operating contribution (as % of revenues)	2.3%	5.1%	-0.2%	7.6%
Adjusted EBIT (in kEUR)	-11,061	-11,530	-5,855	-4,968
Adjusted EBIT (as % of revenues)	-19.8%	-12.1%	-24.9%	-10.3%
Financial position				
Cash flow from operating activities (in kEUR)	-13,784	-13,114	2,430	-5,975
Cash flow from investing activities (in kEUR)	1,387	-328	884	378
Cash flow from financing activities (in kEUR)	1,590	-26	19	-50
Net increase / decrease in cash and cash equivalents (Group cash flow)	-10,807	-13,468	3,333	-5,647
Cash and cash equivalents at the end of the period (in kEUR)	15,656	37,837	15,656	37,837
Current time deposits (in kEUR)	1,250	2,500	1,250	2,500
Non-current time deposits (in kEUR)	-	1,250	-	1,250
Restricted cash	226	297	226	297
Total cash available (in kEUR)	17,132	41,884	17,132	41,884
Other				
Basic earnings per share (in EUR)	-0.73	-0.73	-0.21	-0.39
Diluted earnings per shares (in EUR)	-0.70	-0.64	-0.20	-0.34

pp = Prozentpunkte

All performance indicators and the section earnings position include amounts from continuing operations only. Since end of March 2018, the Feedo Group has been classified as held for sale. As a result, the Feedo Group is presented as discontinued operation in the consolidated income statement.

INTERIM GROUP MANAGEMENT REPORT AS OF JUNE 30, 2018

1. Fundamental information about the Group

The statements on the business model, strategy and competitive situation of the Group as well as research and development made in the Annual Report 2017 still apply as of June 30, 2018.

Group structure

The Group structure is unchanged on June 30, 2018. The expected divestiture of the Feedo Group, comprising the legal entities Feedo Sp. z o.o. and MyMedia s.r.o. will change the future Group structure from July 20, 2018, onwards. Details are outlined in note 2.3 in the Interim Group Management Report.

Management system

The most important performance indicators for the management of the Group comprise revenues, operating contribution as percentage of revenues and adjusted earnings before interest and taxes as percentage of revenues (adjusted EBIT as percentage of revenues). At the beginning of 2018, the Group cash flow was added to the key perfomance indicators as this indicator determines the liquidity of the Group.

For the purposes of managing the Group, earnings before interest and taxes (EBIT) are adjusted for expenses and income in connection with share-based compensation, reorganization measures and income and expenses of the closed shop pannolini.it. In the prior year comparative period, expenses for the integration of subsidiaries were adjusted.

Group cash flow is defined as change in cash and cash equivalents as presented in the consolidated statement of cash flows.

The management board manages at Group level.

Non-financial key performance indicators remain unchanged compared to prior year.

2. Report on economic position

2.1. Macroeconomic conditions

The German economy has seen a good start in 2018 after having already grown by 2.2% (price-adjusted) in 2017. The business situation and expectations in the retail sector continue to be positive. In 2018, according to the forecast of the trade association Germany HDE, retail sales will increase by around 2% to about EUR 523 billion.[1]

Retail sales increased for the eighth time in a row in 2017. Since 2010, sales have increased by around 20%, which shows that retailers are sustainably benefiting from the consumer-friendly environment of recent years. Growth driver remains e-commerce, which recorded total sales of EUR 58.5 billion in 2017 (growth of approximately 10% compared to 2016). In the meantime, every tenth Euro in the German retail trade is redeemed via e-commerce. In 2018, a growth of 9% to around EUR 63 billion is expected. Especially the personal needs and the leisure equipment are in the focus of the consumers.[2]

Gross domestic product (GDP) rose by 0.3% in the first quarter of 2018 and has now risen for the 15th consecutive quarter. Nevertheless, the increase is lower than in previous years. For the current year, however, a continuation of the strong economic growth in Germany is expected. [3]

There was also an increase in sales across Europe in 2017. For 2018, growing consumer spending is expected in all European countries as well. [4] European online sales are expected to generate sales of approximately EUR 313 billion.[5]

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[1] HDE Handelsverband Deutschland; https://www.einzelhandel.de/presse/aktuellemeldungen/11145-hde-prognose-handel-2018-mit-zwei-prozent-umsatzplus; retrieved on July 11, 2018
[2] EHI Handelsdaten; https://www.handelsdaten.de/branchen/e-commerce-und-versandhandel; retrieved on July 11, 2018
[3] Spiegel Online; http://www.spiegel.de/wirtschaft/soziales/bruttoinlandsprodukt-deutsche-wirtschaft-waechst-langsamer-a-1207736.html; retrieved on July 12, 2018
[4] GfK Geomarketing; http://www.gfk-geomarketing.de/fileadmin/gfkgeomarketing/de/DE_European_Retail_Study_2018.pdf; retrieved on July 12, 2018
[5] Statista; https://de.statista.com/outlook/243/102/ecommerce/europa; retrieved on July 12, 2018

In 2017, retail sales in China grew by 10.2% compared to the previous year. In online retail, sales of EUR 543 billion were recorded; sales of around EUR 576 billion are expected for 2018. The Group therefore expects further strong growth and an annual growth rate of about 12% by 2022.[6]

Due to the continuing positive development of e-commerce, the Group continues to see growing market opportunities for the business model of selling products for babies and children.

The exit of the United Kingdom from the European Union ("Brexit") has no impact on the Group. windeln.de SE and its subsidiaries delivered (and obtained respectively) products to an immaterial extent in 2017 and the first half of 2018. For the future, there are no plans to expand the business into the UK.

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

<u>German and European market</u>

The growth of the e-commerce market for consumables for babies and other baby and toddler products is decisive for the success of the Group. According to internal estimates, e-commerce in the segment baby and toddler products amounted to EUR 1.9 billion in Germany in 2017 and is expected to grow by 3.5% per year until 2022. For 2018, sales of around EUR 2 billion are expected.[7] The market is characterized by low cyclicity as well as a high degree of predictable demand and is supported by a stable birth rate. Since 2012, a strong positive birth trend has been observed in Germany. In 2016, around 792,000 children were born. A slight decline of 0.9% was recorded in 2017 with 785,000 births, also because the number of births in the previous years had increased significantly.[8] From the Group's perspective, therefore, the medium-term growth of the whole market for baby and children's products is very probable.

Sales in the segment baby and toddler products in Europe are estimated around EUR 11.2 billion for 2018. The penetration rate is currently around 15.5% and is expected to reach 18.7% in 2022. The Group expects growth of the e-commerce share and the online infrastructure as well as a continued increase of the use of online content in all parts of Europe.[9]

The online channel generally offers a good possibility to sell consumables for babies, toddlers and children, which are typically branded articles, durable and bought frequently. Convenient home delivery provides significant convenience compared to traditional offline shopping.

<u>Mobile devices</u>

The constant rise of the use of smartphones and tablets is one of the main reasons for the increasing penetration of online facilities in Europe. Smartphones and tablets offer customers a comfortable option to shop at anytime and anywhere. This is a great advantage, especially for working parents and large families. In addition, online marketing via mobile devices (e.g. push notifications) offers a new opportunity to increase daily interaction with customers. The Group is constantly working to improve the mobile shopping experience for the customer and, among other things, introduced new functionalities in the windeln.de App in H1 2018. The share of mobile page views at windeln.de was 72.1% in the first half of 2018 (the share of mobile orders was 54.2%).

<u>Cross-border e-commerce market in China</u>

windeln.de is also active in the Chinese cross-border e-commerce market. Chinese customers make purchases directly from foreign online dealers. In 2018, 24% of Chinese online shoppers are expected to buy cross-border, and the trend is upward. The total volume of Chinese cross-border e-commerce is expected to amount to around USD 100 billion, which is a growth of 28% to the previous year.[10] For 2018, a volume of USD 125 billion is expected.[11]

While the population's disposable income increases, the demand for foreign high-quality products continues to grow too. The main product categories are cosmetics, body care as well as product for mother and child.[12] Moreover, China's middle class purchasing power is also growing at a rate of around 9% per capita GDP from 2017 to 2022.[13] According to McKinsey, the middle class is

[6] Statista; https://de.statista.com/outlook/243/117/ecommerce/china#; retrieved on July 12, 2018
[7] Statista; https://de.statista.com/outlook/257/137/spielzeug-baby/deutschland; retrieved on July 13, 2018
[8] Statista; https://de.statista.com/infografik/14691/geburtenzahl-in-deutschland/; retrieved on July 16, 2018
[9] Statista; https://de.statista.com/outlook/257/102/spielzeug-baby/europa; retrieved on July 7, 2018
[10] eMarketer; https://www.emarketer.com/Article/Cross-Border-Ecommerce-Spending-China-Top-100-Billion-Threshold-2017/1016697; retrieved on July 11, 2018
[11] Cision PR Newswire; https://www.prnewswire.com/news-releases/chinas-cross-border-online-shopping-market-set-to-exceed-us125-billion-in-2018-says-frost--sullivan-300647492.html; retrieved on July 12, 2018
[12] Unit m; https://www.unit-m.de/china-als-ecommerce-markt-zahlen-und-fakten// China Daily; http://www.chinadaily.com.cn/business/2017-10/30/content_33890583.htm; retrieved on July 11, 2018
[13] International Monetary Fund, World Economic Outlook Database, October 2017; retrieved on July 12, 2018

expected to reach 630 million by 2022, with a high demand for authentic, high-quality foreign products.[14] Especially German products are very popular among the Chinese consumers. The higher demand for foreign products is also boosted by past scandals with local milk formula products. For example, Aptamil brand milk powder was named one of the top five products sold on Tmall Global on November 11, 2017.[15] Despite the structural attractiveness of the Chinese market, demand is volatile as customer demand is subject to market changes such as new laws and regulations, product changes or temporarily intensified inspections by customs authorities. In addition, it has to be taken into account that – as a result of the attractiveness of the Chinese market – competition and therefore downward pressure on prices are expected to increase.

With more than 7.2 million births in 2017 and the rising purchasing power, the Chinese market for baby and toddler products is geared towards growth though.[16]

2.3. Course of business

Set of measures to improve efficiency and profitability

As part of the meanwhile completed change of CEO, the management board and supervisory board of windeln.de SE authorized several measures to improve efficiency and profitability on February 6, 2018. These measures are or will be implemented in the current year in order to achieve break even (on basis of adjusted EBIT) early 2019.

- *Reorganization and reduction of costs of the Group*

In the first six months 2018, the number of employees was reduced in all sales and administrative departments in the German headquarter and in the Spanish offices, and some of the departments were reorganized. This results in a reduction in active full time equivalents (FTE's) of 82 FTE's to 311 FTE's as of June 30, 2018. Those 311 FTE's include 21 FTE's that had or will have their last work day on June 30, 2018, or in H2 2018, plus 74 FTE's of the Feedo Group.

- *Divestiture of the Feedo Group*

In February 2018, the management board and the supervisory board of windeln.de SE decided to assess the sale of Feedo Group in form of a share deal, as Feedo Group's operating results and cash flows are highly negative.

In February 2018, windeln.de got in contact with several potential purchasers to assess the chances of a potential divestiture. The result of this evaluation was positive. At the end of March 2018, the management board decided on a plan to sell the Feedo Group. Negotiations were completed on July 20, 2018, with the signing of an agreement to sell Feedo Group, comprising the legal entities Feedo Sp. z o.o. and MyMedia s.r.o. with all their assets (including domains) and liabilities.

