HALF YEAR REPORT **2020**

windeln.de

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INTERIM GROUP MANAGEMENT REPORT

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SERVICE

WINDELN.DE GROUP AT A GLANCE

Performance indicators (continuing operations only)	H1 2020	H1 2019 R	Q2 2020	Q2 2019 R
Site visits (in thousands)	8,969	12,944	4,670	6,157
Mobile visit share (as % of site visits)	83.4%	80.4%	82.8%	80.8%
Mobile orders (as % of number of orders)	61.3%	60.6%	63.3%	59.9%
Active customers	296,699	334,089	296,699	334,089
Number of orders	237,263	287,102	113,069	137,537
Average orders per active customer (in number of orders)	1.8	2.2	1.8	2.2
Share of repeat customer orders (as % of orders of last 12 months)	68.9%	73.8%	68.9%	73.8%
Gross order intake (in kEUR)	21,497	26,298	9,899	12,899
Average order value (in EUR)	90.60	91.60	87.55	93.78
Returns (as % of gross revenues from orders)	2.7%	3.0%	1.6%	2.5%
Marketing cost ratio (as % of revenues)	2.6%	4.4%	1.6%	4.6%
Fulfilment cost ratio (as % of revenues)	7.1%	14.9%	5.2%	13.1%
Adjusted other SG&A expenses (as % of revenues)	20.2%	22.3%	16.7%	21.7%
Earnings position (continuing operations only)				
Revenues (in kEUR)	43,743	34,417	28,814	17,172
Gross profit (in kEUR)	10,606	8,893	6,714	4,360
Gross profit (as % of revenues)	24.2%	25.8%	23.3%	25.4%
Operating contribution (in kEUR)	6,360	2,247	4,755	1,318
Operating contribution (as % of revenues)	14.5%	6.5%	16.5%	7.7%
Adjusted EBIT (in kEUR)	-2,478	-5,431	-48	-2,404
Adjusted EBIT (as % of revenues)	-5.7%	-15.8%	-0.2%	-14.0%
Financial position				
Cash flow used in operating activities (in kEUR)	-7,094	-8,615	-5,148	-3,331
Cash flow from/used in investing activities (in kEUR)	-312	433	-249	460
Cash flow from/used in financing activities (in kEUR)	5,025	9,119	-511	-551
Net decrease in cash and cash equivalents	-2,381	937	-5,908	-3,422
Cash and cash equivalents at the end of the period (in kEUR)	5,996	12,079	5,996	12,079
Other				
Basic earnings per share (in EUR)	-0.74	-3.60	-0.23	-1.24
Basic earnings per share from continuing operations (in EUR)	-0.24	-2.76	0.08	-0.96

All performance indicators and the section earnings position include amounts from continuing operations only. Since end of March 2020, the Southern European Bebitus business meets the requirements of a discontinued operation and is therefore presented as separate amount in the item “Profit or loss after taxes from discontinued operations” in the consolidated income statement. The presentation in the consolidated income statement was amended retrospectively.

INTERIM GROUP MANAGEMENT REPORT AS OF JUNE 30, 2020

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 2019 still apply as of June 30, 2020. Except for the deregistration of the subsidiary windeln.ch AG, the Group structure is unchanged on June 30, 2020.

The most important performance indicators for the Group's management are revenues, operating contribution as percentage of revenues, adjusted earnings before interest and taxes as percentage of revenues (adjusted EBIT as percentage of revenues), the Group's cash flow and net working capital.

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, the warehouse move, one-time foreign exchange effects from the deconsolidation of windeln.ch AG and impairments of purchased intangible assets (if applicable in the reporting period).

Until the first quarter of 2020, the board managed the operating business as a One-Segment-Group on Group level. In the second quarter of 2020, responsibilities and reporting structures were amended, resulting in two operating segments. Segment "Europe" comprises all business activities of the webshops www.windeln.de and www.windeln.ch and their numerous countries of delivery; and in addition the Southern European operations under the name Bebitus which is intended to be discontinued. Segment "China" comprises all business activities with Chinese customers through various distribution channels.

Non-financial key performance indicators remain unchanged compared to the Annual Report 2019.

2. Report on economic position

2.1. Macroeconomic conditions

On March 11, 2020, the WHO classified the COVID 19 outbreak as a pandemic. Governments around the world have taken measures to limit the spread of the pandemic. In the first quarter of 2020 already, the global spread of the coronavirus and the countermeasures taken had significantly restricted economic activities, initially in China and then later also in Europe, the USA and other markets. This development intensified further in the second quarter. Business climate, consumer confidence, consumer spending and industrial production all fell sharply in the second quarter amid national shutdowns in almost all major economies.

The German "Sachverständigenrat" expects real gross domestic product (GDP) in Germany to decline by 6.5% in 2020. For 2021, it expects growth of 4.9% again. However, this means that GDP in Germany will be back to the level before the pandemic in 2022 at the earliest. The unemployment rate in Germany will continue to rise in the coming months and will probably not slow down until 2021[1]. High uncertainty remains regarding the further course of the pandemic globally.

Amongst other sectors, transport & logistics as well as the automotive and tourism industry were massively affected by the crisis globally, whereas pharmaceuticals; medical technology, environmental technology, IT, artificial intelligence as well as online service providers online platforms and online retailers are generally benefiting from the COVID 19 pandemic.

Since the beginning of the year, online sales in Germany have shown high growth rates every month compared to the previous year. June 2020 sales even rose by 30% compared to June 2019. E-commerce sales in Germany will amount to around EUR 72.3 billion in 2020 (+11.1% compared to the previous year)[2]. According to Statista, an e-commerce market volume of EUR 93.6 billion will be reached in Germany by 2024; which equals a compound annual growth rate of 6.5% (CAGR 2020-2024)[3].

It is estimated that sales in e-commerce in Europe in 2020 will amount to around EUR 347 billion, which corresponds to a growth rate of 11.3% compared to 2019. By 2024, a market volume of EUR 449 billion is expected in Europe with a growth rate of 6.7% (CAGR 2020-2024)[4].

Sales in e-commerce in China will amount to EUR 936 billion in 2020 (+22.5% compared to 2019) according to Statista. Until 2024, the annual compound growth rate is estimated to be 8.6% (CAGR 2020-2024) and reach EUR 1,301 billion in market volume in China[5].

[1] https://www.sachverstaendigenrat-wirtschaft.de/konjunkturprognose-2020 retrieved on Aug 6, 2020
[2] https://de.statista.com/statistik/daten/studie/579708/umfrage/monatliche-umsatzentwicklung-im-versand-und-internet-einzelhandel/ retrieved on Aug 6, 2020
[3] https://de.statista.com/outlook/243/137/ecommerce/deutschland retrieved on Aug 6, 2020
[4] https://de.statista.com/outlook/243/102/ecommerce/europa retrieved on Aug 6, 2020
[5] https://de.statista.com/outlook/243/117/ecommerce/china retrieved on Aug 6, 2020

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

German and European market

The growth of the e-commerce market for baby consumer goods and other baby, toddler and children's products is important to the Group. According to Statista, online retailing in the segment of baby and toddler supplies in Germany will amount to around EUR 2.4 billion in 2020 which will represent a growth rate of 19.8% compared to 2019. Until 2024, a CAGR of 8.0% (CAGR 2020-2024) is expected in this segment in Germany[6].

Sales in the toy and baby segment in Europe are estimated to be equivalent to EUR 13.8 billion in 2020 which represents a growth rate of 18.6% year over year. Until 2024, a CAGR of 5.9% (CAGR 2020-2024) is expected in this segment in Europe[7].

These very high growth rates, especially compared to 2019, reflect the ongoing COVID 19 pandemic and the growing tendency to shop online in the baby and children segment.

Mobile devices

The constant rise of the use of smartphones and tablets as well as the improvement in mobile or wireless networks are the main reasons for the increasing online penetration in Europe. Smartphones and tablets offer customers a convenient way to shop at any time and from anywhere. This is a major advantage especially for the sale of baby and toddler products. In addition, online marketing via mobile devices (e.g. push notifications. social shopping) offers a new opportunity to increase daily interaction with customers. The Group is continuously working to improve the mobile shopping experience for its customers. The share of mobile page views at windeln.de amounted to 78.9% in H1 2020 (the share of mobile orders amounted to 71.1%).

In China, over 89.4% of internet users are using mobile devices online. The mobile platform is in the foreground, which is why windeln.de continuously optimizes its offering on mobile devices in China as well.

Cross-border e-commerce market in China

windeln.de is active in the Chinese cross-border e-commerce market. Chinese customers buy directly from foreign online merchants in this market segment. According to iiMedia Research, the number of cross-border online shopping users amounted to 154 million in 2019 and is expected to rise to 232 million in 2020.

According to the E-Commerce Research Center of China, the volume of Chinese cross-border e-commerce retail sales imports amounted to USD 358 billion last year, which corresponds to growth of around 25% year-on-year. The Company estimates, that retail sales imports will reach USD 426 billion in 2020.

With the rising disposable income of the Chinese population and a strongly growing middle class, the demand for high-quality products from Europe, especially from Germany, has been growing for years. The main product categories purchased are cosmetics and healthcare products, food & beverage as well as products for mothers and children. In general, female consumers and those with children show higher purchasing frequency and spending than others in cross-border e-commerce.

Despite the structural attractiveness of the Chinese market, demand is volatile as it reacts to market changes such as new legal or regulatory regulations, product changes or temporarily tightened customs controls. It should also be noted that due to the attractiveness of the Chinese market, competition and thus price pressure will tend to increase in the future.

Due to the strong growth in e-commerce and in the toy and baby product segments, especially as a result of the global COVID 19 pandemic, the Group sees further growing market opportunities for the business model of trading products for children and families in Europe and China.

[6] https://de.statista.com/outlook/257/137/spielzeug-baby/deutschland retrieved on Aug 6, 2020
[7] https://de.statista.com/outlook/257/102/spielzeug-baby/europa retrieved on Aug 6, 2020

2.3. Course of business

This section provides details on material transactions that occurred in the first six months of 2020.

Planned sale of Southern European Bebitus business

windeln.de SE intends to discontinue the Bebitus business comprising the three web shops www.bebitus.com, www.bebitus.pt and www.bebitus.fr. windeln.de has acquired Bebitus operations in financial year 2015. Since the acquisition, Bebitus operations could significantly improve their profitability, however, they cannot cover their overhead expenses and are thus still generating negative earnings before interest and taxes (EBIT). The management board and the supervisory board of windeln.de SE decided to assess the sale of the Bebitus business. windeln.de has engaged an external service provider to assess the success of a potential sale. As the result of this assessment was positive, at the end of March 2020, the management board decided on a plan to sell the Bebitus business.

