

QUARTERLY STATEMENT Q1 2019



WINDELN.DE GROUP AT A GLANCE

Performance indicators (continuing operations only)	Q1 2019	Q1 2018
Site visits	10,485,230	12,255,320
Mobile visit share (as % of site visits)	78.8%	72.3%
Mobile orders (as % of number of orders)	61.3%	53.3%
Active customers	493,026	741,663
Number of orders	200,659	330,209
Average orders per active customer (in number of orders)	2.0	2.0
Share of repeat customer orders (as % of orders of last 12 months)	74.2%	87.1%
Gross order intake (in EUR)	17,821,102	29,773,801
Average order value (in EUR)	88.81	90.17
Returns (as % of gross revenues from orders)	3.4%	3.4%
Adjusted marketing cost ratio (as % of revenues)	4.8%	4.6%
Adjusted fulfilment cost ratio (as % of revenues)	16.2%	15.9%
Adjusted other SG&A expenses (as % of revenues)	23.6%	20.3%
Earnings position (continuing operations only)		
Revenues (in kEUR)	20,763	32,823
Gross profit (in kEUR)	5,216	7,870
Gross profit (as % of revenues)	25.1%	24.0%
Operating contribution (in kEUR)	863	1,322
Operating contribution (as % of revenues)	4.2%	4.1%
Adjusted EBIT (in kEUR)	-4,045	-5,206
Adjusted EBIT (as % of revenues)	-19.5%	-16.2%
Financial position		
Cash flow from operating activities (in kEUR)	-5,284	-16,214
Cash flow from investing activities (in kEUR)	-27	503
Cash flow from financing activities (in kEUR)	9,670	1,571
Net decrease in cash and cash equivalents	4,359	-14,140
Cash and cash equivalents at the end of the period (in kEUR)	15,504	12,324
Current time deposits (in kEUR)	-	1,875
Total cash and time deposits (in kEUR)	15,504	14,199
Other		
Basic earnings per share (in EUR)	-0.92	-5.30*
Basic earnings per share from continuing operations (in EUR)	-0.92	-2.34*

pp = percentage points

All performance indicators and the section earnings position include amounts from continuing operations only. Since end of March 2018, Feedo Group qualifies as a disposal group and – after its divestiture – was deconsolidated in August 2018. As a result, Feedo Group is presented as discontinued operation in the consolidated income statement.

* Prior year disclosures of earnings per share were restated in line with IAS 33 due to the capital decrease performed in January 2019.

MATERIAL TRANSACTIONS IN Q1 2019

Extraordinary General Meeting

At an Extraordinary General Meeting on January 9, 2019, it was resolved to reduce the share capital of windeln.de SE by way of an ordinary capital reduction by a reverse stock split at a ratio of 10 : 1 from EUR 31,136,470 to EUR 3,113,647. This measure was intended to give the Company the opportunity to raise capital on the capital market by issuing new shares. The merger of the shares reduces the number of shares in the Company without affecting the assets of the Company.

In accordance with IAS 33, presentation of earnings per share was adjusted for the prior year period. Earnings per share for Q1 2018 have changed from EUR -0.53 to EUR -5.30.

Furthermore, it was resolved to increase the share capital of the Company by up to EUR 9,000,000 to EUR 12,113,647. The opportunity to implement a capital increase was used for a capital increase against cash contributions while respecting the subscription rights of the shareholders.

Capital Increase

With entry in the commercial register on March 14, 2019, windeln.de successfully completed the subscription rights capital increase resolved by the Extraordinary General Meeting on January 9, 2019. The share capital was increased by issuing a total of 6,850,023 no-par value bearer shares, each with a nominal value of EUR 1.00 and with a dividend entitlement from January 1, 2018, against cash contribution of EUR 6,850,023 from EUR 3,113,647 to EUR 9,963,670. Based on the fixed subscription price of EUR 1.48 per share, this results in gross issue proceeds of EUR 10,138k.

Change in payment provider

Since end of Q1 2019, payments from customer orders in the German webshop www.windeln.de with payment method "purchase on account" or "direct debit" are processed through the payment provider Arvato Payment Solutions GmbH (AfterPay). The change in payment provider results in further reduction of default risks and service fees for payment processing.

Technical Enhancements

In February 2019, a new home page was launched for the shops www.windeln.de and www.windeln.ch. In addition to a leaner navigation panel, all presented contents are customized to the pregnancy week or the child's age. Following elements are customized for the target group: recommended products, latest promotions, favorite brands, product categories, relevant news in the magazine and category advisors. The launch in the other shops is planned for Q3 2019.

Since March 2019, the enhancement of the windeln.de App by the function "pregnancy" is also available in the Portuguese and French App, and thus in all our European markets. Expecting 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.