As the requirements of IFRS 5 are met, the Feedo Group was classified as a disposal group held for sale. The assets and liabilities of the Feedo Group are presented as "Assets held for sale" and "Liabilities associated with assets held for sale" on the face of the balance sheet of the Group. As a result, the Feedo Group is remeasured at each balance sheet date in accordance with IFRS 5, resulting in expenses amounting to EUR 7,598k in H1 2018.

In addition, the Feedo Group meets the requirement of a discontinued operation in accordance with IFRS 5. As a result, profit or loss of the Feedo Group is presented in the separate position "Profit or loss after taxes from discontinued operations" in the consolidated income statement.

Further information on the divestiture of the Feedo Group is presented in note 10 in the notes to the consolidated financial statements.

- *Closure of local Italian business*

In Q1 2018, the local Italian business was closed, including the dissolution of the local warehouse and office. Customers visiting the website pannolini.it are routed to our shop windeln.de. They can still receive shipments in Italy. The employees of the local company pannolini.it S.r.l. left the Group in Q1 2018. As a result of a high share of consumable products and a high cost base, pannolini.it's operating results and cash flows are also highly negative.

- *Optimization of assortment and reduction of marketing costs*

The assortment of products in the shops was further optimized in order to improve margins. Marketing spent was also further lowered in all the shops in H1 2018 and managed on a more profit-focused basis.

[14] China Daily; http://www.chinadaily.com.cn/business/tech/2017-02/16/content_28218209.htm; retrieved on July 12, 2018
[15] Technode; https://technode.com/2017/11/11/alibaba-records-rmb-168-2-billion-in-singles-day-sales/; retrieved on July 12, 2018
[16] German.China.org; http://german.china.org.cn/txt/2018-01/26/content_50313680.htm; retrieved on July 12, 2018

Borrowing Base
On March 31, 2018, the credit line agreements with Deutsche Bank and Commerzbank expired. The borrowing base had a total maximum limit of EUR 10 million. The credit line was undrawn at the time of expiry.

Change in credit card payment provider
Since the end of H1 2018, all incoming credit card payment transactions are processed by the payment provider Worldpay. As a last step, the payment provider was implemented in our windeln.de shop; all other shops were already migrated to Worldpay in 2017. The migration to a single provider allows to optimize processes and achieve synergies. The migration also allows to further decrease credit card payment fees in future.

Office relocation of windeln.ro labs Srl.
In H1 2018, windeln.ro labs Srl. moved to new office spaces in Sibiu, Romania. The new office will the basis for an expansion of activities in Romania. The positive pay level drives the expansion of the location. windeln.ro labs Srl. is rendering IT development and product data services within the windeln.de Group.

Final settlement agreement with the founders of Feedo Group
In H1 2018, windeln.de and the two founders of Feedo Group agreed on a final settlement about windeln.de's claims from seller guarantees and potential subsequent purchase prices. The main results of the settlement agreement are outlined as follows:

- The founders of Feedo Group agreed to settle the claims from seller guarantees by immediate payment in the amount of EUR 365k and a further payment of EUR 70k in 2019.
- The founders waive their claims from subsequent purchase price payments for the year 2018.
- In return, windeln.de waives its claims from seller guarantees of EUR 145k.

As a result of the settlement agreement, the Group received cash payment of EUR 365k in June 2018.

Management board
Konstantin Urban and Alexander Brand, both members of the management board, retired from their positions on March 31, 2018. Their successor as CEO is Matthias Peuckert since May 1, 2018.

Management change at Bebitus
Dr. Guillem Sanz, founder and former CEO of Bebitus Retail S.L.U., left the company and transferred his management responsibilities for the Southern European activities of windeln.de Group to Erich Renfer, the former head of the Swiss market. The management change was planned since Q4 2017. The transition phase started in April 2018, and is now finalized by the leave of Dr. Sanz.

Capital increase
On February 6, 2018, windeln.de SE successfully completed a capital increase. A total of 2,628,323 shares were issued. As a result, share capital increased by EUR 2,628,323. The shares were offered at a price of EUR 1.98, leading to gross issuing proceeds of EUR 5,204,080. Shareholders' subscription rights were excluded. The new shares are entitled to dividend payments from January 1, 2018, onwards.

Annual General Meeting of windeln.de SE
On June 25, 2018, the Annual General Meeting of windeln.de SE was held. 71.28% of the voting share capital was present. All resolutions submitted in the invitation were approved. The Annual General Meeting elected Dr. Hanna Eisinger and Clemens Jakopitsch as new members of the supervisory board. The previous members Petra Schäfer and Nenad Marovac were not available for re-election.

The Annual General Meeting approved changes to Authorized and Conditional Capital. We refer to note 8.5 in the notes to the consolidated financial statements.

Enhancement of the windeln.de App
In June 2018, the windeln.de App was enhanced by the section "pregnancy". Expectant parents can enter the expected date of birth. This is used as a basis to provide information on the prenatal development of the baby and the mother in the various stages of pregnancy. The App offers useful tips and checklists. Furthermore, products are being presented in this section that may meet the mothers' interests.

China – Test of a new sales platform
windeln.de is constantly striving for new sales channels. For this purpose, the platform EURGO was tested since April 2018, in order to sell specific products to Chinese end customers. The test phase was completed in June 2018, and is currently being evaluated.

China – TMall Global Award

On February 6, 2018, windeln.de was again awarded at the „Annual Forum" of TMall Global (TMG). TMG honored six companies, each in a different category, for their role to build up the most popular products on its e-commerce platform in 2017. windeln.de received the award in the category "mother & baby" for driving the growth of popular German baby milk powder brands.

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

2.4.1. Results of operations

Consolidated income statement

kEUR	H1 2018	H1 2017 R	Change absolute in kEUR	Change relative in %	Q2 2018	Q2 2017 R	Change absolute in kEUR	Change relative in %
Continuing operations								
Revenues	56,371	94,909	-38,538	-41%	23,548	48,324	-24,776	-51%
Cost of sales	-42,912	-70,851	27,939	-39%	-17,959	-35,372	17,413	-49%
Gross profit	**13,459**	**24,058**	**-10,599**	**-44%**	**5,589**	**12,952**	**-7,363**	**-57%**
Selling and distribution expenses	-21,637	-29,103	7,466	-26%	-9,307	-14,544	5,237	-36%
Administrative expenses	-4,291	-11,889	7,598	-64%	-1,707	-7,381	5,674	-77%
Other operating income	479	297	182	61%	317	224	93	42%
Other operating expenses	-456	-491	35	-7%	-351	-465	114	-25%
Earnings before interest and taxes (EBIT)	**-12,446**	**-17,128**	**4,682**	**-27%**	**-5,459**	**-9,214**	**3,755**	**-41%**
Financial income	6	4	2	50%	3	2	1	50%
Financial expenses	-26	-40	14	-35%	-2	-12	10	-83%
Financial result	**-20**	**-36**	**16**	**-44%**	**1**	**-10**	**11**	**<-100%**
Earnings before taxes (EBT)	**-12,466**	**-17,164**	**4,698**	**-27%**	**-5,458**	**-9,224**	**3,766**	**-41%**
Income taxes	-14	3	-17	<-100%	-11	1	-12	<-100%
Profit or loss from continuing operations	**-12,480**	**-17,161**	**4,681**	**-27%**	**-5,469**	**-9,223**	**3,754**	**-41%**
Profit or loss after taxes from discontinued operations	-9,862	-2,079	-7,783	>100%	-985	-982	3	0%
PROFIT OR LOSS FOR THE PERIOD	**-22,342**	**-19,240**	**-3,102**	**16%**	**-6,454**	**-10,205**	**3,751**	**-37%**

In the first six months of 2018, the Group generates revenues of EUR 56,371k, a decrease of 41% compared to the first six months of 2017 (EUR 94,909k). The decrease relates mainly to the optimization of assortment and reduction of marketing costs in the German and European webshops. The Chinese shop had significantly lower revenues, due to an excess supply of milk powdered products in the Chinese market, and due to a change of milk powdered products and changed recipe formulas by leading suppliers. Additionally, Chinese customs authorities have increased their inspections temporarily at one customs point. Therefore, delivery times for direct shipments have increased by four to eight weeks. Many Chinese customers have cancelled their orders with negative impacts on revenues in China. Also the closure of the Italian webshop contributes to the decrease in revenues.

In H1 2018, the margin (gross profit as % of revenues) decreased by 1.4pp to 23.9% compared to the prior year period. As a result of the optimization of assortment, the margins for some product categories could be improved in Europe. The excess supply in China, as described above, triggers a decrease in market prices with negative impacts on margins. Delayed shipments due to the temporarily increased customs inspection lead to cost of sales without corresponding revenues. The affected customer orders partially had to be scrapped or were given to customers for free. Additionally, the valuation of inventories made mainly in Q1 2018, had further negative impacts on the margin. Especially the optimization of assortment and the closure of the Italian warehouse gave rise to the valuation expense.

Selling and distribution expenses decreased by EUR 7,466k or 26% compared to the prior year period. This was mainly driven by lower logistics expenses (minus 32%) and payment processing costs (minus 35%), as a result of decreased order volumes. Also the closure of the Italian warehouse in Q1 2018 and the engagement of PostNL as transportation supplier in the end of Q1 2017 have positive impacts on logistics expenses. The ratio of marketing expenses as % of revenues could be improved from 5.2% in H1 2017 to 4.7% in H1 2018, with positive impacts on selling and distribution expenses. The online marketing activities in the GSA region focussed on the optimization of transaction costs as % of the realizable margin. A further decrease is seen at warehouse expenses (minus 17%) as a result of the reduction in inventories. Personnel expenses within selling and distribution expenses have increased by 11%. This results mainly from one-time effects from provisions for severances and continued pay, incurred from the restructuring measures implemented in Q1 2018. Additionally, in some departments headcount was increased compared to the prior year. The cost savings from restructuring measures materialize in Q2 2018 through a reduction in personnel expenses by 20%, compared to Q2 2017.

Administrative expenses decreased by EUR 7,598k or 64% compared to the prior year period, which results mainly from personnel expenses. In H1 2018, windeln.de had no expenses for share-based payments in connection with the acquisition of Bebitus (prior year period: EUR 5,203k). Other personnel expenses also decreased by EUR 1,803k compared to the prior year period, attributable to a natural employee fluctuation, not filling job vacancies, and a write-back of share-based compensation due to changes in the numeral structure of the stock option plan LTIP-SO. A decrease in expenses is also seen in legal fees (EUR 297k or 42%), external services (EUR 125k or 87%) and recruitment (EUR 104k or 90%).

In H1 2018, other operating income increased by EUR 185k to EUR 479k. The increase stems mainly from foreign exchange gains (EUR 302k, prior year: EUR 98k). Other operating expenses decreased by EUR 35k to EUR 456k, mostly attributable to decreased foreign exchange losses by EUR 84k to EUR 363k.

Financial result has improved in H1 2018 by EUR 16k to EUR 20k (expense). The expense in 2018 mainly comprises interest fees from short-term money market loans that were fully redeemed in February 2018.

The loss from discontinued operations amounts to EUR 9,682kk (prior year period: EUR 2,079k). Discontinued operations comprise the Feedo Group. The loss includes losses from regular operations in H1 2018 (EUR 2,264k) and expenses arising from the remeasurement according to IFRS 5 (EUR 7,598k).