The initial plan intended a divestiture of the complete Bebitus business comprising all assets (including domains) and liabilities. In the course of the bidding process initiated in Q2 2020, we learnt that potential buyers would purchase only specific assets from Bebitus operations. Therefore, we modified our valuation as of June 30, 2020, compared to March 31, 2020, and classified only those assets as held for sale, whose divestiture is deemed highly probable. The other assets and liabilities of the Bebitus operations are classified as held for abandonment.

Since March 2020, the assets intended for sale fulfil the requirements of IFRS 5, they are therefore classified and presented as “assets held for sale” on the face of the statement of financial position and measured at fair value less costs of disposal. In addition, the Bebitus business meets the requirements of discontinued operation pursuant to IFRS 5. As a result, profit or loss of the Bebitus operations are presented in a separate item “profit or loss after taxes from discontinued operations” in the consolidated income statement. Prior year periods were adjusted retrospectively.

In the first six months of 2020, the Bebitus operations generated revenues EUR 6,286k (H1 2019: EUR 6,492k), an operating contribution of EUR 173k (H1 2019: EUR -89k) and an adjusted EBIT of EUR -1,392k (H1 2019: EUR -1,875k).

Signing of logistics agreements

In February 2020, a logistics agreement with the logistics provider Kids Fashion Group GmbH & Co. KG (“KFG”) was signed; the agreement was intended to initiate the warehouse move from Großbeeren to Lauterbach in Q2 2020. In the first quarter 2020, an investment subsidy for warehouse equipment of EUR 250k was paid to KFG in line with the contract. In early April 2020, KFG filed for bankruptcy.

Thereupon, windeln.de prolonged the contract with the previous warehouse provider FIEGE Logistik Stiftung & Co. KG. (“Fiege”) for the Großbeeren site until March 31, 2021; the pevious agreement had expired in the second quarter of 2020.

windeln.de is still in close exchange with the insolvency administrator to assess whether the KFG project can be realized. The paid investment subsidy of EUR 250k was written off. In parallel, the extension of the collaboration with Fiege beyond the first quarter 2021 as well as the availability of warehouse capacities by other logistic service providers are under review.

Progress in envisaged projects in the IT area

To keep pace to the latest technological developments, the Group is working on replacements of the currently internally managed shop architecture as well as the internally developed Product Information Management System by third-party solutions. This step becomes necessary due to our limited internal resources and increasing technical demands. With the outsourcing of the shop architecture, we aim at creating better customer experience and flexible adaptation of future technical enhancements. Two agreements with external service providers have been signed in February 2020 respectively became effective in February 2020. A contract for a new shop architecture is structured as a rental license granting us a right-of-use that qualifies as an identifiable asset pursuant to IFRS 16; it is accounted for as right-of-use asset and lease liability. The new contract leads to an increase of capitalized intangible right-of-use assets of EUR 787k in the first six months of 2020. A further agreement on the implementation of a new Product Information Management System is structured as a service agreement.

In addition, the envisaged relocation of the internal IT development department from Munich to the Sibiu office, Romania, was initiated in the first six months of 2020. These measures are planned to be completed in the third quarter of 2020. All these measures shall contribute to reduce selling and general administrative expenses on a long-term basis.

Optimization of procurement processes

At the end of the second quarter of 2020, a new third-party forecast software was rolled out in the purchasing department, which automatically calculates required quantities based on past sales figures, taking into account targeted product availability levels. This software will help to manage inventories and purchase orders even more efficiently in the future.

News around the webshops

- Since February 2020, the popular payment method WeChat Pay is offered in our shop www.windeln.com.cn. Since May 2020, the payment method is available for mobile shop customers using Android devices, since June 2020 also for iOS devices.
- In the first quarter of 2020, the customer invoicing method was updated for the last two shops. The customers of our Swiss and Chinese shops now receive their invoices digitally via the customer portal "MyAccount", they were previously provided in paper form.
- Since the end of the first quarter of 2020, the Portuguese Bebitus shop is connected to the external price automation tool with the aim of further optimize the margin.
- At the beginning of March 2020, the Android App of our Chinese webshop was successfully launched in the Huawei Appstore.
- Furthermore, our EDI system was converted to a cloud-based solution in the first quarter 2020. As a result, the system stability could be increased and, in the future, less internal resources will be needed to support the system.
- The speed of our Chinese webshop, desktop version as well as mobile App, could be stabalized and significantly improved due to different measures.

Capital increase

On February 19, 2020, windeln.de SE has completed the share capital increase as approved by the Extraordinary General Meeting on September 27, 2019. The share capital has been increased against cash contributions from currently EUR 2,989,101 by EUR 5,171,144 to EUR 8,160,245 by issuing 5,171,144 new shares, each representing a pro rata amount in the share capital of EUR 1.00 per share and with dividend entitlement starting January 1, 2019 ("New Shares"). Based on the subscription price of EUR 1.20 per New Share, the gross proceeds amount to EUR 6,205,373.

Following the successful approval of the securities prospectus by the Federal Financial Supervisory Authority (BaFin) on May 14, 2020, the New Shares were admitted to trading on the regulated market of the Frankfurt Stock Exchange on May 19, 2020.

Change in management board and buildup of local team in China

As of March 18, 2020, Mr. Zhixiong Yan resigned as member of the management board of windeln.de SE. Mr. Yan was responsible for our “New Business” in China and has strongly contributed to the capital increase that was completed in February 2020.

The supervisory board of the Company has appointed Mr. Xiaowei Wei as member of the management board effective March 18, 2020. In his function, Mr. Wei will be responsible for “New Business” in China, and he will further push growth projects in the attractive Chinese market, which is important for the Group. Mr. Wei has many years of experience in the Chinese e-commerce business and was appointed for three years.

In connection with the change in the management board, a new Chinese office in Beijing was opened and a local team was built up. As of June 30, 2020, 41 staff members were employed in the subsidiary windeln Management Consulting (Shanghai) Co., Ltd., Shanghai, China. windeln.de has submitted an extraordinary cancellation of the service contract with LangTao Trading (Shanghai) Co. Ltd. ("LangTao") as of May 31, 2020. Since mid of 2019, LangTao has rendered customer services, services on brand strategies, project and marketing planning, visual design, product management, sales promotions, communication with sales channels and supply chain management. In the future, these services shall be performed by the employees of the Chinese service company. Since the beginning of May 2020, Hangzhou Yatao e-commerce co. LTD takes care of all questions and concerns from our Tmall customers and will take over the support service for our customers of our Chinese webshop in the second half year 2020 as well.

Currently, windeln.de is in discussions with LangTao on the legitimacy of the extraordinary notification of cancellation and potential contract penalties.

Change in the supervisory board

The supervisory board members Willi Schwerdtle and Dr. Edgar Lange have resigned from their mandates as of the end of the Annual General Meeting on June 24, 2020. Mr. Schwerdtle had assumed the role of the supervisory board chairman, Mr. Lange was chairman of the audit committee.

New chairman of the supervisory board is Mr. Clemens Jakopitsch. Ms. Yafang Tang and Mr. Maurice Reimer were elected as new supervisory board members.

Liquidation windeln.ch AG

The 100% owned subsidiary windeln.ch AG in liquidation with registered offices in Uster, Switzerland, was deregistered from the Swiss commercial register on March 2, 2020. The company was deconsolidated in the first quarter of 2020, resulting in a one-time foreign exchange gain of EUR 207k from the derecognition of historical foreign exchange differences, that had previously been recognized within other comprehensive income. The gain is adjusted in the adjusted EBIT presentation.

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

2.4.1. Effects of the COVID 19 pandemic on the first half year of 2020

The current COVID 19 pandemic has led to consumers shopping temporarily more online from home. For example, order intake in March 2020 increased by 28% to EUR 7.8m compared to the previous month.

On the other hand, the COVID 19 pandemic led to delays at our warehouse in Großbeeren, Germany. Due to travel restrictions for foreign employees from Poland, the warehouse could not work on full capacity. As a result, there was an order backlog of several days at the end of March and beginning of April, which affected orders from the DACH region in particular, but also partly Chinese orders. The situation eased at the end of April, so that there is no order backlog as of today.

Temporarily, no deliveries were made from our warehouses in China, especially at the beginning of February. The order backlog was resolved by the beginning of March. In our warehouse in Barcelona, from which the Bebitus shops are delivered, there was no order backlog at any time.

The order backlog at the end of March 2020 has the particular consequence that some of the orders received in March were not fulfilled until the second quarter of 2020, so that the corresponding revenue could be realized only in April 2020.

In addition, due to low air freight capacities and increased shipping costs, no duty paid goods were shipped from the German warehouse in Großbeeren to China since mid of the first quarter of 2020. However, Chinese customers were able to order duty unpaid goods.

During the first six months of 2020, windeln.de received government assistance of EUR 30k in the form a Corona Immediate Aid.

2.4.2. Results of operations

Consolidated income statement

kEUR	H1 2020	H1 2019 R	Change absolute in kEUR	Change relative in %	Q2 2020	Q2 2019 R	Change absolute in kEUR	Change relative in %
Continuing operations								
Revenues	43,743	34,417	9,326	27%	28,814	17,172	11,642	68%
Cost of sales	-33,137	-25,524	-7,613	30%	-22,100	-12,812	-9,288	72%
Gross profit	**10,606**	**8,893**	**1,713**	**19%**	**6,714**	**4,360**	**2,354**	**54%**
Selling and distribution expenses	-10,133	-11,365	1,232	-11%	-5,222	-5,177	-45	1%
Administrative expenses	-2,467	-3,724	1,257	-34%	-948	-2,122	1,174	-55%
Other operating income	598	311	287	92%	233	100	133	>100%
Other operating expenses	-173	-57	-116	>100%	-116	-4	-112	>100%
Earnings before interest and taxes (EBIT)	**-1,569**	**-5,942**	**4,373**	**-74%**	**661**	**-2,843**	**3,504**	**>100%**
Financial income	5	-	5	>100%	5	-	5	>100%
Financial expenses	-27	-38	11	-29%	-12	-17	5	-29%
Financial result	**-22**	**-38**	**16**	**-42%**	**-7**	**-17**	**10**	**-59%**
Earnings before taxes (EBT)	**-1,591**	**-5,980**	**4,389**	**-73%**	**654**	**-2,860**	**3,514**	**>100%**
Income taxes	-3	-3	-	0%	-1	-	-1	>100%
Profit or loss from continuing operations	**-1,594**	**-5,983**	**4,389**	**-73%**	**653**	**-2,860**	**3,513**	**>100%**
Profit or loss from discontinued operations	-3,448	-1,841	-1,607	87%	-2,514	-861	-1,653	>100%
PROFIT OR LOSS FOR THE PERIOD	**-5,042**	**-7,824**	**2,782**	**-36%**	**-1,861**	**-3,721**	**1,860**	**-50%**

Unless stated otherwise, the following explanations relate solely to continuing operations, i. e. without the Southern European Bebitus business which is presented in the line "profit or loss from discontinued operations".