COMMENTS ON NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Adoption of the new leasing standard IFRS 16

IFRS 16 "Leases" was adopted as of January 1, 2019. According to the new standard, leased office spaces in Munich, Barcelona and Sibiu and the store in Grünwald are capitalized as right-of-use assets, and corresponding financial liabilities are recognized. Until 2018, those lease agreements were accounted for as operating leases pursuant to IAS 17. Considering minimum lease terms and contractual renewal options, lease terms of 20 to 40 months from January 1, 2019, were assumed. The weighted average incremental borrowing rate applied to those lease liabilities as of January 1, 2019, is 8.3%.

Warehouse spaces provided by our logistics partners do not qualify as capitalizable right-of-use assets. Other leases such as technical equipment or office equipment are below the quantitative threshold of EUR 5,000, have a short remaining lease term of max. twelve months, do not qualify as an identifiable asset, or they were already capitalized as finance leases pursuant to IAS 17.

At the date of adoption, the practical expedients were applied, i. e. a single discount rate was applied to a portfolio of leases, and short-term and low-value lease agreements were excluded from capitalization. For those lease agreements that were previously classified as finance leases, the carrying amount of the lease asset pursuant to IAS 17 and the carrying amount of the lease liability pursuant to IAS 17 immediately before the adoption of IFRS 16 were recognized as right-of-use asset and lease liability pursuant to IFRS 16. The measurement principles of

IFRS 16 are applied only afterwards. Comparative periods are not restated. The adoption of IFRS 16 has led to following adjustments of the opening balances as of January 1, 2019:

kEUR	Measurement pursuant to IAS 17 as of Dec. 31, 2018	Adoption of IFRS 16	Measurement pursuant to IFRS 16 as of Jan. 1, 2019
Fixed assets	123	1,057	1,180
Non-current financial liabilities	15	492	507
Current financial liabilities	39	618	657
Other non-current financial liabilities	21	-21	-
Other current financial liabilities	2,335	-32	2,303

The adoption of IFRS 16 has led to additional net expenses of EUR 10k in Q1 2019, compared to the measurement pursuant to IAS 17. Earnings before interest and taxes (EBIT) had cost reductions of EUR 12k, whereas the financial result was impacted by additional expenses of EUR 22k. In the consolidated statement of cash flows, payments from lease agreements in the amount of EUR 172k were recognized in Q1 2019 within cash flows from financing activities, that would have been recognized as cash flows from operating activities under the previous accounting of IAS 17.

Net assets and financial position

Non-current assets comprise mainly fixed and intangible assets and have increased by EUR 606k or 11% since December 31, 2018. The increase results mainly from the adoption of IFRS 16 that led to a capitalization of EUR 1,057k as right-of-use assets as of January 1, 2019. Further changes in non-current assets stem from regular amortization of intangible assets (EUR 290k) and depreciation of fixed assets (EUR 183k).

Current assets have increased by EUR 5,340k or 22% since December 31, 2018, mainly from the increase in cash and cash equivalents of EUR 4,368k described in the paragraph on the financial position below. Trade receivables have decreased by EUR 328k as a result of lower sales in Q1 2019 after Christmas sales in the prior quarter. However, we have increased our inventories by EUR 1,031k to build up inventory stocks for upcoming sales events in China. Advertising contributions earned in the prior year were paid out in Q1 2019, therefore receivables from accrued advertising contributions – recognized as other current financial assets – decreased by EUR 427k since December 31, 2018.

Non-current liabilities have increased by EUR 366k, mainly from the recognition of lease liabilities from the adoption of IFRS 16. As of January 1, 2019, a discounted non-current lease liability of EUR 492k was recognized, that is amortized through monthly lease payments.

The total balance of **current liabilities** is basically unchanged since December 31, 2018 (-3%). Current financial liabilities increased by EUR 618k due to the recognition of lease liabilities from the adoption of IFRS 16. Trade payables, however, decreased by EUR 415k and other current financial liabilities decreased by EUR 384k, mainly from payment or modification of employee bonuses and other liabilities to employees.

The company's **equity** has increased by EUR 5,821k or 28% to EUR 26,415k. The capital decrease performed in January 2019 resulted in a decrease in share capital and accumulated losses; but had no impact on total equity. The gross issue proceeds of EUR 10,138k from the capital increase performed in March 2019 increased share capital by EUR 6,850k and share premium by EUR 3,288k. Transaction costs are deducted from equity as of the payment date, they are not recognized as expense items in the income statement.