Financial and non-financial key performance indicators

Financial key performance indicators

The financial key performance indicators of the Group consist of revenues, operating contribution as percentage of revenues, adjusted EBIT as percentage of revenues and Group cash flow. 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 cash flow is decribed in note 2.4.2 "Financial position".

For the purposes of managing the Group, earnings before interest and taxes (EBIT) are adjusted for expenses and income in connection with share-based compensation, reorganization measures and income and expenses of the closed shop pannolini.it. In the prior year comparative period, expenses for the integration of subsidiaries were adjusted.

			Change				Change	
kEUR	H1 2018	H1 2017 R	absolute in kEUR	relative in %	Q2 2018	Q2 2017 R	absolute in kEUR	relative in %
Earnings before interest and taxes (EBIT)	**-12,466**	**-17,128**	**4,682**	**-27%**	**-5,459**	**-9,214**	**3,755**	**-41%**
adjusted for costs of acquisition, integration and expansion	-	198	-198	-100%	-	80	-80	-100%
adjusted for share-based compensation	-387	5,503	-5,890	<-100%	-472	4,190	-4,662	<-100%
adjusted for costs of reorganization	1,058	-103	1,161	<-100%	2	-24	26	<-100%
adjusted for closure of pannolini.it	714	-	714	-	74	-	74	-
Adjusted EBIT	**-11,061**	**-11,530**	**469**	**-4%**	**-5,855**	**4,968**	**-887**	**18%**

Adjusted EBIT in H1 2018 is minus EUR 11,061k and has improved by EUR 496k compared to the prior year period. Adjusted EBIT in % of revenues has significantly deteriorated in H1 2018 with minus 19.8% compared to minus 12.1% in H1 2017. This is mainly related to the decrease in revenues in H1 2018.

Non-financial key performance indicators

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

- The number of active customers decreased by 233,449 to 681,429. The decreased number of site visits is a direct result of our adjusted marketing strategy. Another effect stems from a GDPR compliant adjustment of our tracking systems.
- The average number of orders from active customers amounts to 2.18 as of June 30, 2018, and remains at a similar level as the prior year.
- The average order value slightly decreased in H1 2018 by EUR 1.58 to EUR 90.09.
- The share of repeat customers as of June 30, 2018, amounts 74.9% and is slightly below prior year (H1 2017: 76.2%).

Other non-financial performance indicators are outlined in note 2.6 “Other non-financial performance indicators”.

Regional results of operations

kEUR	H1 2018	H1 2017 R	Change absolute in kEUR	Change relative in %	Q2 2018	Q2 2017 R	Change absolute in kEUR	Change relative in %
Revenues from continuing operations	**56,371**	**94,909**	**-38,538**	**-41%**	**23,548**	**48,324**	**-24,766**	**-51%**
Germany, Switzerland, Austria (GSA)	12,599	24,306	-11,707	-48%	5,316	10,963	-5,647	-52%
China	29,089	50,920	-21,831	-43%	11,624	27,280	-15,656	-57%
Other / Rest of Europe	14,683	19,683	-5,000	-25%	6,608	10,081	-3,473	-34%

Information on regional results of operations are included in the paragraphs on revenues.

2.4.2. Financial position

kEUR	H1 2018	H1 2017 R	Change absolute in kEUR	Change relative in %	Q2 2018	Q2 2017 R	Change absolute in kEUR	Change relative in %
Profit or loss for the period	-22,342	-19,240	-3,102	16%	-6,454	-10,205	3,751	-37%
Net cash flows from/ used in operating activities	**-13,784**	**-13,114**	**-670**	**5%**	**2,430**	**-5,975**	**8,405**	**<-100%**
Net cash flows from/ used in investing activities	**1,387**	**-328**	**1,715**	**<-100%**	**884**	**378**	**506**	**>100%**
Net cash flows from/ used in financing activities	**1,590**	**-26**	**1,616**	**<-100%**	**19**	**-50**	**69**	**<-100%**
Cash and cash equivalents at the beginning of the period	26,465	51,302	-24,837	-48%	12,324	43,487	-31,163	-72%
Net increase / decrease in cash and cash equivalents (Group cash flow)	**-10,807**	**-13,468**	**2,661**	**-20%**	**3,333**	**-5,647**	**8,980**	**<-100%**
Change in cash and cash equivalents due to foreign exchange rates	-2	3	-5	<-100%	-1	-3	2	-67%
Cash and cash equivalents at the end of the period	**15,656**	**37,837**	**-22,181**	**-59%**	**-15,656**	**37,837**	**-22,181**	**-59%**
Time deposits	1,250	3,750	-2,500	-67%	1,250	3,750	-2,500	-67%
Restricted cash	226	297	-71	-24%	226	297	-71	-24%
Total cash available	**17,132**	**41,884**	**-24,752**	**-59%**	**17,132**	**41,884**	**-24,752**	**-59%**

The decrease in cash and cash equivalents by EUR 10,807k is only partially attributable to the loss of the period (EUR 22,342k) since expenses of EUR 7,598 related to the sale of Feedo Group are not cash relevant. Furthermore, the Group has reduced its inventory by EUR 4,332k, other financial assets by EUR 2,746k and trade receivables by EUR 789k with positive impacts on the cash flows from operating activities. The developments of trade receivables (decrease by EUR 6,215k) and deferred revenues (decrease by EUR 1,019k) negatively impact operating cash flows. Overall, cash outflows from operating activities were EUR 13,784k.

Cash inflows from investing activities (EUR 1,387k) result from the redemption of time deposits of EUR 1,250k. The founders of Feedo Group have paid EUR 365k to windeln.de pursuant to the final settlement agreement.

Cash inflows from financing activities (EUR 1,590k) result from the capital increases in Q1 2018 (EUR 5,204k) and Q2 2018 (EUR 38k). Howwever, the Group saw cash outflows of EUR 3,500k from the redemption of short-term money market loans.

Overall, Group cash flow improved by EUR 2,661k to minus EUR 10,807k. Total cash and cash equivalents of the windeln.de Group thereby amount to EUR 15,656k as of June 30, 2018. Thereof, EUR 302k are held by Feedo Group and EUR 15,354k by the other legal entities of the Group. Cash and cash equivalents of Feedo Group and subsumed in the balance sheet line item “assets held for sale”.

The equity capital ratio improved from 64.9% as of December 31, 2017, to 69.7% as of June 30, 2018. This results from two capital increases in the total amount of EUR 5,242k in H1 2018, and from the significant decrease in total assets.

The credit line agreement with Commerzbank of EUR 5 million and the secured revolving cash credit line agreement with Deutsche Bank of EUR 5 million expired as scheduled in H1 2018. Based on these credit lines, short-term money market loans of EUR 3,500k were taken up in the end of 2017. The money market loans were fully redeemed in Q1 2018.

2.4.3. Net assets

Assets			Change	
kEUR	June 30, 2018	December 31,2 017 R	absolute in kEUR	relative in %
NON-CURRENT ASSETS				
Intangible assets	11,898	21,002	-9,104	-43%
Fixed assets	188	625	-437	-70%
Other financial assets	247	866	-619	-71%
Other non-financial assets	191	206	-15	-7%
Deferred tax assets	10	15	-5	-33%
Total non-current assets	**12,534**	**22,714**	**-10,180**	**-45%**
CURRENT ASSETS				
Inventories	12,886	19,174	-6,288	-33%
Prepayments	82	332	-250	-75%
Trade receivables	1,151	2,258	-1,107	-49%
Income tax receivables	4	3	1	33%
Other financial assets	3,802	7,783	-3,981	-51%
Other non-financial assets	2,726	3,266	-540	-17%
Cash and cash equivalents	15,354	26,465	-11,111	-42%
Total current assets	**36,005**	**59,281**	**-23,276**	**-39%**
Assets held for sale	**2,874**	**-**	**2,874**	**-**
TOTAL ASSETS	**51,413**	**81,995**	**-30,582**	**-37%**

The expected divestiture of the Feedo Group significantly impacted the Group's net assets in H1 2018. Both assets and liabilities are affected. Since the divestiture of Feedo Group was deemed highly probably at the end of March 2018, assets and liabilities of Feedo Group were reclassified as of March 31, 2018. The assets of Feedo Group are subsumed in the balance sheet line item "assets held for sale", and the liabilities of Feedo Group are subsumed in the balance sheet line item "liabilities associated with assets held for sale".

As a result of the reclassification made end of March 2018, intangible assets decrease by EUR 8,560k and fixed assets by EUR 326k. Larger reclassifications were also necessary for inventories (EUR 1,981k) and other current financial assets (EUR 416k). For the liabilities, mostly trade payables (EUR 2,455k) and deferred tax liabilities (EUR 1,626k) were reclassified. Overall, assets amounting to EUR 12,450k and liabilities amounting to EUR 4,663k were reclassified to the new positions. Pursuant to IFRS 5, after reclassification as "held for sale", a remeasurement of the Feedo Group as a whole at fair value less costs of disposal is necessary at each balance sheet date. The remeasurement resulted in expenses amounting to EUR 7,598k in H1 2018.

Non-current assets have decreased by EUR 10,180k in H1 2018, which results mainly from changes in intangible assets (EUR 9,104k), fixed assets (EUR 437k), and other financial assets (EUR 619k). Except for the impacts of the reclassification of Feedo Group, intangible assets decreased due to regular amortization (EUR 664k). Also fixed assets decrease due to the reclassification of Feedo Group and depreciation expenses (EUR 134k). The decrease in other financial assets results from the final settlement agreement with the founders of Feedo Group. This leads to a decrease in other financial assets of EUR 576k.

Current assets have decreased in H1 2018 by EUR 23,276k, mainly from the decrease in cash and cash equivalents (EUR 11,111k), inventories (EUR 6,288k) other financial assets (EUR 3,981k) and trade receivables (EUR 1,107k). The development of cash and cash equivalents is described in note 2.4.2 "Financial position". The decrease in inventories stems from the reclassification of Feedo Group (EUR 1,981k) and a reduction of inventories on stock in the regular operating business (EUR 4,802k). At the end of the business year 2017, the Group had high receivables from advertising subsidies from suppliers. Those turned into cash inflows in H1 2018. Although new receivables from suppliers were incurred in H1 2018, overall receivables from accrued advertising subsidies decreased by EUR 2,308k. Another decrease in other financial assets results from the redemption of time deposits in the amount of EUR 1,250k. The remaining change is mainly attributable to the reclassification of Feedo Group. The decrease in trade receivables corresponds to the decrease in revenues.