In the first six months of 2020, the Group generated ***revenues*** of EUR 43,473k, an increase of 27% compared to the prior year period. Growth was mainly achieved in China (+34%), whereas Europe grew by 10% (without discontinued Bebitus operations).

A growth contributor in Europe was the Corona situation that massively increased the popularity of online sales in March and April. Shipping delays, that occurred in the first quarter of 2020 in the Großbeeren warehouse and leading to revenue deferrals, were fully resolved in the second quarter of 2020. Additionally, mainly vendor funded sales promotions could be massively expanded compared to the prior year, leading to higher revenues of 70% from those sales promotions.

In the first six months of 2020, China revenues contain a positive special item of EUR 3,563k, which is the result of VAT adjustments for orders shipped by windeln.de to Chinese customers via so-called freight forwarders in prior years. These export deliveries, which had previously been subject to VAT in Germany, could be corrected with the subsequent confirmation of the export respectively by obtaining corresponding supporting documents. Without this one-time-effect, revenue growth in China amounts to 17%. This is mainly attributable to a new sales channel offering hygiene products to corporate customers. Revenues are generated either directly or as commission fees. In the first six months of 2020, revenues of EUR 6,869k were recognized though that channel. In addition, we could for the first time generate revenues from new product categories from the cooperation with bodyguardpharm GmbH; and we generated further revenues from the cooperation with Holland at Home B. V.

The end customer business in China, however, is behind our expectations. This is caused by an oversupply in the market as well as a temporary suspension of the SPDC customs process which did not allow windeln.de to offer duty paid goods in our shops.

The ***margin (gross profit as % of revenues)*** comes at 24.2% in the first six months of 2020 and is 1.6pp below the prior year. On one hand, his results from the increased business volume with corporate customers and intermediates generating lower margins but also significantly lower logistics expenses, and therefore contributes to an improvement in operating contribution. On the other hand, revenues of EUR 3,563k from VAT adjustment have no corresponding cost of sales.

Selling and distribution expenses have decreased in the reporting period by EUR 1,232k or 11% to EUR 10,133k. Savings were achieved for logistics (decrease by EUR 1,521k or 35%), warehouse rent (decrease by EUR 476k or 66%), marketing (decrease by EUR 403k or 26%) and personnel (decrease by EUR 214k or 7%).

On the one hand, the reduction in logistics and warehouse expenses is the result of a lower stock level and a higher turnover ratio compared to prior year period, whereby warehouse rental costs could be reduced. On the other hand, lower logistic costs in conjunction with the second bonded warehouse in China, opened in the fourth quarter 2019, show an impact. The reduction in logistics and warehouse expenses (so-called fulfilment costs) and the increase in revenues at the same time, materially impact the improvement in operating contribution. Also, the increased business volume with intermediates and corporate customers leads to lower logistics expenses in relation to revenues.

Savings in personnel expenses result from income in share-based compensation (EUR 157k in the first quarter of 2020), at the same time, expenses from wages and salaries have slightly increased due to the hiring of the new team in China and the opening of the new Beijing office. One reason for the decrease in marketing expenses is the cancellation of the LangTao service provider. During the insourcing phase in Q2 2020, marketing spending in China was significantly cut back. In connection with the VAT corrections of EUR 3,563k as described above, expense allowance in the amount of EUR 946k are recognized in selling and distribution expenses. Additionally, the write-off of EUR 250k investments subsidies paid to KFG is recognized as an expense within selling and distribution expenses.

Administrative expenses amount to EUR 2,467k in the reporting period and are 34% below the prior year period. This mainly results from the income in share-based compensation leading to lower personnel expenses of 48%. Other expense positions within administrative expenses are unchanged to the prior year.

Other operating income amounts to EUR 598k (H1 2019: EUR 311k) and contains a one-time foreign exchange gain of EUR 207k from the deconsolidation of windeln.ch AG. ***Other operating expenses*** contain mainly foreign exchange losses in the current and prior year.

As a result of the above-mentioned developments, ***earnings before interest and taxes (EBIT)*** further improved by EUR 4,373k or 75% in the first six months of 2020 and amount to minus EUR 1,569k. Main contributors to this improvements are increased revenues, relatively constant gross margins, significant savings in logistics, and the EBIT contribution of the VAT adjustment

The ***financial result*** is minus EUR 22k in the current fiscal year and contains mainly interest expenses from capitalized lease agreements.

The profit or loss from ***discontinued operations*** relates to Bebitus operations and, to an immaterial extent, to the Feedo operations that were sold in 2018. The operating result (EBIT) of Bebitus operations was minus EUR 1,368k, in addition, expenses for the remeasurement of assets held for sale and the recognition of onerous contract provisions in the amount of EUR 2,075k were recognized within discontinued operations.

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, the Group's cash flow and net working capital. The development of revenues is described in the paragraph above. The development of operating contribution as percentage of revenues is described in note 2.5 "Other financial performance indicators". The Group cash flow is described in note 2.4.3 "Financial position", net working capital is described in note 2.4.4 "Net assets".

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, the warehouse move, one-time foreign exchange effects from the deconsolidation of windeln.ch AG and impairments of purchased intangible assets (if applicable in the reporting period).

kEUR	H1 2020	H1 2019 R	Change absolute in kEUR	Change relative in %	Q2 2020	Q2 2019 R	Change absolute in kEUR	Change relative in %
Earnings before interest and taxes (EBIT)	**-1,569**	**-5,942**	**4,373**	**-74%**	**661**	**-2,843**	**3,504**	**>100%**
adjusted for share-based compensation	-952	525	-1,477	>100%	-959	439	-1,398	>100%
adjusted for costs of reorganization measures	-	-14	14	-100%	-	-	-	-
adjusted for costs of the warehouse move	250	-	250	>100%	250	-	250	>100%
adjusted for effects from deconsolidation of windeln.ch AG	-207	-	-207	>100%	-	-	-	-
Adjusted EBIT	**-2,478**	**-5,431**	**2,953**	**-54%**	**-48**	**-2,404**	**2,356**	**-98%**
Adjusted EBIT (as % of revenues)	**-5.7%**	**-15.8%**			**-0.2%**	**-14.0%**		

The adjusted income from share-based compensation in 2020 results from management's judgement on future cash-settlement of RSU's, as described in the notes to the interim consolidated financial statements. Adjusted costs for the warehouse move related to the write-off of investment subsidies paid to the new logistics provider. Other expenses relating to the warehouse move are not adjusted. The deconsolidation of windeln.ch AG resulted in a one-time foreign exchange gain of EUR 207k from the derecognition of historical foreign exchange differences, that had previously been recognized within other comprehensive income. The gain is adjusted in the adjusted EBIT presentation.

Adjusted EBIT from continuing operations improved by 54% due to increased revenues, relatively constant gross margins, significant savings in logistics and the EBIT contribution from VAT adjustments. Adjusted EBIT as % of revenues is -5.7% in the first six months of 2020.

Non-financial key performance indicators

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

	H1 2020	H1 2019 R	Q2 2020	Q2 2019 R
Active customers	296,699	334,089	296,699	334,089
Average orders per active customer (in number of orders)	1.8	2.2	1.8	2.2
Average order value (in EUR)	90.60	91.60	87.55	93.78
Share of repeat customer orders (as % of orders of last 12 months)	68,9%	73,8%	68,9%	73,8%

Non-financial performance indicators were adjusted retrospectively and reflect continuing operations only.

The decline in active customers and their average orders results from the oversupply in China and our offer that is limited to duty unpaid goods since February 2020. Average order value is basically unchanged to the prior year. The decreased share of repeat customers results from the growth in Europa and the corresponding number of new customers.

Results of operating segments

kEUR	H1 2020	H1 2019	Change absolute in kEUR	Change relative in %	Q2 2020	Q2 2019	Change absolute in kEUR	Change relative in %
Revenues								
Europe	16,657	15,914	743	5%	9,437	7,506	1,931	26%
thereof continuing operations	10,371	9,422	949	10%	5,643	4,532	1,111	25%
thereof discontinued operations	6,286	6,492	-206	-3%	3,794	2,974	820	28%
China	33,372	24,995	8,377	34%	23,171	12,640	10,531	83%
Operating contribution								
Europe	-73	-845	772	-91%	256	-299	555	>100%
thereof continuing operations	-246	-756	510	-67%	-12	-276	264	-96%
thereof discontinued operations	173	-89	262	>100%	268	-23	291	>100%
China	6,606	3,003	3,603	>100%	4,767	1,594	3,173	>100%

Detailed explanations on the results of operating segments can be found in the previous section “Consolidated income statement”.

2.4.3. Financial position

kEUR	H1 2020	H1 2019	Change absolute in kEUR	Change relative in %	Q2 2020	Q2 2019	Change absolute in kEUR	Change relative in %
Loss for the period	-5,042	-7,824	2,782	-36%	-1,861	-3,721	1,860	-50%
Net cash flows used in operating activities	**-7,094**	**-8,615**	**1,521**	**-18%**	**-5,148**	**-3,331**	**-1,817**	**55%**
Net cash flows from / used in investing activities	**-312**	**433**	**-745**	**>100%**	**-249**	**460**	**-709**	**>100%**
Net cash flows from / used in financing activities	**5,025**	**9,119**	**-4,094**	**-45%**	**-511**	**-551**	**40**	**-7%**
Cash and cash equivalents at the beginning of the period	8,377	11,136	-2,759	-25%	11,905	15,504	-3,599	-23%
Change in cash and cash equivalents	-2,381	937	-3,318	>100%	-5,908	-3,422	-2,486	73%
Change in cash and cash equivalents due to foreign exchange rates	-	6	-6	-100%	-1	-3	2	-67%
Cash and cash equivalents at the end of the period	**5,996**	**12,079**	**-6,083**	**-50%**	**5,996**	**12,079**	**-6,083**	**-50%**

In the first half year of 2020, the Group generated negative cash flows from ***operating activities*** in the amount of EUR 7,094k, an improvement of 18% compared to the prior year period. The loss of the period could be reduced by EUR 2,782k, however, it contains non-cash income from the remeasurement of Restricted Stock Units (EUR 976k) and from the deconsolidation of windeln.ch AG (EUR 207k). Additionally, the loss of the period contains non-cash expenses EUR 2,075k from remeasurement of assets held for sale and from recognition of onerous contract provisions, both relating to the planned discontinuation of Bebitus operations.

New working capital[8] has increased by EUR 4,639k since December 31, 2019, mainly due to the increase in inventories for the Chinese market. This increase negatively impacts operating cash flows.