Since December 31, 2018, the **financial position** has significantly improved; as of March 31, 2019, cash and cash equivalents amount to EUR 15,504k. The gross issue proceeds from the capital increase amount to EUR 10,138k, recognized as cash flows from financial activities. From the equity transactions (i. e. capital decrease in January 2019 and capital increase in March 2019), we incurred transaction fees of EUR 283k until the end of Q1 2019. Total transaction fees are estimated at EUR 0.8m resulting in further cash outflows in Q2 2019. Due to the change in accounting policies for lease agreements (IFRS 16), payments for lease agreements are recognized as cash flows from financing activities since January 1, 2019.

In Q1 2019, the cash outflow from operating activities was EUR 5,284k which is significantly lower than in the prior year quarter. The cash outflow stems mainly from negative earnings before interest and taxes and from capital expenditure for inventory increases.

Results of operations

In Q1 2019, the Group generated **revenues** of EUR 20,763k, a decrease of 37% compared to the prior year quarter. The revenue significantly affected the region "Other/rest of Europe" (-53%), the regions GSA (Germany, Austria, Switzerland, -35%) and China (-30%) were less affected. This results from the implementation of our long-term strategy of focusing on high-margin products, usually non-consumables such as fashion and toys. In return, a lower number of consumable products was sold that tend to have lower margins. Therefore, the **margin (gross profit as % of revenues)** increased by 1.1pp to 25.1% compared to the prior year quarter.

Selling and distribution expenses decreased by EUR 4,620k or 37%, and thus developed identically to revenues. The main cost savings relate to personnel expenses, logistics and marketing. Cost savings in personnel expenses are a result of the restructuring measures implemented in Q1 and Q2 2018 with a significant headcount reduction, which now become fully effective. In the prior year quarter, one-time restructuring expenses (e. g. severance payments and accruals for continued pay) were included. In relation to revenues, expenses for logistics and warehouse rent, reflected in the "adjusted fulfilment cost ratio", are almost unchanged. Here we succeeded in cutting fixed costs and in aligning our cost basis to lower sales volumes. Also marketing costs in relation to revenues are almost unchanged. **Administrative expenses** could be reduced by EUR 801k or 31%. Savings stem mainly from personnel expenses, a consequence of the restructuring measures.

As a result of the above-mentioned changes, **earnings before interest and taxes (EBIT)** improved in Q1 2019 by EUR 2,868k compared to the prior year quarter and now stands at minus EUR 4,119k. In relation to revenues, EBIT improved from -21.3% to -19.8%. The prior year EBIT was affected by one-time effects such as restructuring measures and the closure of the webshop pannolini.it. Without considering these effects, as reflected in the ratio "Adjusted EBIT as % of revenues", profitability deteriorated from -16.2% in the prior year quarter to -19.5% in Q1 2019. Despite the significant cost savings, expenses could not be decreased to the same extent as the revenue decrease.

The income from **discontinued operations** relates to the Feedo Group that was sold in 2018; it results from the remeasurement of claim assets on the historic purchase price and interest income from the deferred sales price payment.

REGIONAL RESULTS OF OPERATIONS

kEUR	Q1 2019	Q1 2018
Revenues from continuing operations	20,763	32,823
Germany, Austria, Switzerland (GSA)	4,700	7,283
China	12,284	17,465
Other/rest of Europe	3,779	8,075

ADJUSTED EBIT

kEUR	Q1 2019	Q1 2018
Earnings before interest and taxes (EBIT)	-4,119	-6,987
adjusted for share-based compensation	88	85
adjusted for costs of reorganization	-14	1,056
adjusted for closure of pannolini.it	-	640
Adjusted EBIT	-4,045	-5,206

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

kEUR	Q1 2019	Q1 2018
Continuing operations		
Revenues	20,763	32,823
Cost of sales	-15,547	-24,953
Gross profit	5,216	7,870
Selling and distribution expenses	-7,710	-12,330
Administrative expenses	-1,783	-2,584
Other operating income	212	162
Other operating expenses	-54	-105
Earnings before interest and taxes (EBIT)	-4,119	-6,987
Financial income	-	3
Financial expenses	-23	-24
Financial result	-23	-21
Earnings before taxes (EBT)	-4,142	-7,008
Income taxes	-2	-3
Profit or loss from continuing operations	-4,144	-7,011
Profit or loss after taxes from discontinued operations	41	-8,877
PROFIT OR LOSS FOR THE PERIOD	-4,103	-15,888
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	13	15
OTHER COMPREHENSIVE INCOME OR LOSS, NET OF TAX	13	15
TOTAL COMPREHENSIVE INCOME OR LOSS, NET OF TAX	-4,090	-15,873
Basic earnings per share (in EUR)	-0.92	-5.30
Basic earnings per share from continuing operations (in EUR)	-0.92	-2.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets		
KEUR	March 31, 2019	December 31, 2018
NON-CURRENT ASSETS		
Intangible assets	4,130	4,394
Fixed assets	999	123
Other financial assets	650	650
Other non-financial assets	171	177
Deferred tax assets	1	1
Total non-current assets	5,951	5,345
CURRENT ASSETS		
Inventories	7,851	6,820
Prepayments	53	-
Trade receivables	1,089	1,417
Income tax receivables	39	39
Other financial assets	2,147	2,557
Other non-financial assets	3,284	2,658
Cash and cash equivalents	15,504	11,136
Total current assets	29,967	24,627
TOTAL ASSETS	35,918	29,972
Equity and liabilities		
KEUR	March 31, 2019	December 31, 2018
EQUITY		
Issued capital	9,964	31,136
Share premium	173,452	170,391
Accumulated loss	-157,200	-181,119
Cumulated other comprehensive income	199	186
Total equity	26,415	20,594
NON-CURRENT LIABILITIES		
Defined benefit obligations and other accrued employee benefits	60	-
Other provisions	1	2
Financial liabilities	343	15
Other financial liabilities	-	21
Total non-current liabilities	404	38
CURRENT LIABILITIES		
Other provisions	195	235
Financial liabilities	658	39
Trade payables	4,158	4,573
Deferred revenues	1,491	1,581
Income tax payables	3	2
Other financial liabilities	1,951	2,335
Other non-financial liabilities	643	575
Total current liabilities	9,099	9,340
TOTAL EQUITY AND LIABILITIES	35,918	29,972