Equity and liabilities			Change	
kEUR	June 30, 2018	December 31,2017 R	absolute in kEUR	relative in %
EQUITY				
Issued capital	31,136	28,472	2,664	9%
Share premium	170,437	168,486	1,951	1%
Accumulated loss	-165,769	-143.427	-22,342	16%
Cumulated other comprehensive income	18	-298	316	<-100%
Total equity	**35,822**	**53,233**	**-17,411**	**-33%**
NON-CURRENT LIABILITIES				
Defined benefit obligations and other accrued employee benefits	5	51	-46	-90%
Other provisions	4	5	-1	-20%
Financial liabilities	24	59	-35	-59%
Other financial liabilities	37	59	-22	-37%
Deferred tax liabilities	475	2,115	-1,640	-78%
Total non-current liabilities	**545**	**2,289**	**-1,744**	**-76%**
CURRENT LIABILITIES				
Other provisions	185	315	-130	-41%
Financial liabilities	54	3,575	-3,521	-98%
Trade payables	5,919	14,779	-8,860	-60%
Deferred revenues	1,947	3,057	-1,110	-36%
Income tax payables	4	2	2	100%
Other financial liabilities	2,602	3,055	-453	-15%
Other non-financial liabilities	1,461	1,690	-229	-14%
Total current liabilities	**12,172**	**26,473**	**-14,301**	**-54%**
Liabilities associated with assets held for sale	**2,874**	**-**	**2,874**	**-**
TOTAL EQUITY AND LIABILITIES	**51,413**	**81,995**	**-30,582**	**-37%**

The decrease in non-current liabilities is almost fully attributable to deferred taxes. The reclassification of Feedo Group at the end of March 2018 resulted in a decrease in deferred tax liabilities of EUR 1,626k.

Current liabilities decrease mainly due to lower trade payables (EUR 8,860k), financial liabilities (EUR 3,521k), deferred revenues (EUR 1,110k) and other financial liabilities (EUR 453k). In Q2 2018, windeln.de reduced its purchases of merchandise with direct impacts on trade payables. At the end of 2017, windeln.de has taken up EUR 3,500k of short-term money market loans in order to finance inventory purchases. The loans were fully redeemed in Q1 2018. The decrease in deferred revenue corresponds to the decrease in revenues. The decrease in other financial liabilities results from lower expenses for advisors (EUR 276k), from the reclassification of financial liabilities of Feedo Group (EUR 207k) and from lower debtors with credit balances (EUR 131k).

2.4.4. Net overall statement

The first half year of 2018 has developed both positively and negatively. The successful capital increase in February 2018 was positive. The Group raised new capital of EUR 5,204k. In addition, the cost base has generally decreased. This results from reduced headcount as well as reorganization and optimization of processes. The gross profit margins have improved in Europe, resulting from the optimization of assortment. Further, windeln.de Group made progress in reducing its net working capital. The reduction in inventory and accrued advertising subsidies due from suppliers were crucial topics in the second quarter of 2018. As a result, windeln.de Group has an available liquidity basis of EUR 17,132k as of June 30, 2018, which exceeds the amount as of March 31, 2018. These developments are generally satisfactory and provide the Group a profound basis for the remaining business year.

The development of revenues, especially in China, is significantly lower than expected at the beginning of the year. Since mid February 2018, the business of windeln.de in China is negatively influenced by an excess supply of milk powdered products due to overproduction and by upcoming changes of product relaunches by leading suppliers. Additionally, Chinese customs authorities have increased their inspections temporarily at one customs point. Therefore, delivery times for direct shipments have increased by four to eight weeks. This fact made Chinese customers return their orders. Revenues in the GSA region and rest of Europe are decreasing as well. However, his decrease results mainly from a deliberately stronger focus on profitability.

2.5. Other financial performance indicators

	H1 2018	H1 2017 R	Change	Q2 2018	Q2 2017 R	Change
Adjusted marketing cost ratio (as % of revenues)	4.6%	5.2%	-0.6pp	4.6%	4.8%	-0.2pp
Adjusted fulfilment cost ratio (as % of revenues)	17.5%	15.1%	2.4pp	19.7%	14.5%	5.2pp
Adjusted other SG&A costs (as % of revenues)	22.1%	17.2%	4.9pp	24.6%	17.8%	6.8pp
Operating contribution (as % of revenues)	2.3%	5.1%	-2.8pp	-0.2%	7.6%	-7.8pp

In the consolidated statement of profit and loss, marketing costs are recognized within selling and distribution expenses. Marketing costs mainly consist of advertising expenses, including search engine marketing, online display and other marketing channel expenses, as well as costs for the marketing tools of the Group. Marketing expenses incurred in the shop pannolini.it are adjusted until the shop's closure. In H1 2018, adjusted marketing costs amounted to EUR 2,561k (H1 2017: EUR 4,925k). We define adjusted marketing cost ratio as adjusted marketing costs divided by revenues for the measurement period. The adjusted marketing cost ratio decreased by 0.6pp to 4.6% compared to prior year.

Fulfilment costs consist of logistics and warehouse rental expenses which are recognized within selling and distribution expenses in the consolidated statement of profit and loss. Fulfilment expenses incurred in the shop pannolini.it are adjusted until the shop's closure. In 2017, costs related to the closure of the Swiss location and income from the release of provisions for onerous contracts are adjusted. We define adjusted fulfilment cost ratio as adjusted fulfilment costs divided by revenues for the measurement period.

			Change				Change	
kEUR	H1 2018	H1 2017 R	absolute in kEUR	relative in %	Q2 2018	Q2 2017 R	absolute in kEUR	relative in %
Logistics	8,475	12,452	-3,977	-32%	3,927	6,085	-2,158	-35%
Warehouse rent	1,464	1,765	-301	-17%	712	866	-154	-18%
Fulfilment costs	**9,939**	**14,217**	**-4,278**	**-30%**	**4,639**	**6,951**	**-2,312**	**-33%**
Adjustments	-173	95	-268	<-100%	-3	41	-44	<-100%
Adjusted fulfilment costs	**9,766**	**14,312**	**-4,546**	**-32%**	**4,636**	**6,992**	**-2,356**	**-34%**
Adjusted fulfilment cost ratio (as % of revenues)	**17.5%**	**15.1%**			**19.7%**	**14.5%**		

In H1 2018, the adjusted fulfilment cost ratio amounts to 17.5% compared to 15.1% in H1 2017. The improvement is mainly attributable to the revenue reduction. As presented in the calculation table, both expenses for logistics and warehouse rent could be significantly reduced.

Other selling, general and administration expenses (other SG&A expenses) consist of selling and distribution expenses, excluding marketing costs and fulfilment costs, and administrative expenses as well as other operating income and expenses. Adjusted other SG&A expenses exclude expenses from share-based compensation, reorganization measures and income and expenses incurred in the shop pannolini.it until the shop's closure. Furthermore, expenses for the integration of subsidiaries were adjusted in the comparative period. We define adjusted other SG&A Expenses (in % of revenues) as adjusted other SG&A expenses divided by revenues.

kEUR	H1 2018	H1 2017 R	Change absolute in kEUR	Change relative in %	Q2 2018	Q2 2017 R	Change absolute in kEUR	Change relative in %
Selling and distribution expenses (w/o marketing and fulfilment costs)	9,050	9,961	-911	-9%	3,589	5,278	-1,689	-32%
Administrative expenses	4,291	11,889	-7,598	-64%	1,707	7,381	-5,674	-77%
Other operating income	-479	-297	-182	61%	-317	-224	-93	42%
Other operating expenses	456	491	-35	-7%	351	465	-114	-25%
Other SG&A costs	**13,318**	**22,044**	**-8,726**	**-40%**	**5,330**	**12,900**	**-7,570**	**-59%**
Adjustments	-987	-5,681	4,694	-83%	473	-4,279	4,752	<-100%
Adjusted other SG&A costs	**12,331**	**16,363**	**-4,032**	**-25%**	**5,803**	**8,621**	**-2,818**	**-33%**
Adjusted other SG&A costs (as % of revenues)	**22.1%**	**17.2%**			**24.6%**	**17.8%**		

In H1 2018, adjusted other SG&A costs (as % of revenues) came to 22.1% compared to 17.2% in the prior year period. The deterioration is mainly attributable to the revenue reduction. In absolute figures, especially administrative expenses could be reduced significantly.

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

kEUR	H1 2018	H1 2017 R	Change absolute in kEUR	Change relative in %	Q2 2018	Q2 2017 R	Change absolute in kEUR	Change relative in %
Gross profit	13,459	24,058	-10,599	-44%	5,589	12,952	-7,363	-57%
Adjustments	138	12	126	>100%	71	8	63	>100%
Adjusted gross profit	**13,597**	**24,070**	**-10,473**	**-44%**	**5,660**	**12,960**	**-7,300**	**-56%**
Adjusted marketing expenses	-2,561	-4,925	2,364	-48%	-1,076	-2,315	1,239	-54%
Adjusted fulfilment costs	-9,766	-14,312	4,546	-32%	-4,636	-6,992	2,356	-34%
Operating contribution	**1,270**	**4,833**	**-3,563**	**-74%**	**-52**	**3,653**	**-3,705**	**<-100%**
Operating contribution (as % of revenues)	**2.3%**	**5.1%**			**-0.2%**	**7.6%**		

Operating contribution amounts to EUR 1,270k in H1 2018 and is significantly lower than in the prior year (EUR 4,833k). The change is a result of the decreased gross profit. Adjusted marketing expenses and adjusted fulfilment costs could be significantly reduced, these savings, however, cannot compensate the decrease in gross profit. Accordingly, operating contribution as % of revenues has decreased from 5.1% in H1 2017 to 2.3% in H1 2018.

2.6. Other non-financial performance indicators

	H1 2018	H1 2017 R	Q2 2018	Q2 2017 R
Site visits	21,382,234	40,667,318	9,126,914	18,118,798
Mobile visit share (as % of site visits)	72.1%	70.9%	71.8%	71.4%
Mobile orders (as % of number of orders)	54.2%	48.3%	55.2%	48.8%
Number of orders	613,671	991,279	283,462	468,192
Gross order intake (in EUR)	55,287,823	90,877,992	25,514,022	45,712,184
Returns (as % of gross revenues from orders)	3.5%	3.4%	3.6%	2.8%

Site visits have have decreased from 40,667,318 in the prior year period to 21,382,234, which is a direct result of lower marketing spent. For the same reason, the number of orders and the gross order intake decline. The share of mobile visits has improved from 70.9% to 72.1%. Also orders from mobile devices have increased from 48.3% in the prior year period to 54.2%. This is driven by the general trend towards mobile devices, but also by the constantly improved windeln.de App with its enhancement for pregnancy. The returns quota is almost unchanged to the low level of the prior year at 3.5%.

3. Outlook

The main strategic target of windeln.de, achieving profitability on the basis of adjusted EBIT, as communicated in the Annual Report 2017, is still planned early 2019. All other goals are subordinated in order to achieve this main target. Therefore, windeln.de deliberately accepts a decline in revenue growth in Germany and the rest of Europe in favor of profitability. For this reason and due to the sales weakness in China since March 2018, as described in notes 2.4.1 and 2.4.4, windeln.de expects a significant revenue reduction compared to the prior year.

windeln.de succeeded in cutting operating expenses in H1 2018. This development is expected to continue in H2 2018 and is a requirement in order to become profitable in early 2019. Despite the improved cost structure, windeln.de expects a moderate deterioration of adjusted EBIT as % of revenues and operating contribution as % of revenues in 2018. With regards to the average order value, windeln.de also expects a slight deterioration due to lower sales in China. The outlook for the share of repeat customers remains unchanged.

Compared to prior year, windeln.de expects a significant improvement of the Group cash flow, the new financial key perfomance indicator. The goal is to ensure sufficient liquidity until achievement of profitability in early 2019.

4. Opportunities and risks report

As part of the closing process for the fiscal year 2017, windeln.de Group made a risk assessment. At the end of the first half year 2018, a planned reassessment has been performed. Compared to the assessment as of December 31, 2017, the assessment of some risks and opportunities have changed significantly. Especially the nature of risks of Feedo Group, that are part of windeln.de's Group opportunities and risk report, has changed.