The cash outflow from ***investing activities*** mainly results from investments in the new shop software (EUR 292k) and fixed assets (EUR 21k). In the prior year, investment activities generated cash inflows that ware mainly attributable to the received purchase price from the divestiture of Feedo Group (EUR 417k incl. interest) and a refund of the purchase price from the acquisition of Feedo Group (EUR 70k). Investments in intangible and fixed assets amounted to only EUR 55k in the prior year and were significantly lower than in the current reporting year.

Cash inflows from ***financing activities*** of EUR 5,025k in the first six months of 2020 reflect the successfully executed capital increase in the first quarter of 2020, resulting in net cash proceeds of EUR 5,564k. Furthermore, lease liabilities in the amount of EUR 504k were redeemed. In the prior year, cash inflows from financing activities amounted to EUR 9,119k. Net cash proceeds from a capital increase were EUR 9,488k, whereas only EUR 326k lease liabilities were redeemed.

[8] including Bebitus, before IFRS 5 remeasurement

2.4.4. Net assets

Assets kEUR	June 30, 2020	Dec. 31, 2019	Change absolute in kEUR	 relative in %
NON-CURRENT ASSETS				
Intangible assets	1,247	2,843	-1,596	-56%
Fixed assets	367	631	-264	-42%
Other financial assets	12	16	-4	-25%
Other non-financial assets	136	149	-13	-9%
Deferred tax assets	5	2	3	>100%
Total non-current assets	**1,767**	**3,641**	**-1,874**	**-51%**
CURRENT ASSETS				
Inventories	10,122	7,339	2,783	38%
Prepayments	15	1	14	>100%
Trade receivables	973	838	135	16%
Income tax receivables	2	6	-4	-67%
Other financial assets	1,862	2,719	-857	-32%
Other non-financial assets	3,063	1,888	1,175	62%
Cash and cash equivalents	5,996	8,377	-2,381	-28%
Total current assets	**22,033**	**21,168**	**865**	**4%**
Assets held for sale	1,838	-	1,838	100%
TOTAL ASSETS	**25,638**	**24,809**	**829**	**3%**

The decrease in ***non-current assets*** of 51% since December 31, 2019, to EUR 1,767k as of June 30, 2020, results from the reclassification of Bebitus Domains (EUR 1,819k) as held for sale and their presentation within a separate balance sheet position. Intangible assets have decreased accordingly. The capitalization of the right-of-use asset of the new shop software, comprising the present value of future lease payments and incidental acquisition costs, have increased the balance sheet position intangible assets by EUR 722k. The reduction in fixed assets results from regular depreciation of capitalized right-of-use assets of office spaces, in particular the office lease in Hofmannstrasse in Munich, that will expire in August 2020. The new right-of-use asset from the subsequent lease agreement will be capitalized on its commencement date in Q3 2020.

As of June 30, 2020, ***current assets*** have increased by EUR 865k or 4% compared to December 31, 2019. Without reclassification and remeasurement of Bebitus inventories, total inventories have increased by 64% or EUR 4,707k. The is attributable to increased customer deliveries from our two bonded warehouses which lead to higher inventory stock levels since they are replenished through sea shipment. In addition, we have begun building up inventories for the upcoming Q4 sales events in China (Single's Day). However, also the lower than expected business with Chinese end customers in Q2 2020 led to higher inventories. The increase in inventories negatively impacts the financial position and results in a decrease in cash and cash equivalents of EUR 2,381k.

The decrease in other financial assets mainly results from the decrease in creditors with debit balances by EUR 706k, that were at an unusually high level on December 31, 2019. Creditors with debit balances relate to refund claims from suppliers and service providers, e. g., due to overpayment, insufficient deliveries or invoiced advertising contributions and supplier rebates etc. Furthermore, restricted cash was reclassified as cash equivalent because its restriction expires in less than three months. Non-financial assets comprise mainly VAT receivables. They have increased due to further applications of VAT corrections from shipments to Chinese customers, that were made in prior years via so-called freight forwarders.

Assets held for sale contain remeasured assets intended for sale in the planned Bebitus divestiture.

Equity and liabilities kEUR	June 30, 2020	Dec. 31, 2019	Change absolute in kEUR	 relative in %
EQUITY				
Issued capital	8,160	2,989	5,171	>100%
Share premium	172,271	172,904	-633	0%
Accumulated loss	-165,776	-160,734	-5,042	3%
Cumulated other comprehensive income	-8	200	-208	>100%
Total equity	**14,647**	**15,359**	**-712**	**-5%**
NON-CURRENT LIABILITIES				
Accrued employee benefits	12	-	12	100%
Financial liabilities	245	101	144	>100%
Total non-current liabilities	**257**	**101**	**156**	**>100%**
CURRENT LIABILITIES				
Other provisions	222	288	-66	-23%
Financial liabilities	368	519	-151	-29%
Trade payables	5,470	3,639	1,831	50%
Deferred revenues	1,365	2,287	-922	-40%
Income tax payables	3	1	2	<100%
Other financial liabilities	2,661	2,064	597	29%
Other non-financial liabilities	645	551	94	17%
Total current liabilities	**10,734**	**9,349**	**1,385**	**15%**
TOTAL EQUITY AND LIABILITIES	**25,638**	**24,809**	**829**	**3%**

Since December 31, 2019, ***equity*** has decreased by EUR 712k on June 30, 2020. Due to the executed capital increase in February 2020, equity has increased by EUR 6,205k gross. Furthermore, the change in settlement method of RSU's from equity-settled to cash-settled led to a reclassification of EUR 1,003k from share premium to accrued employee benefits. Contrarily, the loss of the first six months of 2020 of EUR 5,042k as well as equity transaction costs of EUR 675k resulted in a reduction in equity.

Non-current liabilities mainly contain lease liabilities that have significantly increased due to the new shop software agreement. Commitments arising from RSU settlement were remeasured as of June 30, 2020 and amount to EUR 12k.

The increase in ***current liabilities*** by EUR 1,385k or 15% since December 31, 2019 to EUR 10,734k as of June 30, 2020, mainly results from higher trade payables that have increased as a consequence of the higher inventories.

We define the performance indicator ***net working capital*** as the total of inventories, prepayments on inventories, trade receivables, accrued advertising subsidies and supplier rebates, creditors with debit balances and VAT assets, deducted by VAT liabilities, trade payables and deferred expenses. As of June 30, 2020, net working capital[9] amounts to EUR 10,078k. The increase since December 31, 2019 (EUR 5,439k) almost solely results from the increase in inventories, as described above.

2.4.5. Net overall statement

In the first six months of 2020, and particularly in the second quarter of 2020, windeln.de achieved very good results.

Compared to the prior year period, a high revenue increase of 27% was achieved in the first six months of 2020, which also stems from positive effects from COVID 19 pandemic. Revenues rose in both the European and the Chinese market. The latter has benefitted from the new distribution channel offering hygiene products to corporate customers since the second quarter 2020.

With minus EUR 1,569k, EBIT is still negative in the six-month-period of 2020, but has improved by EUR 4,373k compared to the prior year, adjusted EBIT could be improved by 54% in the first six months of 2020; in the second quarter of 2020 it was close to break-even.

The Chinese segment is positively impacted by VAT adjustments for orders shipped in prior years resulting in revenues of EUR 3,563k and an EBIT contribution of EUR 2,617k in the first six months of 2020.

[9] including Bebitus, before IFRS 5 remeasurement

The strong growth in China requires an increase in net working capital, especially in inventories. Since December 31, 2019 net working capital[10] has increased by EUR 4,639k as of June 30, 2020. Despite the capital increase performed in the first quarter of 2020, this increase has led to a high cash outflow (EUR 2,381k) in the reporting period.

2.5. Other financial performance indicators

	H1 2020	H1 2019 R	Change	Q2 2020	Q2 2019 R	Change
Marketing cost ratio (as % of revenues)	2.6%	4.4%	-1.8pp	1.6%	4.6%	-3.0pp
Fulfilment cost ratio (as % of revenues)	7.1%	14.9%	-7.8pp	5.2%	13.1%	-7.9pp
Adjusted other SG&A expenses (as % of revenues)	20.2%	22.3%	-2.1pp	16.7%	21.7%	-5.0pp
Operating contribution (as % of revenues)	14.5%	6.5%	8.0pp	16.5%	7.7%	8.8pp

pp = percentage points

In the consolidated income statement, ***marketing costs*** are recognized within selling and distribution expenses. Marketing costs mainly consist of advertising expenses, including search engine marketing, online display and other marketing channel expenses, as well as costs for the marketing tools of the Group. In the first six months of 2020, marketing costs amounted to EUR 1,123k (H1 2019: EUR 1,526k). We define marketing cost ratio as marketing costs divided by revenues for the measurement period, the ratio has improved by 1.8pp to 2.6% compared to the prior year.

Fulfilment costs consist of logistics and warehouse rental expenses which are recognized within selling and distribution expenses in the consolidated income statement. We define fulfilment cost ratio as fulfilment costs divided by revenues.

			Change				Change	
kEUR	**H1 2020**	**H1 2019 R**	**absolute in kEUR**	**relative in %**	**Q2 2020**	**Q2 2019 R**	**absolute in kEUR**	**relative in %**
Logistics	2,881	4,402	-1,521	-35%	1,422	1,906	-484	-25%
Warehouse rent	242	718	-476	-66%	62	351	-289	-82%
Fulfilment costs	**3,123**	**5,120**	**-1,997**	**-39%**	**1,484**	**2,257**	**-773**	**-34%**
Fulfilment cost ratio (as % of revenues)	**7.1%**	**14.9%**			**5.2%**	**13.1%**		

The fulfilment cost ratio amounts to 7.1% in the first six months of 2020, compared to 14.9% in the first six months of 2019. On one hand, that improvement is the result of a lower stock level and a higher turnover ratio compared to prior year period, whereby warehouse rental costs could be reduced. On the other hand, lower logistic costs in conjunction with the second bonded warehouse in China, opened in the fourth quarter 2019, show an impact. Also, the increased business volume with intermediates and corporate customers leads to lower logistics expenses in relation to revenues.

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 and income from share-based compensation, reorganization measures, the warehouse move, one-time foreign exchange effects from the deconsolidation of windeln.ch AG as well as impairments of purchased intangible assets (if applicable in the reporting period). We define adjusted other SG&A expenses (in % of revenues) as adjusted other SG&A expenses divided by revenues.

[10] including Bebitus, before IFRS 5 remeasurement

kEUR	H1 2020	H1 2019	Change absolute in kEUR	Change relative in %	Q2 2020	Q2 2019	Change absolute in kEUR	Change relative in %
Selling and distribution expenses (w/o marketing and fulfilment costs)	5,887	4,719	1,168	25%	3,263	2,135	1,128	53%
Administrative expenses	2,467	3,724	-1,257	-34%	948	2,122	-1,174	-55%
Other operating income	-598	-311	-287	92%	-233	-100	-133	>100%
Other operating expenses	173	57	116	>100%	116	4	112	>100%
Other SG&A expenses	**7,929**	**8,189**	**-260**	**-3%**	**4,094**	**4,161**	**-67**	**-2%**
Adjustments	909	-511	1,420	>100%	709	-439	1,148	>100%
Adjusted other SG&A expenses	**8,838**	**7,678**	**1,160**	**15%**	**4,803**	**3,722**	**1,081**	**29%**
Adjusted other SG&A expenses (as % of revenues)	**20.2%**	**22.3%**			**16.7%**	**21.7%**		

Adjusted other SG&A expenses have increased by 15%, mainly due to expense allowances incurred in connection with the VAT adjustments.