CONSOLIDATED STATEMENT OF CASH FLOWS

kEUR	Q1 2019	Q1 2018
Profit or loss for the period	-4,103	-15,888
Amortization (+) / impairment (+) of intangible assets	290	338
Depreciation (+) / impairment (+) of fixed assets	183	81
Increase (+) / decrease (-) in other provisions	-40	314
Non-cash expenses (+) from employee benefits	116	83
Other non-cash expense (+) / income (-) items	-0	7,876
Increase (-) / decrease (+) in inventories	-1,031	-2,460
Increase (-) / decrease (+) in prepayments	-53	234
Increase (-) / decrease (+) in trade receivables	328	545
Increase (-) / decrease (+) in other assets	-210	-2,567
Increase (+) / decrease (-) in trade payables	-415	-4,088
Increase (+) / decrease (-) in deferred revenues	-90	-542
Increase (+) / decrease (-) in other liabilities	-282	-153
Gain (-) / loss (+) from disposal of intangible and fixed assets	-1	7
Interest expenses (+) / income (-)	23	9
Income tax expenses (+) / income (-)	3	-2
Income tax paid (-) / received (+)	-2	-1
Net cash flows from / used in operating activities	-5,284	-16,214
Proceeds (+) from sales of intangible and fixed assets	1	4
Purchase (-) of intangible assets	-23	-98
Purchase (-) of fixed assets	-5	-31
Purchase (-) or proceeds (+) from financial investments	-	625
Interest received (+)	-	3
Net cash flows from / used in investing activities	-27	503
Proceeds (+) from issue of shares	10,138	5,204
Transaction cost (-) on issue of shares	-283	-104
Repayment (-) of finance lease liabilities	-162	-14
Repayment (-) of financial liabilities	-	-3,503
Interest paid (-)	-23	-12
Net cash flows from / used in financing activities	9,670	1,571
Cash and cash equivalents at the beginning of the period	11,136	26,465
Net increase / decrease in cash and cash equivalents	4,359	-14,140
Change in cash and cash equivalents due to foreign exchange rates	9	-1
Cash and cash equivalents at the end of the period	15,504	12,324
thereof attributable to the disposal group	-	404
thereof attributable to continuing operations	15,504	11,920

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

kEUR	Issued capital	Share premium	Accumulated loss	Actuarial gains or losses from remeasurement of defined benefit pension plans	Exchange differences on translation of foreign operations	Other comprehensive income or loss	Total equity
As at January 1, 2019	31,136	170,391	-181,119	3	183	186	20,594
Total comprehensive income or loss of the period	-	-	-4,103	-	13	13	-4,090
Capital decrease	-28,022	-	28,022	-	-	-	-
Issue of share capital	6,850	3,288	-	-	-	-	10,138
Transaction costs	-	-283	-	-	-	-	-283
Share-based payments	-	56	-	-	-	-	56
As at March 31, 2019	9,964	173,452	-157,200	3	196	199	26,415
As at January 1, 2018	28,472	168,486	-143,427	3	-301	-298	53,233
Total comprehensive income or loss of the period	-	-	-15,888	-	15	15	-15,873
Capital decrease	-	-	-	-	-	-	-
Issue of share capital	2,629	2,575	-	-	-	-	5,204
Transaction costs	-	-153	-	-	-	-	-153
Share-based payments	-	85	-	-	-	-	85
As at March 31, 2018	31,101	170,993	-159,315	3	-286	-283	42,496

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