Any assignment of risks or opportunities to another risk class based on the last evaluation is considered as a material change. For the classification as a low, medium or high risk the same thresholds for occurrence probability and extent of damage are applied as the ones for the annual report 2017. The extent of damage describes the worst-case scenario each risk could have on the Group's earnings before interest and taxes. EBIT as well as the amount and the change in net working capital are significant factors for the cash requirements of the Group. Therefore, the risk assessment as of December 31, 2017 and the below shown material changes of some risk categories are also a significant indicator for the liquidity risk of the Group.

Macroeconomic risks
New laws for exports of baby food could also significantly harm the business in China. The Group continuously monitors current developments in order to actively steer this risk. Nevertheless, due to the temporarily increased customs inspections on shipments to China in the past months, the Groups expects an increased occurrence probability of this risk and hence, the risk is deemed to be high.

Risk resulting from expansion activities
The signing of the agreement to sell the Feedo Group has significantly reduced the probability occurrence. Risks resulting from expansion activities can be eliminated only after the closing of the Feedo divestiture, i.e. when all closing conditions have been met.

Supplier and product quality risks

As the Group is dependent on a limited number of suppliers, in particular for baby food and diapers, it is subject to the risk that suppliers default or offer their products to less favorable conditions. The customer satisfaction with the offered product quality is also a decisive factor. As a consequence of the upcoming changes in product and formula recipes by leading suppliers for milk powedered products, the Group assumes that the extent of damage of this risk has increased while the occurrence probability has decreased. The risk is deemed to be a medium risk. At the same time, the Group sees an increase of opportunities related to these risks due to the negotiation of better purchasing conditions with suppliers.

Logistics and payment risks

Due to the implementation of several logistics projects, the logistics risks have significantly reduced. The Group only expects a low to medium risk.

Personnel related risks

The Group depends on key employees in management. Losing one of these employees would have correspondingly negative effects on the economic success. The Group counters this risk by installing remuneration models with a long-term focus. Furthermore, a higher than expected employee illness and turnover rate could lead to additional costs. Due to an increased employee fluctuation rate, the Group sees an increased risk related to these topics and hence, the risk is deemed to be high.

Financial risks

The subsequent purchase price payments which are a part of the acquisition agreement represented a high risk for the Group in the risk assessment as of December 31, 2017. Due to the final settlement agreement this risk has significantly decreased and hence, the Group only assumes a low risk.

5. Financial risk management and 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. The assessment of market risk and credit risk is unchanged compared to the Annual Report 2017.

With regards to the liquidity risks, there are two changes compared to prior year. Firstly, the credit line agreements amounting to EUR 10 million expired as of March 31, 2018. The credit line was undrawn at the time of expiry. Secondly, the management board decided to introduce the Group cash flow as an key perfomance indicator. The Group cash flow, and related thereto the liquidity of the Group, is closely monitored.

The assessment as of December 31, 2017, did not change due to these two developments. A delay of the strategic measures initiated in 2018, the occurrence of risk factors as presented in opportunities and risks report as well as a deviation from the business plan in 2018 could result in a material deterioration of the liquidity situation of the Group.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

kEUR	H1 2018	H1 2017 R	Q2 2018	Q2 2017 R
Continuing operations				
Revenues	56,371	94,909	23,548	48,324
Cost of sales	-42,912	-70,851	-17,959	-35,372
Gross profit	**13,459**	**24,058**	**5,589**	**12,952**
Selling and distribution expenses	-21,637	-29,103	-9,307	-14,544
Administrative expenses	-4,291	-11,889	-1,707	-7,381
Other operating income	479	297	317	224
Other operating expenses	-456	-491	-351	-465
Earnings before interest and taxes (EBIT)	**-12,446**	**-17,128**	**-5,459**	**-9,214**
Financial income	6	4	3	2
Financial expenses	-26	-40	-2	-12
Financial result	**-20**	**-36**	**1**	**-10**
Earnings before taxes (EBT)	**-12,466**	**-17,164**	**-5,458**	**-9,224**
Income taxes	-14	3	-11	1
Profit or loss from continuing operations	**-12,480**	**-17,161**	**-5,469**	**-9,223**
Profit or loss after taxes from discontinued operations	-9,862	-2,079	-985	-982
PROFIT OR LOSS FOR THE PERIOD	**-22,342**	**-19,240**	**-6,454**	**-10,205**
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	316	180	301	-177
OTHER COMPREHENSIVE INCOME OR LOSS, NET OF TAX	**316**	**180**	**301**	**-177**
TOTAL COMPREHENSIVE INCOME OR LOSS, NET OF TAX	**-22,026**	**-19,060**	**-6,153**	**-10,382**
Basic earnings per share (in EUR)	-0.73	-0.73	-0.21	-0.39
Diluted earnings per share (in EUR)	-0.70	-0.64	-0.20	-0.34
Basic earnings per share from continuing operations (in EUR)	-0.41	-0.65	-0.18	-0.35
Diluted earnings per share from continuing operations (in EUR)	-0.39	-0.57	-0.17	-0.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets kEUR	June 30, 2018	December 31, 2017 R
NON-CURRENT ASSETS		
Intangible assets	11,898	21,002
Fixed assets	188	625
Other financial assets	247	866
Other non-financial assets	191	206
Deferred tax assets	10	15
Total non-current assets	**12,534**	**22,714**
CURRENT ASSETS		
Inventories	12,886	19,174
Prepayments	82	332
Trade receivables	1,151	2,258
Income tax receivables	4	3
Other financial assets	3,802	7,783
Other non-financial assets	2,726	3,266
Cash and cash equivalents	15,354	26,465
Total current assets	**36,005**	**59,281**
Assets held for sale	**2,874**	**-**
TOTAL ASSETS	**51,413**	**81,995**

Equity and liabilities kEUR	June 30, 2018	December 31, 2017 R
EQUITY		
Issued capital	31,136	28,472
Share premium	170,437	168,486
Accumulated loss	-165,769	-143.427
Cumulated other comprehensive income	18	-298
Total equity	**35,822**	**53,233**
NON-CURRENT LIABILITIES		
Defined benefit obligations and other accrued employee benefits	5	51
Other provisions	4	5
Financial liabilities	24	59
Other financial liabilities	37	59
Deferred tax liabilities	475	2,115
Total non-current liabilities	**545**	**2,289**
CURRENT LIABILITIES		
Other provisions	185	315
Financial liabilities	54	3,575
Trade payables	5,919	14,779
Deferred revenues	1,947	3,057
Income tax payables	4	2
Other financial liabilities	2,602	3,055
Other non-financial liabilities	1,461	1,690
Total current liabilities	**12,172**	**26,473**
Liabilities associated with assets held for sale	**2,874**	**-**
TOTAL EQUITY AND LIABILITIES	**51,413**	**81,995**

CONSOLIDATED STATEMENT OF CASH FLOWS

kEUR	H1 2018	H1 2017 R
Profit or loss for the period	-22,342	-19,240
Amortization (+) / impairment (+) of intangible assets	664	690
Depreciation (+) / impairment (+) of fixed assets	134	233
Payments (-) from share-based payment obligations	-	-176
Increase (+) / decrease (-) in other provisions	-130	-285
Non-cash expenses (+) from employee benefits	-520	5,983
Other non-cash expense (+) / income (-) items	7,912	-132
Increase (-) / decrease (+) in inventories	4,332	2,091
Increase (-) / decrease (+) in prepayments	247	-411
Increase (-) / decrease (+) in trade receivables	789	517
Increase (-) / decrease (+) in other assets	2,746	-532
Increase (+) / decrease (-) in trade payables	-6,215	-235
Increase (+) / decrease (-) in deferred revenues	-1,019	-1,441
Increase (+) / decrease (-) in other liabilities	-397	-196
Gain (-) / loss (+) from disposal of intangible and fixed assets	0	32
Interest expenses (+) / income (-)	10	3
Income tax expenses (+) / income (-)	13	-6
Income tax paid (-) / received (+)	-8	-9
Net cash flows from / used in operating activities	**-13,784**	**-13,114**
Proceeds (+) from sales of intangible and fixed assets	6	27
Purchase (-) of intangible assets	-183	-832
Purchase (-) of fixed assets	-54	-142
Purchase (-) or proceeds (+) from financial investments	1,250	625
Payments (-) or refunds (+) in connection with additions to group structure less acquired cash and cash equivalents	365	-8
Interest received (+)	3	2
Net cash flows from / used in investing activities	**1,387**	**-328**
Proceeds (+) from issue of shares	5,242	-
Transaction cost (-) on issue of shares	-104	-
Repayment (-) of finance lease liabilities	-28	-35
Proceeds (+) from financial liabilities	-	19
Repayment (-) of financial liabilities	-3,507	-6
Interest paid (-)	-13	-4
Net cash flows from / used in financing activities	**1,590**	**-26**
Cash and cash equivalents at the beginning of the period	26,465	51,302
Net increase / decrease in cash and cash equivalents	-10,807	-13,468
Change in cash and cash equivalents due to foreign exchange rates	-	3
Cash and cash equivalents at the end of the period	**15,656**	**37,837**
thereof attributable to disposal groups	302	-
thereof attributable to continuing operations	15,354	37,837

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

kEUR	Issued capital	Share premium	Treasury shares	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, 2018 R	**28,472**	**168,486**	**-**	**-143,427**	**3**	**-301**	**-298**	**53,233**
Total comprehensive income or loss of the period	-	-	-	-22,342	-	316	316	-22,026
Issue of share capital	2,664	2,577	-	-	-	-	-	5,241
Transaction costs	-	-154	-	-	-	-	-	-154
Share-based payments	-	-472	-	-	-	-	-	-472
As at June 30, 2018	31,136	170,437	-	-165,769	3	15	18	35,822
As at January 1, 2017 R	**26,318**	**159,993**	**-370**	**-105,608**	**14**	**-247**	**-233**	**80,100**
Total comprehensive income or loss of the period	-	-	-	-19,240	-	180	180	-19,060
Issue of share capital	-	-	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-	-	-
Share-based payments	-	5,569	-	-	-	-	-	5,569
As at June 30, 2017 R	26,318	165,562	-370	-124,848	14	-67	-53	66,609

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM JANUARY 1 TO JUNE 30, 2018

1. Corporate information

windeln.de SE (the "Company") is a stock corporation under European law whose shares are publicly traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange since May 6, 2015. The Company is entered in the commercial register at Munich local court under HRB 228000. The registered offices of the Company are located at Hofmannstr. 51 in 81379 Munich, Germany. windeln.de SE is the parent of the windeln.de Group ("windeln.de" or the "Group").

The condensed and unaudited interim consolidated financial statements as of June 30, 2018, were approved for publication by resolution of the management board on August 07, 2018.

2. Basic accounting policies

The condensed interim consolidated financial statements as of June 30, 2018, were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union (EU). These interim consolidated financial statements conform with the regulation IAS 34 "Interim financial reporting".

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

Generally, the same accounting and measurement principles were applied as in the consolidated financial statements for the financial year ended December 31, 2017. Exceptions relate to new or revised accounting standards that either require first application in fiscal year 2018 or that are early adopted in fiscal year 2018. We refer to section 3.2 "New accounting standards issued by the IASB" of our notes to the consolidated financial statements as of December 31, 2016.