We define ***operating contribution*** as adjusted gross profit excluding marketing costs and adjusted fulfilment costs. The adjustments of gross profit relate to expenses for share-based compensation, if incurred in the reporting period.

kEUR	H1 2020	H1 2019	Change absolute in kEUR	Change relative in %	Q2 2020	Q2 2019	Change absolute in kEUR	Change relative in %
Gross profit	10,606	8,893	1,713	19%	6,714	4,360	2,354	54%
Adjustments	-	-	-	-	-	-	-	-
Adjusted gross profit	**10,606**	**8,893**	**1,713**	**19%**	**6,714**	**4,360**	**2,354**	**54%**
Marketing costs	-1,123	-1,526	403	-26%	-475	-785	310	-39%
Fulfilment costs	-3,123	-5,120	1,997	-39%	-1,484	-2,257	773	-34%
Operating contribution	**6,360**	**2,247**	**4,113**	**>100%**	**4,755**	**1,318**	**3,437**	**>100%**
Operating contribution (as % of revenues)	**14.5%**	**6.5%**			**16.5%**	**7.7%**		

In the first six months of 2020, operating contribution came at EUR 6,360k or 14.5% of revenues and has significantly improved compared to the prior year period, both in absolute numbers an as % of revenues. Main contributors to this improvement are increased revenues, relatively constant gross margins, significant savings in logistics and the EBIT contribution from VAT adjustments.

2.6. Other non-financial performance indicators

	H1 2020	H1 2019 R	Q2 2020	Q2 2019 R
Site visits (in thousands)	8,969	12,944	4,670	6,157
Mobile visit share (as % of site visits)	83.4%	80.4%	82.8%	80.8%
Mobile orders (as % of number of orders)	61.3%	60.6%	63.3%	59.9%
Number of orders	237,263	287,102	113,069	137,537
Gross order intake (in kEUR)	21,497	26,298	9,899	12,899
Returns (as % of gross revenues from orders)	2.7%	3.0%	1.6%	2.5%

Non-financial performance indicators were adjusted retrospectively and reflect continuing operations only.

The mobile visit share and mobile orders follow the long-term trend, that windeln.de follows by expanding its mobile offerings. The decline in site visits, number of orders and gross order intake results from the oversupply in China and our offer that is limited to duty unpaid goods since February 2020. The new distribution channel offering hygiene products to corporate customers and the business with intermediates is not reflected in those performance indicators.

3. Outlook

The main strategic target realizing profitable and sustainable growth is still existing. Special focus is still achieving profitability group-wide and securing liquidity.

For the year 2020, cost savings were forecasted within the section of logistic costs and within the general selling and administration expenses. For both sections the outlook is valid due to efficiency measures in the first half of 2020, although the planed warehouse move did not happen yet due to the insolvency of the new service provider and although there are delays in the planned outsourcing of IT shop infrastructure, whereby cost savings to the full extend will be delayed-

With regards to Adjusted EBIT in % of revenues a significant improvement compared to prior year was forecasted for 2020. As of the half year 2020, Adjusted EBIT in % of revenues could be significantly improved to -5.7% compared to -15.8% in prior year period. For total year 2020, the management board only expects a moderate improvement of the Adjusted EBIT in % of revenues, as on the one hand the Chinese business, which has strong margins, will be grow less strong as originally expected due to the long capital lockup for sales out of the two bonded warehouses in China and on the other hand there will be higher costs for investments in the Chinese office. The target to achieve break even on basis of Adjusted EBIT in the first quarter of 2021 is still valid but is dependent on getting access to further financing options for the growth in China in the second half of 2020.

For 2020 a significant reduction of cash outflows and a moderate increase of net working capital were planned compared to prior year. In the first half year 2020 cash outflow could be decreased indeed, but not in the primary planned volume. Reason for that is the increase of stock level and net working capital in a volume higher than originally planned to allow further growth in China. For total year 2020, management board expects a moderate improvement of cash outflow compared to 2019 and the net working capital will be likely increase significantly.

As of half year 2020, all other in the annual report 2019 forecasted financial and non-financial performance indicators are in line with the expected developments. The expected forecasts still reflect the expectations of the management board and are still valid.

In the second half of 2020 strategic investments are still planned in the Chinese market. Projects to expand the distribution channels are in implementation phase. Building up the local office in China with staff already occurred in the second quarter of 2020. Initially, the strategic expansion will require additional capital. In addition, new product categories shall be developed in order to position windeln.de as global “family business” in Europe and China.

Risks relating going concern of the Group

As of June 30, 2020, the Group shows EUR 5,996k cash and therefore sufficient cash is available to cover the net operating cash outflow. In the first half of 2020, the cash outflow from operating activities could indeed only be improved slightly compared to the first half of 2019, but this due to the intentionally increase of net working capital to facilitate the growth in China.

The Group is subject to material uncertainties regarding the achievement of planned increases in revenues and margins as well as further planned cost decreases whose occurrence is mandatorily necessary to ensure the achievement of a positive net cashflow.

In the area of revenue increase, further growth is planned in China. Among other things it is envisaged to develop new channel of distributions and to expand the product assortment. The new team of experts in China shall release positive pulse. Uncertainty exists relating to planned projects which might be delayed in time, which might not be realized in the planned scope, or which might not happen at all. Margin increases are planned basically in the European business. Therefore, different measurements are in the implementation phase, among other things further improved supplier conditions, an improved product mix as well as the increase of the turnover ratio in the section of clothing by focusing on less but profitable brands. Uncertainty exists relating to the enforcement of improved supplier conditions. A big driver related to cost decreases is the outsourcing of IT- infrastructure of the web shops (IT shop system and product information system) as well as the relocation of the internal IT development department to eastern Europe. The projects to adapt the systems to a third-party provider are already in the implementation phase. Currently, there are project delays with regards to the shop system, so that on the one hand project costs will be higher than planned and on the other hand cost savings will be realized than later planned. Driver for planned cost savings in the section of logistic costs are especially the replacement of the external service provider and the related move of the central warehouse in Germany. Due to the insolvency of the new warehouse service provider and thereby the warehouse move did not take place, so far cost savings could not be realized so far from this. As project is in the tender offer phase again, there are uncertainties with regards to the volume of potential future cost savings as well as with regards to the effective date. Besides that, unpredictable issues during the warehouse move, which could lead to delayed deliveries for example and relocation costs per se could be higher than originally planned. Furthermore, cost savings are planned through the increased delivery of our customers of the Chinese web shop www.windeln.com.cn from the bonded warehouse in China.

The management board addresses the in the previous paragraph described uncertainties with various measurements. Thus, a dedicated project management is implemented to regularly monitor, to control and, if necessary, to initiate countermeasures for all envisaged projects and measurements. In the first quarter 2020 a capital increase was successfully executed. In the context of the capital increase, new Asian investors have become shareholders of the Group. Thereby, the management expects a positive effect on the Chinese business. Last but not least, management expects to improve supplier conditions through the continuous dialog with credit insurers. In addition, management invests in relationship to debt or equity providers and evaluates financing options.

Above that, the management board proactivly controls the net working capital.

Achieving break even on basis of adjusted EBIT is planned for the first quarter of 2021. In case the planned projects and cost saving measurements cannot be implemented in the full extent or do not lead to the expected outcome, the amount of cash and cash equivalents will not suffice to cover all payment obligations in 2021. Therefore, the continuation of the Company and thereby the Group is at stake and solvency depends on the ability to collect further liquidity funds, e. g. via a further equity financing round or via raise of borrowed capital.

4. Opportunities and risk report

As part of the closing process for the fiscal year 2019, windeln.de Group made a risk assessment. At the end of the first half year 2020, a reassessment has been performed. Compared to the assessment as of December 31, 2019, the assessment of the extent of damage or the probability occurrence of opportunities and risk have not changed significantly. In the first half year of 2020, there were no events or transactions giving rise to new risks.

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 unchanged. 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, 2019 and the below shown material changes of some risk categories are also a significant indicator for the liquidity risk of the Group.

Opportunities and risks from the COVID 19 pandemic
Please refer to note 2.4.1.

Risks from logistics processes
During the risk assessment made for the fiscal year 2019, a delay of the planned German warehouse move was identified as a risk. Potential risks might arise from cost increases due to parallel operation or from poor performance of the new provider. This risk has actually materialized in Q2 2020 with the bankruptcy of the new warehouse provider. windeln.de, however, managed to decrease the extent of damage through appropriate measures. The logistics agreement with the current warehouse provider for the location in Großbeeren could be extended until March 2021 and, in addition, an invoicing mode was negotiated that is currently much more favorable to windeln.de than the previous mode.

IT risks
The risk from the planned implementation of a new shop architecture has increased since the last risk assessment, however, it is still classified as low risk due to its extent of damage.

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*** are unchanged compared to the Annual Report 2019.