Except for IFRS 9, the first adoption of new or revised IFRS standards had no effect on the Group's net assets, financial position and results of operation.

IFRS 9 "Financial instruments"

The standard was adopted in fiscal year 2018 and impacts the Group's net assets, financial position and results of operation as follows:

Impairment of financial assets
Trade receivables of the windeln.de Group have no significant financing component and can therefore be assessed under the simplified impairment model in IFRS 9, where the expected credit losses are recognized over the cumulated runtime. Expected impairments on trade receivables are recognized when the original claim is incurred, and not when the claim actually becomes overdue.

The Group measures the expected credit loss upon a future expected ageing and historic default quotas. All supportable information for a retrospective remeasurement is available without undue cost and effort and without the use of hindsight. Therefore, windeln.de applies IFRS 9 retrospectively. Please refer to notes 4.2 and 4.3.

Classification of financial assets

- Until December 31, 2017, windeln.de categorized its debt instruments as loans and receivables (LaR) or as held-to-maturity investments (htm) that are all measured at amortized cost. These debt instruments are measured at amortized cost under IFRS 9 because they are held with the intention to generate contractual cash flows, that solely represent redemption and interest payments.

  windeln.de sells receivables from customers to third parties on a regular basis. The derecognition of the original receivable and the recognition of the new receivable from third parties happens simultaneously at the time of origination. Therefore, at no balance sheet date, there are trade receivables designated for sale to third parties. The business model to sell customer receivables to third parties (factoring) has no impact on the cash flow conditions introduced by IFRS 9.

- Equity instruments are of immaterial amount. Until December 31, 2017, they were categorized as available-for-sale financial assets (afs) but recognized at cost because they cannot be reliably measured. Also under IFRS 9, a measurement at fair value would be required, but continues to be practically not possible. The FVOCI option is not be applied.

- Until December 31, 2017, derivatives were of immaterial amount and – if they had a positive value as of the balance sheet date – were categorized as assets held for trading (hft) as they were not designated as a hedging instrument in effective hedging relationships. Derivatives do not fulfil the cash flow conditions introduced in IFRS 9, therefore they continue to be recognized at fair value through profit or loss under IFRS 9.

New regulations on measurement of financial liabilities and accounting of hedging instruments are not applicable at windeln.de.

<u>IFRS 16 Leases (effective date January 1, 2019)</u>

Implementation progress and expected impacts on the consolidated financial statements are as follows:

The application of the new standard will affect leased items such as office and warehouse spaces and leased company cars if they exceed terms of twelve months or quantitative threshold (net future lease payments) of EUR 5,000. Their recognition as “right-of-use” (formerly finance lease) will result in a capitalization of that right of use, and simultaneously a capitalization of financial liabilities. windeln.de Group opts to continue to recognize short-term and low-value lease agreements as “service leases” (formerly operating lease).

The new standard will be adopted on January 1, 2019, using the retrospective modified method that allows to recognize all lease agreements under IAS 17 as right-of-use assets in the sense of IFRS 16, irrespective of whether they had been previously classified as finance leases or operating leases. windeln.de will apply the practical expedients and

- apply a single discount rate to a portfolio of leases,
- adjust the right-of-use asset by the amount of any provision for onerous leases pursuant to IAS 37, and
- exclude short-term and low-value lease agreements from capitalization.

In the course of adoption, comparative periods are not restated; an adjustment to the opening balance of retained earnings is recognized instead.

The Group currently analyzes all lease agreements, whereas the analysis and the estimate of the use of renewal options is completed for most of the agreements. Currently, some new agreements are being negotiated or the decision about their renewal is being made. Additionally, we cannot predict the discounts rates to be applied as of the date of adoption. Therefore, no estimate of the quantitative impact on the Group’s net assets can yet be provided. IFRS 16 will not impact the financial position of the Group, however, presentation of cash flows in the cash flow statements will change. In addition, a shift of expenses from operating lease expenses to financial expenses from lease liabilities is expected.

3. Discontinued operations

windeln.de SE intends to sell Feedo Group, comprising the legal entities Feedo Sp. z o.o. and MyMedia s.r.o. with all their assets (including domains) and liabilities. Details are outlined in note 2.3 in the Interim Group Management Report.

As the requirements of IFRS 5 are met, the Feedo Group was classified as a disposal group held for sale. The assets and liabilities of the Feedo Group are presented as “Assets held for sale” and “Liabilities associated with assets held for sale” on the face of the balance sheet of the Group. As a result, the Feedo Group was remeasured in accordance with IFRS 5, resulting in expenses amounting to EUR 7,598k in H1 2018.

In addition, the Feedo Group meets the requirement for a discontinued operation in accordance with IFRS 5. As a result, profit or loss of the Feedo Group is presented in the separate position “Profit or loss after taxes from discontinued operations” in the consolidated income statement. Comparative periods are to be restated accordingly (please refer to note 4.3). The results and financial position of discontinued operations is outlined as follows:

kEUR	H1 2018	H1 2017	Q2 2018	Q2 2017
Discontinued operations				
Revenues	11,112	11,572	5,310	6,278
Operating expenses	-13,377	-13,680	-6,535	-7,277
Earnings before interest and taxes (EBIT)	**-2,265**	**-2,108**	**-1,225**	**-999**
Profit or loss after interest and taxes	**-2,264**	**-2,079**	**-1,226**	**-982**
Profit or loss from remeasurement of the disposal group	-9,215	-	263	-
Attributable tax benefit	1,617	-	-22	
Profit or loss after taxes from discontinued operations	**-9,862**	**-2,079**	**-985**	**-982**
Basic earnings per share from discontinued operations (in EUR)	-0.32	-0.08	-0.03	-0.04
Diluted earnings per share from discontinued operations (in EUR)	-0.31	-0.07	-0.03	-0.03
Net cash flows:				
Net cash flows used in operating activities	-2,887	-1,236	-994	-256
Net cash flows used in investing activities	-22	-86	-11	-20
Net cash flows from / used in financing activities	-11	10	-7	-34

The assets held for sale mainly comprise inventories (EUR 1,486k), accrued advertising subsidies (EUR 393k), trade receivables (EUR 310) and cash and cash equivalents (EUR 302k). Trade payables (EUR 2,463k) are the main position of the liabilities associated with assets held for sale.

4. Restatements

4.1. Time deposits

In the last published interim consolidated financial statements as of June 30, 2017, the current tranche of a time deposit in the amount of EUR 625k, that was due on August 5, 2017, was recognized as cash equivalent. Since the redemption plan of the time deposit was entered into in November 2016, the amount should have been recognized within other current financial assets. The presentation was adjusted retrospectively and has the following impact on the consolidated statement of cash flows of the six-months-period 2017:

kEUR	As presented H1 2017	Time deposit	Adjusted H1 2017 R
Net cash flows used in operating activities	-13,114	-	-13,114
Net cash flows from / used in investing activities	297	-625	-328
Net cash flows used in financing activities	-26	-	-26
Net decrease in cash and cash equivalents	-12,843	-625	-13,468
Cash and cash equivalents at the end of the period	**38,462**	**-625**	**37,837**

Financial data as of December 31, 2017, do not require correction. The correction has no impact on the Group’s results of operations.

4.2. Impairments of trade receivables

In connection with the adoption of IFRS 9, impairments of trade receivables were restated. The change in accounting policy is described in note 2 and has the following impact on the consolidated statement of financial position:

kEUR	As presented December 31, 2017	Adoption of IFRS 9	Adjusted December 31, 2017 R
Trade receivables	2,298	-40	2,258
Accumulated loss	-143,387	-40	-143,427
Total assets	**82,035**	**-40**	**81,995**

kEUR	As presented January 1, 2017	Adoption of IFRS 9	Adjusted January 1, 2017 R
Trade receivables	2,508	-135	2,373
Accumulated loss	-105,473	-135	-105,608
Total assets	**121,675**	**-135**	**121,540**

4.3. Adjustments to the consolidated income statement

Due to the adoption of IFRS 9 and the discontinued operation, the consolidated income statement and other comprehensive income of the first six months of 2017 and of the second quarter 2017 is restated as follows:

kEUR	As presented H1 2017	Adoption of IFRS 9	Discontinued operations	Adjusted H1 2017 R
Revenues	106,481	-	-11,572	94,909
Cost of sales	-80,267	-	9,416	-70,851
Gross profit	**26,214**	**-**	**-2,156**	**24,058**
Selling and distribution expenses	-32,434	-156	3,487	-29,103
Administrative expenses	-12,945	-	1,056	-11,889
Other operating income	654	-	-357	297
Other operating expenses	-569	-	78	-491
Earnings before interest and taxes (EBIT)	**-19,080**	**-156**	**2,108**	**-17,128**
Financial income	33	-	-29	4
Financial expenses	-43	-	3	-40
Financial result	**-10**	**-**	**-26**	**-36**
Earnings before taxes (EBT)	**-19,090**	**-156**	**2,082**	**-17,164**
Income taxes	6	-	-3	3
Profit or loss from continuing operations	**-19,084**	**-156**	**2,079**	**-17,161**
Profit or loss after taxes from discontinued operations	-	-	-2,079	-2,079
PROFIT OR LOSS FOR THE PERIOD	**-19,084**	**-156**	**-**	**-19,240**
OTHER COMPREHENSIVE INCOME OR LOSS, NET OF TAX	**180**	**-**	**-**	**180**
TOTAL COMPREHENSIVE INCOME OR LOSS, NET OF TAX	**-18,904**	**-156**	**-**	**-19,060**
Basic earnings per share (in EUR)	-0.73			-0,73
Diluted earnings per share (in EUR)	-0.63			-0,64
Basic earnings per share from continuing operations (in EUR)	-0.73			-0,65
Diluted earnings per share from continuing operations (in EUR)	-0.63			-0,57

kEUR	As presented Q2 2017	Adoption of IFRS 9	Discontinued operations	Adjusted Q2 2017 R
Revenues	54,602	-	-6,278	48,324
Cost of sales	-40,488	-	5,116	-35,372
Gross profit	**14,114**	**-**	**-1,162**	**12,952**
Selling and distribution expenses	-16,310	-71	1,837	-14,544
Administrative expenses	-7,833	-	452	-7,381
Other operating income	394	-	-170	244
Other operating expenses	-507	-	42	-465
Earnings before interest and taxes (EBIT)	**-10,142**	**-71**	**999**	**-9,214**
Financial income	15	-	-13	2
Financial expenses	-10	-	-2	-12
Financial result	**5**	**-**	**-15**	**-10**
Earnings before taxes (EBT)	**-10,137**	**-71**	**984**	**-9,224**
Income taxes	3	-	-2	-
Profit or loss from continuing operations	**-10,134**	**-71**	**982**	**-9,223**
Profit or loss after taxes from discontinued operations	-	-	-982	-982
PROFIT OR LOSS FOR THE PERIOD	**-10,134**	**-71**	**-**	**-10,205**
OTHER COMPREHENSIVE INCOME OR LOSS, NET OF TAX	**-177**	**-**	**-**	**-177**
TOTAL COMPREHENSIVE INCOME OR LOSS, NET OF TAX	**-10,311**	**-71**	**-**	**-10,382**
Basic earnings per share (in EUR)	-0.39			-0.39
Diluted earnings per share (in EUR)	-0.34			-0.34
Basic earnings per share from continuing operations (in EUR)	-0.39			-0.35
Diluted earnings per share from continuing operations (in EUR)	-0.34			-0.31

The tables in the presented interim consolidated financial statements are marked with "R" if the disclosed numbers have been restated compared to the last published consolidated financial statements as of December 31, 2017, and the interim consolidated financial statements as of June 30, 2017.

5. Segment reporting

The basis of segmentation remains unchanged compared to the last consolidated financial statements as of December 31, 2016. Since 2017, windeln.de is managed as a One-Segment-Group.

6. Basis of consolidation

The scope of consolidation remains unchanged to December 31, 2017. The planned divestiture of Feedo Group, comprising the legal entities Feedo Sp. z o.o. and MyMedia s.r.o. will change the future Group structure. Details are outlined in note 2.3 in the Interim Group Management Report and note 10 in the notes to the consolidated financial statements.

7. Notes on the subsequent measurement of the acquisitions

Subsequent accounting for the acquisition of Feedo

After two amendments of the Share Purchase Agreement in 2015 and 2017 and the following payment for the Earn Out years 2015 and 2016, windeln.de and the two founders of Feedo Group agreed in June 2018 on a final settlement relating to claims by windeln.de and subsequent purchase price payments. The main results of the settlement agreement are outlined as follows:

- The founders of Feedo Group agreed to settle the claim from seller guarantees by immediate payment to windeln.de in the amount of EUR 365k and a further payment of EUR 70k in 2019.
- The founders waive their claims from subsequent purchase price payments for the year 2018.
- In return, windeln.de waives its claims from seller guarantees of EUR 145k.

Irrespective of the settlement agreement, an obligation about subsequent purchase price payments for 2018 and a claim asset from seller guarantees in the amount of EUR 28k exist with another seller. The subsequent purchase price for the year 2017 was valued at EUR 0.00.

Accounting
From an economic perspective, the subsequent purchase price is composed of contingent purchase price payments (Earn Outs) and share-based payment obligations that can be settled in either cash or with equity instruments.

Share-based payment obligations are recognized within share premium based on an assumed equity-settlement. As of June 30, 2018, share based payment obligations are unchanged at an amount of EUR 1,370k. The agreed waiver of subsequent purchase price payments by the founders qualifies as a cancellation pursuant to IFRS 2.28. As the fair value of the share-based payment obligations amounts to EUR 0.00, the cancellation has no effect on share premium.

The non-financial assets recognized in connection with the prepayments of share-based compensation as of the acquisition date and in 2017 to the founders of the Feedo Group, were reduced by EUR 179k in H1 2018, recognized as personnel expense within administrative expenses. As of June 30, 2018, there are no further non-financial assets in connection with the acquisition of Feedo Group (December 31, 2017: EUR 179k).

As the recognized fair value of the contingent purchase prices amounts to EUR 0.00 as of the date of the final settlement agreement, the derecognition of the financial liabilities had no impact on the result. The same accounting treatment was applied for the contingent purchase price to the other seller of the Feedo Group for 2017: the payment obligation is valued at EUR 0.00, equal to the recognized fair value at that time. The fair value of the contingent purchase price for 2018 to the other seller of Feedo Group is unchanged at an amount of EUR 0.00.

The present value of the claim from purchase price adjustments from seller guarantees decreased from EUR 576k to EUR 41k in H1 2018. This is mostly attributable to the final settlement agreement with the two founders of Feedo Group and the corresponding payment to windeln.de in June 2018.

Subsequent accounting for the acquisition of Bebitus

Accounting
In connection with the acquisition of Bebitus Retail S.L.U. (hereinafter referred to as "Bebitus"), equity-settled share-based payment awards were granted to members of the local management board in 2015. From an economic perspective, the equity-settled share-based payment awards are part of the purchase price. The vesting period was already completed with the settlement agreement between windeln.de and the two founders of Bebitus in 2017. As of June 30, 2018, an amount of EUR 13,663k remains unchanged compared to prior year in the share premium. Please refer to the Annual Report 2017 for further information.

In the second half of 2018, there will be a final purchase price payment to the two founders of Bebitus. The amount of the purchase price payment depends on the share price of windeln.de SE and is not yet finally determined. Currently, windeln.de expects a settlement in shares.

8. Notes to the consolidated statement of financial position and the consolidated statement of comprehensive income

8.1. Intangible assets

As of June 30, 2018, intangible assets mainly comprise capitalized purchase prices of the domains of Bebitus of EUR 8,390k (December 31, 2017: EUR 8,390k). In 2018, the domains of the Feedo Group (December 31, 2017: EUR 8,620k) were reclassified as assets held for sale, and afterwards remeasured as part of the disposal group.

The changed outlook for the current business year and the low market capitalization are events that might indicate an impairment. windeln.de assessed these events and concluded, that as of June 30, 2018, there are no indications for assets of the Group – in particular for the goodwills and domains of Bebitus and windeln.ch – to be impaired.

8.2. Financial assets and financial liabilities

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

kEUR	June 30, 2018 Carrying amount	June 30, 2018 Fair value	December 31, 2017 R Carrying amount	December 31, 2017 R Fair value
Debt instruments at amortized cost:				
Trade receivables	1,151	1,151	2,258	2,258
Other financial assets	4,049	4,049	8,649	8,649
Debt instruments at fair value through OCI:				
---	-	-	-	-
Equity instruments at fair value through OCI:				
---	-	-	-	-
Financial assets at fair value through profit or loss:				
---	-	-	-	-
Total	**5,200**	**5,200**	**10,907**	**10,907**
current	4,953	4,953	10,041	10,041
non-current	247	247	866	866

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

Other current financial assets include cooperative shares of EUR 14k (December 31, 2017: EUR 14k). Those assets qualify as “equity instruments at fair value through OCI” but are recognized at cost because they cannot be measured at fair value and because of their immaterial amount.

As of June 30, 2018, the disposal group contains financial assets in the amount of EUR 767k, thereof EUR 310k trade receivables and EUR 457k other financial assets, that are both measured at amortized cost.

The following table shows the carrying amounts and fair value of all financial liabilities (except for financial liabilities in the disposal group) and the allocation of financial statement positions to the measurement categories:

kEUR	June 30, 2018 Carrying amount	June 30, 2018 Fair value	December 31, 2017 Carrying amount	December 31, 2017 Fair value
Financial liabilities at amortized cost:				
Finance lease liabilities	78	78	106	106
Money market loans and other financial debt	-	-	3,528	3,528
Trade payables	5,919	5,919	14,779	14,779
Other financial liabilities	2,639	2,639	3,114	3,114
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	-	-	0	0
Contingent consideration	-	-	-	-
Total financial liabilities	**8,636**	**8,636**	**21,527**	**21,527**
current	8,575	8,575	21,409	21,409
non-current	61	61	118	118

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. As of June 30, 2018, no derivative financial instruments exist. As of December 31, 2017, there were obligations from contingent consideration (Earn Out) towards three parties. Since obligations towards two of the parties had expired and were derecognized in H1 2018, there are obligations from contingent consideration towards only one party as of June 30, 2018. At both dates, the obligations were measured at a fair value of zero. Refer to note 7.

As of June 30, 2018, the disposal group contains financial liabilities in the amount of EUR 2,633k, thereof trade payables of EUR 2,463k, financial liabilities of EUR 21k, and other financial liabilities of EUR 149k. All positions are measured at amortized cost.

8.3. Fair value hierarchy

As of June 30, 2018, and December 31, 2017, no financial assets were measured at fair value. Financial liabilities measured at fair value are outlined as follows:

- As of June 30, 2018, and December 31, 2017, obligations from contingent consideration are in place, but measured at a fair value of zero. The fair values are calculated on a quarterly basis. The accounting policies are explained in note 7 and were applied consistently throughout the reporting period. The financial instruments are to be classified as Level 3, because the fair values are calculated on the basis of the estimated future performance of the acquired companies. Changes in the fair value are recognized in the statement of comprehensive income as financial income or financial expenses.
- Derivative financial instruments had only existed as of December 31, 2017, and were classified as Level 1.

There were no reclassifications between the different levels in the reporting period.

8.4. Cash and cash equivalents

In addition to cash and cash equivalent, further cash deposits are held with banks, namely time deposits and restricted cash that are not recognized as cash and cash equivalents, but as other financial assets due to their maturity. The total cash position and bank deposits breaks down as follows:

kEUR	June 30, 2018	December 31, 2017
Cash and cash equivalents attributable to continuing operations	15,354	24,465
Current time deposits (<3 months)	625	625
Current time deposits (3-12 months)	625	1,875
Current and non-current restricted cash	226	250
Cash and cash equivalents attributable to disposal groups	302	-
Total cash available	17,132	**29,215**

8.5. Equity

Capital increases

On February 6, 2018, windeln.de SE successfully completed a capital increase. A total of 2,628,323 shares were issued out of Authorized Capital 2016. The shares were offered at a price of EUR 1.98, leading to gross issuing proceeds of EUR 5,204,080. Shareholders' subscription rights were excluded. The new shares are entitled to dividend payments from January 1, 2018, onwards.

In May and June 2018, 35,727 subscription rights from the stock option programs VSOP 1 and 2 were exercised at an exercise price of EUR 1.05. The capital increase was recorded in the commercial register on June 28, 2018. The new shares were issued out of Authorized Capital 2016.

At the Annual General Meeting held on June 25, 2018, the remaining Authorized Capital 2016 in the amount of EUR 6,955,296 was cancelled and replaced by the new Authorized Capital 2018 in the amount of EUR 15,000,000. The management board has authorization – after approval by the supervisory board – to increase the share capital by EUR 15,000,000 by means of issuance of no-par value bearer shares against cash or in-kind contribution on one or several occasions. Shareholders are generally granted a subscription right. The changes became effective on July 27, 2018, the date of the entry in the commercial register.

Additionally, at the Annual General Meeting held on June 25, 2018, the Conditional Capital 2017 in the amount of EUR 1,200,000 was cancelled and replaced by the Conditional Capital 2018 in the amount of EUR 1,200,000. The previous authorization to grant subscription rights under the Long Term Incentive Program 2018-2020 from June 2, 2017, was revoked, and a new authorization for a new Long Term Incentive Program 2018-2020 – with amended performance condition and other amendments – was given. The changes became effective on July 27, 2018, the date of the entry in the commercial register. Until June 30, 2018, no stock options were granted under the new Long Term Incentive Program 2018-2020 from the authorization granted on June 25, 2018.

The Conditional Capital 2016/I and 2016/II stand unchanged to the prior year at EUR 7,997,804 and EUR 555,206.

Issued capital

As of June 30, 2017, the issued capital of the Group parent amounts to EUR 31,136k (December 31, 2017: EUR 28,472k). It has been fully paid in and comprises 31,136,470 no-par value bearer shares.