With regards to the ***liquidity risk***, there are no changes to the Annual Report 2019. After the successful capital increase in February 2020, there is no liquidity shortfall for the Group as of June 30, 2020, and as of the publication date of the interim consolidated financial statements. A delay of the planned strategic measures, the occurrence of risk factors as presented in the Opportunities and Risks Report of the last Annual Report and of this Half Year Report, as well as a deviation from the business plan of the year 2020 could result in a material deterioration of the liquidity situation of the Group. Especially the expansion of our activities in China may still lead to additional cash outflows. Therefore, the Group evaluates to source additional liquidity funds through equity or debt instruments in order to ensure solvency and to have a sufficient liquidity buffer. We refer to note 3 "Outlook" describing risks relating going concern of the Group.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

kEUR	H1 2020	H1 2019 R	Q2 2020	Q2 2019 R
Continuing operations				
Revenues	43,743	34,417	28,814	17,172
Cost of sales	-33,137	-25,524	-22,100	-12,812
Gross profit	**10,606**	**8,893**	**6,714**	**4,360**
Selling and distribution expenses	-10,133	-11,365	-5,222	-5,177
Administrative expenses	-2,467	-3,724	-948	-2,122
Other operating income	598	311	233	100
Other operating expenses	-173	-57	-116	-4
Earnings before interest and taxes (EBIT)	**-1,569**	**-5,942**	**661**	**-2,843**
Financial income	5	-	5	-
Financial expenses	-27	-38	-12	-17
Financial result	**-22**	**-38**	**-7**	**-17**
Earnings before taxes (EBT)	**-1,591**	**-5,980**	**654**	**-2,860**
Income taxes	-3	-3	-1	-
Profit or loss from continuing operations	**-1,594**	**-5,983**	**653**	**-2,860**
Profit or loss after taxes from discontinued operations	-3,448	-1,841	-2,514	-861
PROFIT OR LOSS FOR THE PERIOD	**-5,042**	**-7,824**	**-1,861**	**-3,721**
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	-208	15	1	2
OTHER COMPREHENSIVE INCOME OR LOSS, NET OF TAX	**-208**	**15**	**1**	**2**
TOTAL COMPREHENSIVE INCOME OR LOSS, NET OF TAX	**-5,250**	**-7,809**	**-1,860**	**-3,719**
Basic earnings per share (in EUR)	-0.74	-3.60	-0.23	-1.24
Basic earnings per share from continuing operations (in EUR)	-0.24	-2.76	0.08	-0.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets		
kEUR	**June 30, 2020**	**December 31, 2019**
NON-CURRENT ASSETS		
Intangible assets	1,247	2,843
Fixed assets	367	631
Other financial assets	12	16
Other non-financial assets	136	149
Deferred tax assets	5	2
Total non-current assets	**1,767**	**3,641**
CURRENT ASSETS		
Inventories	10,122	7,339
Prepayments	15	1
Trade receivables	973	838
Income tax receivables	2	6
Other financial assets	1,862	2,719
Other non-financial assets	3,063	1,888
Cash and cash equivalents	5,996	8,377
Total current assets	**22,033**	**21,168**
Assets held for sale	1,838	-
TOTAL ASSETS	**25,638**	**24,809**

Equity and liabilities		
kEUR	**June 30, 2020**	**December 31, 2019**
EQUITY		
Issued capital	8,160	2,989
Share premium	172,271	172,904
Accumulated loss	-165,776	-160,734
Cumulated other comprehensive income	-8	200
Total equity	**14,647**	**15,359**
NON-CURRENT LIABILITIES		
Accrued employee benefits	12	-
Financial liabilities	245	101
Total non-current liabilities	**257**	**101**
CURRENT LIABILITIES		
Other provisions	222	288
Financial liabilities	368	519
Trade payables	5,470	3,639
Deferred revenues	1,365	2,287
Income tax payables	3	1
Other financial liabilities	2,661	2,064
Other non-financial liabilities	645	551
Total current liabilities	**10,734**	**9,349**
TOTAL EQUITY AND LIABILITIES	**25,638**	**24,809**

CONSOLIDATED STATEMENT OF CASH FLOWS

kEUR	H1 2020	H1 2019
Profit or loss for the period	-5,042	-7,824
Amortization (+) / impairment (+) of intangible assets	499	571
Depreciation (+) / impairment (+) of fixed assets	360	363
Increase (+) / decrease (-) in provisions	-149	-100
Non-cash income (-) or expenses (+) from employee benefits	-976	536
Other non-cash expense (+) / income (-) items	1,859	0
Increase (-) / decrease (+) in inventories	-4,706	-881
Increase (-) / decrease (+) in prepayments	-107	-94
Increase (-) / decrease (+) in trade receivables	-134	-211
Increase (-) / decrease (+) in other assets	-335	-184
Increase (+) / decrease (-) in trade payables	1,831	-753
Increase (+) / decrease (-) in deferred revenues	-922	70
Increase (+) / decrease (-) in other liabilities	690	-133
Gain (-) / loss (+) from disposal of intangible and fixed assets	-1	-1
Interest expenses (+) / income (-)	35	25
Income tax expenses (+) / income (-)	3	5
Income tax paid (-) / received (+)	1	-4
Net cash flows used in operating activities	**-7,094**	**-8,615**
Proceeds (+) from sales of intangible and fixed assets	1	1
Purchase (-) of intangible assets	-292	-44
Purchase (-) of fixed assets	-21	-11
Payments (-) or refunds (+) from acquisition of subsidiaries	-	70
Cash flows from divestiture of subsidiaries	-	400
Interest received (+)	-	17
Net cash flows from / used in investing activities	**-312**	**433**
Proceeds (+) from issue of shares	6,205	10,138
Transaction cost (-) on issue of shares or capital decrease	-641	-650
Repayment (-) of lease liabilities	-504	-326
Interest paid (-)	-35	-43
Net cash flows from financing activities	**5,025**	**9,119**
Cash and cash equivalents at the beginning of the period	8,377	11,136
Net decrease in cash and cash equivalents	-2,381	937
Change in cash and cash equivalents due to foreign exchange rates	0	6
Cash and cash equivalents at the end of the period	**5,996**	**12,079**

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, 2020	**2,989**	**172,904**	**-160,734**	**3**	**197**	**200**	**15,359**
Total comprehensive income or loss of the period	-	-	-5,042	-	-208	-208	-5,250
Issue of share capital	5,171	1,034	-	-	-	-	6,205
Transaction costs	-	-675	-	-	-	-	-675
Share-based payments	-	-992	-	-	-	-	-992
As at June 30, 2020	**8,160**	**172,271**	**-165,776**	**3**	**-11**	**-8**	**14,647**
As at January 1, 2019	**31,136**	**170,391**	**-181,119**	**3**	**183**	**186**	**20,594**
Total comprehensive income or loss of the period	-	-	-7,824	-	15	15	-7,809
Capital decrease	-28,022	-	28,022	-	-	-	-
Issue of share capital	6,850	3,288	-	-	-	-	10,138
Transaction costs	-	-650	-	-	-	-	-650
Share-based payments	-	536	-	-	-	-	536
As at June 30, 2019	**9,964**	**173,565**	**-160,921**	**3**	**198**	**201**	**22,809**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020

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, 2020, were approved for publication by resolution of the management board on August 12, 2020.

2. Basic accounting policies

The condensed interim consolidated financial statements as of June 30, 2020, 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, 2019.

Generally, the same accounting and measurement principles were applied as in the consolidated financial statements for the financial year ended December 31, 2019.

3. Discontinued operations

windeln.de SE intends to discontinue its Bebitus operations, whereas some of the assets are to be sold and others to be abandoned. As the requirements of IFRS 5 are met for those assets intended for sale, they are classified as held for sale and presented as "assets held for sale" on the face of the Group's statement of financial position. As a result, the assets were remeasured in accordance with IFRS 5, resulting in expenses of EUR 1,996k in H1 2020. Assets held for sale comprise inventories and prepayments on inventories (EUR 1,384k) and domains (EUR 454k). For assets and liabilities intended for abandonment, onerous contract provisions in the amount of EUR 79k were recognized in accordance with IAS 37.

In addition, the Bebitus meets the requirement for a discontinued operation in accordance with IFRS 5. As a result, profit or loss of the Bebitus business is presented in the separate position "profit or loss after taxes from discontinued operations" in the consolidated income statement. Comparative periods are to be restated accordingly (please refer to note 4). The results and financial position of discontinued operations is outlined as follows:

kEUR	H1 2020	H1 2019	Q2 2020	Q2 2019
Discontinued Bebitus operations				
Revenues	6,286	6,492	3,794	2,974
Operating expenses	-7,654	-8,378	-4,231	-3,840
Earnings before interest and taxes (EBIT)	**-1,368**	**-1,886**	**-437**	**-866**
Profit or loss after interest and taxes	**-1,371**	**-1,890**	**-439**	**-869**
Profit or loss from remeasurement of assets held for sale and from onerous contract provisions	-2,075	-	-2,075	-
Related income tax expense	-	-	-	-
Profit or loss after taxes from discontinued Bebitus operations	**-3,446**	**-1,890**	**-2,514**	**-869**
Net cash flows:				
Net cash flows from / used in operating activities	-758	-1,789	180	-801
Net cash flows used in investing activities	-1	-	-	-
Net cash flows used in financing activities	-52	-53	-26	-27

Profit or loss after taxes from discontinued operations – as presented in the consolidated income statement – comprises the above mentioned discontinued Bebitus operations and Feedo operations; those were discontinued in 2018 but have incurred immaterial income and expenses in 2019 and 2020.

kEUR	H1 2020	H1 2019 R	Q2 2020	Q2 2019 R
Profit or loss after taxes from discontinued operations	**-3,448**	**-1,841**	**-2,514**	**-861**
thereof discontinued Bebitus operations	-3,446	-1,890	-2,514	-869
thereof discontinued Feedo operations	-2	49	-	8
Basic earnings per share from discontinued operations (in EUR)	**-0.50**	**-0.84**	**-0.31**	**-0.28**
thereof discontinued Bebitus operations	-0.50	-0.85	-0.31	-0.28
thereof discontinued Feedo operations	0.00	0.01	0.00	0.00

4. Restatements

Due to the classification of Bebitus as discontinued operation made in 2020, prior year periods are to be restated accordingly. Further restatements of earnings per share are required after the capital decrease completed in December 2019.

At an Extraordinary General Meeting held on September 27, 2019, the shareholders of windeln.de SE approved to reduce the Company's share capital from EUR 9,963,670 by EUR 6,974,569 to EUR 2,989,101 through an ordinary capital reduction by way of a reverse share split at a ratio of 10 : 3. The resolution became effective by entry in the commercial register on December 18, 2019. The merger of the shares reduces the number of shares in the Company. If the number or ordinary shares outstanding decreases as a result of a reverse stock split, the calculation of earnings per share for all periods presented shall be adjusted retrospectively.

kEUR	As presented H1 2019	Number of shares	Bebitus operations	Adjusted H1 2019 R
Revenues	40,909	-	-6,492	34,417
Cost of sales	-30,683	-	5,159	-25,524
Gross profit	**10,226**	**-**	**-1,333**	**8,893**
Selling and distribution expenses	-14,240	-	2,875	-11,365
Administrative expenses	-4,069	-	345	-3,724
Other operating income	313	-	-2	311
Other operating expenses	-58	-	1	-57
Earnings before interest and taxes (EBIT)	**-7,828**	**-**	**1,886**	**-5,942**
Financial result	-42	-	4	-38
Earnings before taxes (EBT)	**-7,870**	**-**	**1,890**	**-5,980**
Income taxes	-3	-	-	-3
Profit or loss from continuing operations	**-7,873**	**-**	**1,890**	**-5,983**
Profit or loss after taxes from discontinued operations	49	-	-1,890	-1,841
PROFIT OR LOSS FOR THE PERIOD	**-7,824**	**-**	**-**	**-7,824**
Basic earnings per share				
Weighted average number of shares	7,239	-5,067	-	2,172
Earnings per share from continuing operations (in EUR)	-1.09			-2.76
Earnings per share from discontinued operations (in EUR)	0.01			-0.84
Earnings per share (in EUR)	-1.08			-3.60

kEUR	As presented Q2 2019	Number of shares	Bebitus operations	Adjusted Q2 2019 R
Revenues	20,146	-	-2,974	17,172
Cost of sales	-15,136	-	2,324	-12,812
Gross profit	**5,010**	**-**	**-650**	**4,360**
Selling and distribution expenses	-6,530	-	1,353	-5,177
Administrative expenses	-2,286	-	164	-2,122
Other operating income	101	-	-1	100
Other operating expenses	-4	-	-	-4
Earnings before interest and taxes (EBIT)	**-3,709**	**-**	**866**	**-2,843**
Financial result	-19	-	2	-17
Earnings before taxes (EBT)	**-3,728**	**-**	**868**	**-2,860**
Income taxes	-1	-	1	-
Profit or loss from continuing operations	**-3,729**	**-**	**869**	**-2,860**
Profit or loss after taxes from discontinued operations	8	-	-869	-861
PROFIT OR LOSS FOR THE PERIOD	**-3,721**	**-**	**-**	**-3,721**
Basic earnings per share				
Weighted average number of shares	9,964	-6,975	-	2,989
Earnings per share from continuing operations (in EUR)	-0.37			-0.96
Earnings per share from discontinued operations (in EUR)	0.00			-0.28
Earnings per share (in EUR)	-0.37			-1.24

5. Segment reporting

An operating segment as defined by IFRS 8 is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Until the first quarter of 2020, the management board managed the operating business as a One-Segment-Group on Group level. After the appoint of Xiaowei Wei as member of the management board, responsibilities and reporting structures were amended since the second quarter of 2020, resulting in two operating segments. Segment "Europe" comprises all business activities of the webshops www.windeln.de and www.windeln.ch and their numerous countries of delivery; and in addition the Southern European operations under the name Bebitus which is intended to be discontinued. Segment "China" comprises all business activities with Chinese customers through various distribution channels.

The management board manages the operating segment with the help of the most important financial performance indicators "revenues" and "operating contribution". The other key financial performance indicators (adjusted EBIT, Group cash flows, net working capital) have a minor relevance on a segment level.

The management board monitors revenues and operating contribution – named "Margin 3" in internal reports – for the purpose of making decisions about resource allocation and determining the performance of the units. The operating contribution is the result of gross profit, deducted by marketing and fulfilment costs (comprising expenses for logistics and warehouse rent). Both marketing cost ratio and fulfilment cost ratio are further financial performance indicators used by the management board to manage the operating segments.

Segment information provided to the management board is as follows:

kEUR	H1 2020	H1 2019	Q2 2020	Q2 2019
Revenues				
Europe	16,657	15,914	9,437	7,506
thereof continuing operations	10,371	9,422	5,643	4,532
thereof discontinued operations	6,286	6,492	3,794	2,974
China	33,372	24,995	23,171	12,640
Operating contribution				
Europe	-73	-845	256	-299
thereof continuing operations	-246	-756	-12	-276
thereof discontinued operations	173	-89	268	-23
China	6,606	3,003	4,767	1,594

Prior year numbers were calculated retrospectively using the same calculation logic that is applied since Q2 2020 for segment presentation. Segment revenues and segment results reconcile to Group revenues and Group results as follows:

kEUR	H1 2020	H1 2019	Q2 2020	Q2 2019
Revenues Europe (continuing operations only)	10,371	9,422	5,643	4,532
Revenues China	33,372	24,995	23,171	12,640
Revenues from continuing operations	**43,743**	**34,417**	**28,814**	**17,172**
Operating contribution Europe (continuing operations only)	-246	-756	-12	-276
Operating contribution China	6,606	3,003	4,767	1,594
Operating contribution from continuing operations	**6,360**	**2,247**	**4,755**	**1,318**
Other selling, general and administration expenses	-7,929	-8,189	-4,094	-4,161
Earnings before interest and taxes (EBIT) from continuing operations	**-1,569**	**-5,942**	**661**	**-2,843**
Financial result	-22	-38	-7	-17
Income taxes	-3	-3	-1	-
Profit or loss after taxes from discontinued operations	-3,448	-1,841	-2,514	-861
PROFIT OR LOSS FOR THE PERIOD	**-5,042**	**-7,824**	**-1,861**	**-3,721**

Other selling, general and administration expenses (SG&A expenses) are managed uniformly within the Group. For information purposes, they are allocated to each operating segment, however, that allocation has no management function. The financial result and tax result are managed uniformly within the Group and are not allocated to the individual operating segments.

Transfer prices between operating segments – if applicable in the reporting period – are determined at arm's length. No information on segment assets or liabilities is available. The Group's operating business is subject to seasonal fluctuations, arising from the Christmas business and other sales events in the fourth quarter in the European segment, and from traditional sales events in the fourth quarter in the Chinese segment (Single's Day).

6. Basis of consolidation

The 100% owned subsidiary windeln.ch AG in liquidation with registered offices in Uster, Switzerland, was deregistered from the Swiss commercial register on March 2, 2020. The company was deconsolidated in the first quarter of 2020, resulting in a one-time foreign exchange gain of EUR 207k from the derecognition of historical foreign exchange differences, that had previously been recognized within other comprehensive income. The gain is recognized as other operating income in the consolidated income statement.

Other than that, the scope of consolidation remains unchanged compared to December 31, 2019.

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

7.1 Intangible assets

Bebitus domains, capitalized with a book value of EUR 1,819k as of December 31, 2019, were classified as held for sale in March 2020 and remeasured accordingly. As of June 30, 2020, they recognized as assets held for sale.

In 2020, a software lease agreement was signed that meets the recognition criteria of a lease pursuant to IFRS 16. The recognition of the right-of-use asset leads to a significant change in the balance sheet position intangible assets.

kEUR	**June 30, 2020**	**December 31, 2019**
Software, licenses and similar assets	194	327
Software from right-of-use assets	791	13
Capitalized software development costs	37	394
Internet domains	225	2.044
Prepayments on intangible assets	-	65
Intangible assets	**1,247**	**2,843**

The changed outlook for the current business year is an event that might indicate an impairment. windeln.de assessed that event and concluded, that as of June 30, 2020, there are no indications for assets of the Group to be impaired.

7.2 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 the allocation of financial statement positions to the measurement categories:

	June 30, 2020		**December 31, 2019**	
kEUR	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Debt instruments at amortized cost:				
Trade receivables	973	973	838	838
Other financial assets	1,874	1,874	2,735	2,735
Debt instruments at fair value through OCI:				
---	-	-	-	-
Equity instruments at fair value through OCI:				
---	-	-	-	-
Financial assets at fair value through profit or loss:				
---	-	-	-	-
Financial assets	**2,847**	**2,847**	**3,573**	**3,573**
current	2,835	2,835	3,557	3,557
non-current	12	12	16	16

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, 2019: EUR 14k). Those assets qualify as "financial assets at fair value through profit or loss" but are recognized at cost because they cannot be measured at fair value and because of their immaterial amount.

The following table shows the carrying amounts and fair values of all financial liabilities and the allocation of financial statement positions to the measurement categories:

kEUR	June 30, 2020 Carrying amount	June 30, 2020 Fair value	December 31, 2019 Carrying amount	December 31, 2019 Fair value
Financial liabilities at amortized cost:				
Trade payables	5,470	5,470	3,639	3,639
Other financial liabilities	2,661	2,661	2,064	2,064
Financial liabilities at fair value through profit or loss:				
---	-	-	-	-
Total financial liabilities	**8,131**	**8,131**	**5,703**	**5,703**
current	8,131	8,131	5,703	5,703
non-current	-	-	-	-

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

7.3 Fair value hierarchy

As of June 30, 2020, and December 31, 2019, neither financial assets nor financial liabilities were measured at fair value. There were no reclassifications between the different levels in the reporting period.

7.4 Equity

Capital transactions

On February 19, 2020, windeln.de SE has completed the share capital increase as approved by the Extraordinary General Meeting on September 27, 2019. The share capital has been increased against cash contributions from currently EUR 2,989,101 by EUR 5,171,144 to EUR 8,160,245 by issuing 5,171,144 new shares, each representing a pro rata amount in the share capital of EUR 1.00 per share and with dividend entitlement starting January 1, 2019 ("New Shares"). Based on the subscription price of EUR 1.20 per New Share, the gross proceeds amount to EUR 6,205,373.

The Annual General Meeting decided on June 24, 2020, on a number of changes to the authorized and conditional capital, which will become effective only after the balance sheet date with their registration in the Commeral Register (refer to note 9). As of June 30, the Authorized Capital 2018/I amounts to EUR 15,500,000, the Conditional Capital 2016/II amounts to EUR 555,206, the Conditional Capital 2018/I amounts to EUR 1,200,000, and the Conditional Capital 2019/I amounts to EUR 3,226,629. As of June 30, 2020, all conditional and authorized capital is thus unchanged to December 31, 2019.

Issued capital

As of June 30, 2020, the issued capital of the Group parent amounts to EUR 8,160k (December 31, 2019: EUR 2,989k). It has been fully paid in and comprises 8,160,245 (December 31, 2019: 2,989,101) no-par value bearer shares. The increase in number of shares results from the issuance of 5,171,144 new shares during the first six months of 2020, as described above.

Share premium

As of June 30, 2020, the share premium amounts to EUR 172,271k (December 31, 2019: EUR 172,904k) and breaks down as follows:

kEUR	June 30, 2020	December 31, 2019
Premium from financing rounds and/or IPO	172,238	171,204
Capital increases from company funds	-25,232	-25,232
Contributions in kind	4,465	4,465
Costs of equity transactions	-7,162	-6,487
Share-based payments	27,922	28,914
Premium from exercise of stock options	40	40
Share premium	**172,271**	**172,904**

Accumulated loss

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

7.5 Share-based payments

Change in planned settlement

The Company has launched two Long Term Incentive Plans (LTIP 2015-2017 and 2018-2020). In this context, amongst others, Restricted Stock Units (RSU) were issued in prior years. In general, the Company has an option with respect to settlement of the RSUs. In prior years the Company has provided for settlement in the form of real equity instruments, therefore the contract component is recognized as equity-settled share-based payment. In accordance with IFRS 2, the RSUs are measured only on the date of issue respectively grant date.

At the end of the second quarter 2020, the supervisory board and the management board of the Company have decided to settle RSUs in cash which were issued in 2015 and 2016 and which were already fully vested. The Company expects that in the future RSUs will be settled in cash as well. Background of this assumption is the low share price of the Company on the one side and on the other side the strong reduction of the number of outstanding RSUs caused by the capital decreases in the prior year.

Thereupon, the accounting was adopted as of June 30, 2020. An amount of EUR 1,003k in total was derecognized from share premium. A payment in the amount of EUR 4k occurred. The remaining liability was remeasured at fair value as of June 30, 2020 and a provision in the amount of EUR 12k was recognized.