Share premium

As of June 30, 2018, the share premium amounts to EUR 170,437k (December 31, 2017: EUR 168,486k) and breaks down as follows:

kEUR	June 30, 2018	December 31, 2017
Premium from financing rounds and/or IPO	167,916	165,341
Capital increases from company funds	-25,232	-25,232
Contributions in kind	4,465	4,465
Costs of equity transactions	-5,664	-5,510
Share-based payments	28,912	29,384
Premium from exercise of stock options	40	38
Share premium	**170,437**	**168,486**

Accumulated loss

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

8.6. Share-based payments

Share-based compensation as component of employee remuneration

The subscription rights recognized in equity changed as follows:

	VSOP 1 - 2	LTIP - RSU	LTIP - SO
Outstanding at the beginning of the reporting period (January 1, 2018)	**177,666**	**77,138**	**181,470**
Expired during the reporting period	-	-	-
Forfeited during the reporting period	-	-4,766	-14,297
Exercised during the reporting period	-35,727	-	-
Granted during the reporting period	2,698	18,890	47,782
Outstanding at the end of the reporting period (June 30, 2018)	**144,637**	**91,262**	**214,955***
Exercisable at the end of the reporting period (June 30, 2018)	144,637	-	-

* As of June 30, 2018, management concluded that the performance targets stipulated in LTIP 2015-2017 will probably not be met, in particular the defined average revenue growth during the four-year vesting period. Therefore, management expects that all of the issued stock options (SO) with performance targets will not fully vest. Pursuant to IFRS 2, the expectation was incorporated into the numeral structure of the plan. This resulted in a write-back of EUR 429k.

The net income recognized in H1 2018 from share-based payment obligations amounts to EUR 387k (H1 2017: expense of EUR 300k), and is fully attributable to equity-settled share-based payments. In the prior year period, expenses of EUR 1k were attributable to cash-settled share-based payments. The income mainly results from described adjustment of the numeral structure of the plan LTIP-SO.

As of June 30, 2018, and December 31, 2017, the fair value of cash-settled share-based payment obligations amounts to nil.

As of June 30, 2018, a figure of EUR 11,879k is reported in the share premium from equity-settled share-based payment obligations (December 31, 2017: EUR 12,266k).

Share-based payment commitments in the course of acquisitions

In addition, as part of the acquisition of Feedo Group, shares with contingent return obligations were issued that fall within the scope of IFRS 2. Parts of contingent considerations in connection with the acquisition of Feedo Group and Bebitus also fall within the scope of IFRS 2 and/or IAS 19. See note 7 for further details.

8.7. Revenues

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

kEUR	H1 2018	H1 2017 R	Q2 2018	Q2 2017 R
Revenues from continuing operations by type				
Revenue from the sale of merchandise	56,255	94,566	23,516	48,194
Revenue from other services	116	343	32	130
	56,371	**94,909**	**23,548**	**48,324**
Revenues from continuing operations by region				
Germany, Austria, Switzerland (GSA)	12,599	24,306	5,316	10,963
China	29,089	50,920	11,624	27,280
Other/rest of Europe	14,683	19,683	6,608	10,081
	56,371	**94,909**	**23,548**	**48,324**

9. Related party disclosures

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. Konstantin Urban and Alexander Brand, both members of the management board, retired from their positions on March 31, 2018. The supervisory board members Petra Schäfer and Nenad Marovac retired from their positions on June 25, 2018. From the day of their leave, these persons cease to qualify as related parties.

Matthias Peuckert entered into the Chief Executive Officer position on May 1, 2018, and is therefore listed as related party. The Annual General Meeting held on June 25, 2018, elected Dr. Hanna Eisinger and Clemens Jakopitsch as members of the supervisory board. They qualify as related parties since June 25, 2018.

Transactions with related parties have not materially changed in the reporting period compared to the consolidated financial statements 2017.

10. Events after the reporting date

In July 2018, management decided to liquidate the subsidiary pannolini.it s.r.l. The entity performed services for the Italian webshop pannolini.it whose operations were ceased in February 2018.

On July 10, 2018, the liquidation of the subsidiary windeln.ch AG was agreed by the entity's General Assembly. In future, the entity name has the addendum "in liquidation". The liquidation has no impact on the Group's activities in the Swiss market. The closure of the Swiss office is part of the STAR program. Services formerly provided by the legal entity were rendered by the Munich offices since 2017, or were outsourced to third-party providers.

On July 20, 2018, windeln.de signed an agreement about the divestiture of Feedo Group. The contract partner is Dětská galaxie s.r.o., a subsidiary of AGS 92 s.r.o. The sale of Feedo Group is structured as a share deal. Closing conditions comprise the conversion of loans granted to Feeod Group into equity and other conditions. windeln.de receives a purchase price of EUR 400k. The purchase price is due for payment two years after the closing conditions were fulfilled, it is interest-bearing. The closing conditions are expected to be fulfilled in H2 2018. Until then, windeln.de Group keeps control over the Feedo Group.

Munich, August 07, 2018

Matthias Peuckert Jürgen Vedie Dr. Nikolaus Weinberger

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim 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, August 07, 2018

windeln.de SE
The management board

Matthias Peuckert Jürgen Vedie Dr. Nikolaus Weinberger

SERVICE

1. Glossary

Site visits
We define Site Visits as the number of series of page requests from the same device and source in the measurement period and include visits to our online magazine. A visit is considered ended when no requests have been recorded in more than 30 minutes. The number of site visits depends on a number of factors including the availability of the products we offer, effectiveness of our marketing campaigns and the popularity of our online shops. Measured by Google Analytics.

Mobile Visit Share
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 and mobile apps divided by the total number of Site Visits in the measurement period. We excluded 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. Measured by Google Analytics.

Mobile Orders
We define Mobile Orders (in % 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. We have excluded orders from China. Measured by Google Analytics.

Active Customers
We define Active Customers as the number of unique customers placing at least one order in the 12 months preceding the end of the measurement period, irrespective of returns.

Number of orders
We define Number of Orders as the number of customer orders placed in the measurement period irrespective of returns. An order is counted on the day the customer places the order. Orders placed and orders delivered may differ due to orders that are in transit at the end of the measurement period or have been cancelled. Every order which has been placed, but for which the products in the order have not been shipped (e.g., the products are not available or the customer cancels the order), is considered "cancelled".

Average Orders per Active Customer
We define Average Orders per Active Customer as Number of Orders divided by the number of Active Customers in the last 12 months.

Orders from repeat customers
We define Orders from Repeat Customers as the number of orders from customers who have placed at least one previous order, irrespective of returns.

Share of Repeat Customer Orders
We define Share of Repeat Customer Orders as the number of orders from Repeat Customers in the last twelve months divided by the Number of Orders in the last twelve months.

Gross Order Intake
We define Gross Order Intake as the aggregate Euro amount of customer orders placed in the measurement period minus cancellations. The Euro amount includes value added tax and excludes marketing rebates.

Average Order Value
We define Average Order Value as Gross Order Intake divided by the Number of Orders in the measurement period.

Returns (in % of Gross Revenues from Orders)
We define Returns (in % of Gross Revenues from Orders (until Q1 2017 in % of Net Merchandise Value)) as the returned amount in Euro divided by Gross Revenues from Orders in the measurement period. From Q2 2016 onwards including Bebitus and Feedo returns. Gross Revenues from Orders are defined as the total aggregated Euro amount spent by our customers minus cancellations but irrespective of returns. The Euro amount does not include value added tax. As the Gross Revenues from Orders do not exclude returns and include all marketing rebates it is more reasonable to use this KPI for the return rate calculation than the Net Merchandise Value. The change of the calculation logic has no material impact on the reported return rate. Therefore, the calculation has been changed accordingly from Q2 2017 onwards.

Adj. Fulfilment Cost Ratio
We define Adj. Fulfilment Cost Ratio as Adjusted Fulfilment Costs divided by revenues for the measurement period. Fulfilment costs consist of logistics and warehouse rental expenses which are recognized within selling and distribution expenses in the consolidated statement of profit and loss. Adjusted fulfilment costs exclude costs and income in connection with the reorganization of warehouse locations. In 2017, costs related to the closure of the Swiss location and income from the release of provisions for onerous contracts are adjusted. In 2016, costs in connection with the reorganization of the Spanish warehouse were adjusted.

Marketing Cost Ratio
We define Marketing Cost Ratio as Marketing Costs divided by revenues for the measurement period. Marketing Costs, which are recognized within selling and distribution expenses, mainly consist of advertising expenses, including search engine marketing, online display and other marketing channel expenses, as well as costs for the marketing tools of the Group.

Adjusted Other SG&A Expenses
We define Adjusted Other SG&A Expenses as Adjusted Other SG&A Expenses divided by revenues. The Other SG&A Expenses are 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, expansion and reorganization as well as expenses for purchased intangible assets. In 2016, also expenses for company-law restructuring and ERP system change were excluded.

Operating contribution
We define operating contribution as adjusted gross profit exluding marketing costs and adjusted fulfilment costs. The adjustments of gross profit mainly relate to costs for share-based compensation.

2. Financial calendar

Hamburg Investor Day HIT Montega, Hamburg:	August 23, 2018
Commerzbank Sector Conference, Frankfurt:	August 30, 2018
DVFA Equity Forum Herbstkonferenz, Frankfurt:	September 3, 2018
Berenberg Goldman Sachs – 7. German Corporate Conference, Munich:	September 24 – 25, 2018
windeln.de´s Capital Markets Day, Munich:	October 4, 2018
Publication of nine months results 2018:	November 8, 2018
Deutsches Eigenkapitalforum, Frankfurt:	November 26 – 28, 2018

3. Imprint

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Statement relating to the future

This annual report contains statements that relate to the future and are based on assumptions and estimates made by the management of windeln.de SE. Even if the management is of the opinion that these assumptions and estimates are appropriate, the actual development and the actual future results may vary from these assumptions and estimates as a result of a variety of factors. These factors include, for example, changes to the overall economic environment, the statutory and regulatory conditions in Germany and the EU and changes in the industry.

windeln.de SE makes no guarantee and accepts no liability for future development and the actual results achieved in the future matching the assumptions and estimates stated in this interim report.

It is neither the intention of windeln.de SE nor does windeln.de SE accept a special obligation to update statements related to the future in order to align them with events or developments that take place after this report is published.

The annual report is available in English. If there are variances, the German version has priority over the English translation. It is available for download in both languages at corporate.windeln.de.

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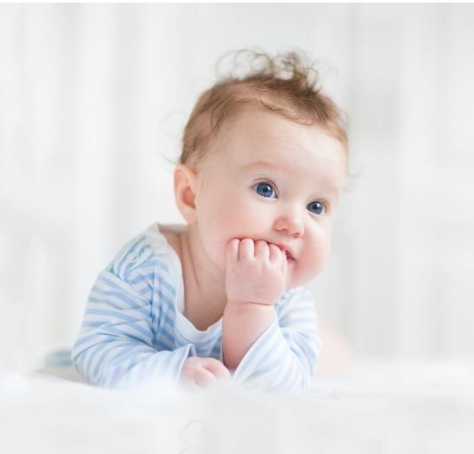

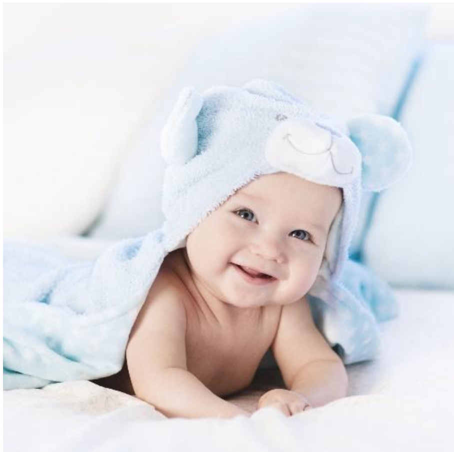

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