Measurement of the RSU

The valuation of the RSU was performed by an external valuation specialist who determined the fair values of the outstanding RSUs based on a binominal model.

The binomial model used is based on the Cox-Ross-Rubinstein model developed in 1979. The calculation is based on a VBA macro. The binomial model is generally based on a representation that shows various paths that the share price can follow during the term of the subscription rights. Depending on the number of selected time intervals or nodes, a different number of paths is created. In each time interval there is a probability that the share price will move up or down by a certain percentage: The probability is calculated according to the general principle of option valuation, known as risk-neutral valuation. In this context, a risk-free interest rate is used, which is assumed to be the expected return on the security. The valuation of subscription rights is based on 5,000 time steps. The length of each time step is calculated directly in the macro. The stock price at the respective node is calculated on the basis of the stock price on the respective valuation date multiplied by a factor representing the upward movements and a factor representing the downward movements in the binomial model. For the calculation of the value per subscription right, one must always "work one's way forward" from the end of the tree to the beginning of the tree. The value at the end nodes of the tree is generally determined on the basis of a comparison of the company's share price at the time of the end node and the payout limit (cap). In principle, the values at the nodes are calculated from the values of the preceding nodes, if exercising the option is not possible or does not make economic sense at the time in question. For this reason, for example, the values of the penultimate nodes are determined from the values of the end nodes. In other words, the first step determines whether it makes economic sense to exercise the option at the moment - economically sensible means that the payoff on exercise is higher than the current fair value when the option is held. The following two products are then determined: a) the future subscription right value of an upward movement multiplied by the probability of the upward movement and b) the future subscription right value of a downward movement multiplied by the probability of the downward movement. The sum of both values is then multiplied by the factor for risk-neutral valuation to obtain the expected value of the subscription right value for the node under consideration.

The volatility was determined as the historical volatility of the windeln.de share over the respective remaining term. The expected volatility taken into account reflects the assumption that the historical volatility is indicative of future trends, and may also not necessarily be the actual outcome. The expected dividend yield is based on market assessments for the amount of the expected dividend of the windeln.de share. The risk-free interest rates were determined based on the interest on German government bonds over a similar period.

Development of subscription rights

The subscription rights recognized in equity changed as follows:

		LTIP 2015-2017		LTIP 2018-2020	
	VSOP 1-2	RSU	SO	RSU	SO
Outstanding at the beginning of the reporting period (January 1, 2020)	**4,416**	**3,315**	**4,031**	**1,604**	**4,835**
Change in planned settlement	-	-3,315	-	-1,604	-
Granted during the reporting period	-	-	227	-	1,362
Exercised during the reporting period	-	-	-	-	-
Forfeited during the reporting period	-	-	-200	-	-84
Expired during the reporting period	-	-	-	-	-
Outstanding at the end of the reporting period (June 30, 2020)	**4,416**	**-**	**4,058***	**-**	**6,113**
Exercisable at the end of the reporting period (June 30, 2020)	4,416	-	-	-	-

* In 2018, management has estimated that the performance target for LTIP 2015-2017 relating to the average revenue growth during the four-year vesting period will most likely not be met. As of June 30, 2020, this estimation is unchanged for the stock options granted during 2016 and in 2017. Therefore, management concludes that stock options (SO) granted during 2016 and in 2017 with those specific performance targets, are not fully vested. Pursuant to IFRS 2, for accounting purposes this assumption was incorporated into the quantity of the stock option plan. For the stock options granted in 2015 and in the first quarter of 2016, the defined performance targets were finally not met, and options forfeited.

Presentation of financial impacts

In the first half of 2020, a total income of EUR 976k (H1 2019: expense of EUR 536k) was recognized for share-based payment compensation. Thereof, an expense of EUR 11k can be allotted to equity-settled share-based payment obligations from stock option programs and an income of EUR 987k can be allotted to cash-settled share-based payment obligations from stock option programs. In the prior year the expense fully related to equity-settled share-based payment obligations from stock option programs.

As of June 30, 2020, a figure of EUR 10,988k is reported in the share premium for equity-settled share-based payment obligations from stock option programs (December 31, 2019: EUR 11,980k). As of June 30, 2020, a figure of EUR 12k is reported as provision for cash-settled share-based payment obligations from stock option programs (December 31, 2019: none).

7.6 Contingent liabilities

Currently, windeln.de is in discussions with the external service provider LangTao Trading (Shanghai) Co. Ltd. ("LangTao") on the legitimacy of the extraordinary notification of cancellation and potential contract penalties. LangTao claims a high 5-digit EUR amount as penalty payment whereas windeln.de is convinced about legitimate reasons for an extraordinary cancellation.

7.7 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 2020	H1 2019 R	Q2 2020	Q2 2019 R
Revenues from continuing operations by type				
Revenue from the sale of merchandise	43,558	34,218	28,639	17,077
Revenue from other services	104	199	94	95
Revenue from sales commissions	81	-	81	-
	43,743	**34,417**	**28,814**	**17,172**

Geographic regions correspond to our operating segments (see note 5) and are therefore no longer disclosed.

8. Related party disclosure

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. Mr. Zhixiong Yan is no longer a related party after his resignation from windeln.de SE's management board on March 18, 2020. Since their resignation from the supervisory board of windeln.de SE on June 24, 2020, Mr. Willi Schwerdtle and Dr. Edgar Carlos Lange do not qualify as related parties any more.

Since his appointment as member of the management board on March 18, 2020, Mr. Xiaowei Wei is a related party. Ms. Irene Tang and Mr. Maurice Reimer qualify as related parties since their election as supervisory board members on June 24, 2020.

In 2019, windeln.de SE entered into a commission agreement with supervisory board member Clemens Jakopitsch (now chairman of the supervisory board) relating to the capital increase 2020. From this agreement, commission fees of EUR 56k were incurred in the first six months of 2020. Other transactions with related parties have not materially changed in the reporting period compared to the consolidated financial statements 2019.

9. Events after the reporting date

The following resolutions by the Annual General Meeting on June 24, 2020, are not yet registered in the Commerial Register as of August 12, 2020, the preparation date of the interim consolidated financial statements:

- The Annual General Meeting resolved to cancel the Authorized Capital 2018/I in the amount of EUR 15,500,000 and replace by a new Authorized Capital 2020 in the amount of EUR 4,080,122. By Authorized capital 2020, management board is authorized, with the consent of the supervisory board, to increase the Company's share capital by June 23, 2025 by issuing new no-par value bearer shares against contributions in cash and/or in kind on one or more occasions. The shareholders are generally to be granted a subscription right.

- Furthermore, it was resolved to replace the unused authorization to issue convertible bonds and/or bonds with warrants, profit participation rights and/or participating bonds and the corresponding Conditional Capital 2019/I of EUR 3,226,629 by a new authorization with largely identical contents, adjusted to the new share capital figure. The new authorization is granted until June 23, 2025, the corresponding Conditional Capital 2020/I amounts to EUR 3,263,882.

- Conditional Capital 2015/II – resolved to service subscription rights from the Long Term Incentive Program – of up to EUR 555,206 was partially cancelled in the amount of EUR 547,355 and amounts to EUR 7,851. Conditional Capital 2018 – resolved to grant subscription rights from the Stock Option Program 2018 – of up to EUR 1,200,000 was cancelled in the amount of EUR 1,184,263 and amounts to EUR 15,737. Subscription rights already issued remain unaffected. Management board and supervisory board were authorized to grant up to 788,228 subscription rights until June 23, 2024, for up to 788,228 no-par value bearer shares from the Stock Option Program 2020 to board members and employees of the Company and its subsidiaries The authorization will become effective upon registration of the corresponding Conditional Capital 2020/II of EUR 788,228 in the Commerical Register.

Munich, August 12, 2020

Matthias Peuckert Dr. Nikolaus Weinberger Xiaowei Wei

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable 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 12, 2020

Matthias Peuckert Dr. Nikolaus Weinberger Xiaowei Wei

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 offered products, the effectiveness of our marketing campaigns and the popularity of our online shops. Measured by Google Analytics.

Mobile visit share
We define mobile visit share (as % of site visits) as the number of visits via mobile devices (smartphones and tablets) to our mobile optimized websites and mobile apps divided by the total number of site visits in the measurement period. Site visits of our online magazine are excluded. Measured by Google Analytics.

Mobile orders
We define mobile orders (as % of number of orders) as the number of orders via mobile devices to our mobile optimized websites and mobile apps divided by the total number of orders in the measurement period. Measured by Google Analytics.

Active customers
We define active customers as the number of unique customers placing at least one order in one of our shops in the 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''. Cancellations are deducted from the number of orders.

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.

Share of repeat customer orders
We define orders from repeat customers as the number of orders from customers who have placed at least one previous order, irrespective of returns. The share of repeat customer orders represents 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 (as % of gross revenues from orders)
We define returns (as % of gross revenues from orders) as the returned amount in Euro divided by gross revenues from orders in the measurement period. Gross revenues from orders are defined as the total aggregated Euro amount spent by our customers minus cancellations but irrespective of returns. The Euro amount does not include value added tax.

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

Fulfilment cost ratio
We define fulfilment cost ratio as 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 income statement.

Adjusted other SG&A expenses (as % of revenues)
We define adjusted other SG&A expenses as adjusted other SG&A expenses divided by revenues. The other SG&A expenses comprise selling and distribution expenses, excluding marketing costs and fulfilment costs, and administrative expenses as well as other operating income and expenses. Adjusted other SG&A expenses exclude expenses and income in connection with share-based compensation, reorganization measures, the warehouse move, one-time foreign exchange effects from the deconsolidation of windeln.ch AG and impairments of purchased intangible assets (if applicable in the reporting period).

Operating contribution
We define operating contribution as adjusted gross profit reduced by marketing and fulfilment costs. The adjustments of gross profit relate to expenses for share-based compensation, if incurred in the reporting period.

FINANCIAL CALENDAR 2020

Virtual 1 : 1 Autumn Conference	September 1-3, 2020
Publication of nine months results 2020	November 12, 2020

IMPRINT

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Disclaimer
This Half Year Report contains forward-looking statements, which are based on assumptions and estimates of the management of windeln.de SE. Even if the company management is of the opinion that these assumptions and estimates are correct, the future actual development and the future actual results may differ considerably from these assumptions and estimates due to various factors. These factors include, among others, those mentioned in the Risk Report on page 17. These factors may also include, for example, changes in the macroeconomic situation, the legal and regulatory framework in Germany and the EU, and changes in the industry.

windeln.de SE does not assume any guarantee or liability that the future development and the actual results achieved in the future will correspond with the assumptions and estimates expressed in this annual report. windeln.de SE neither intends nor assumes any separate obligation to update forward-looking statements in order to adapt them to events or developments after the date of this report.

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

windeln.de