WESTWING

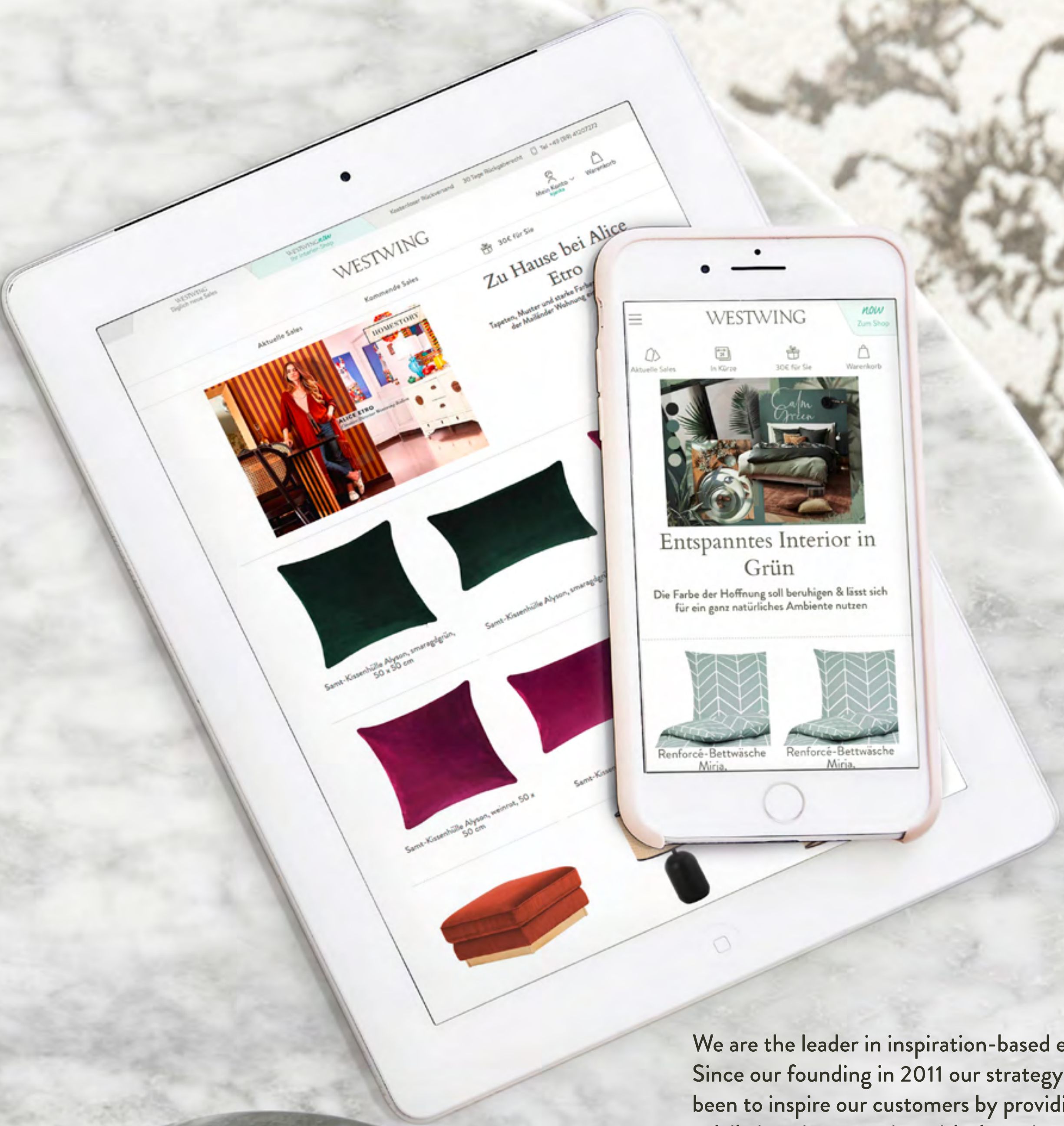
ANNUAL REPORT

2019

Westwing at a glance

EUR **267 m** of revenue in 2019	**– 3.8 %** Adjusted EBITDA margin in 2019
82 % of orders comes from our repeat customers	Operate in a EUR **117 bn** market in our geographies
Founded in **2011**	Present in **11** countries across Europe

To inspire and make every home a beautiful home



We are the leader in inspiration-based eCommerce. Since our founding in 2011 our strategy has always been to inspire our customers by providing them with a daily interior magazine with the unique opportunity to discover and instantly shop their favorite Home and Living pieces. This unique shopping experience distinguishes us from typical Home and Living eCommerce, which is usually search based. Our site is beautiful and filled with tons of fresh daily inspiration, giving our customers a reason to come back to us every day.

Business Model

Westwing is a company that offers Home & Living for everyone. We are a shoppable magazine for daily inspiration on Home & Living.

We run an integrated platform that combines daily inspiration and interior shopping.

Each part of our business model has its own function:

DAILY THEMES

WESTWING

We combine inspiration and shopping in daily themes on our Westwing sites and apps, announced every morning with a gorgeous newsletter

OWN LABEL AND PRIVATE LABEL

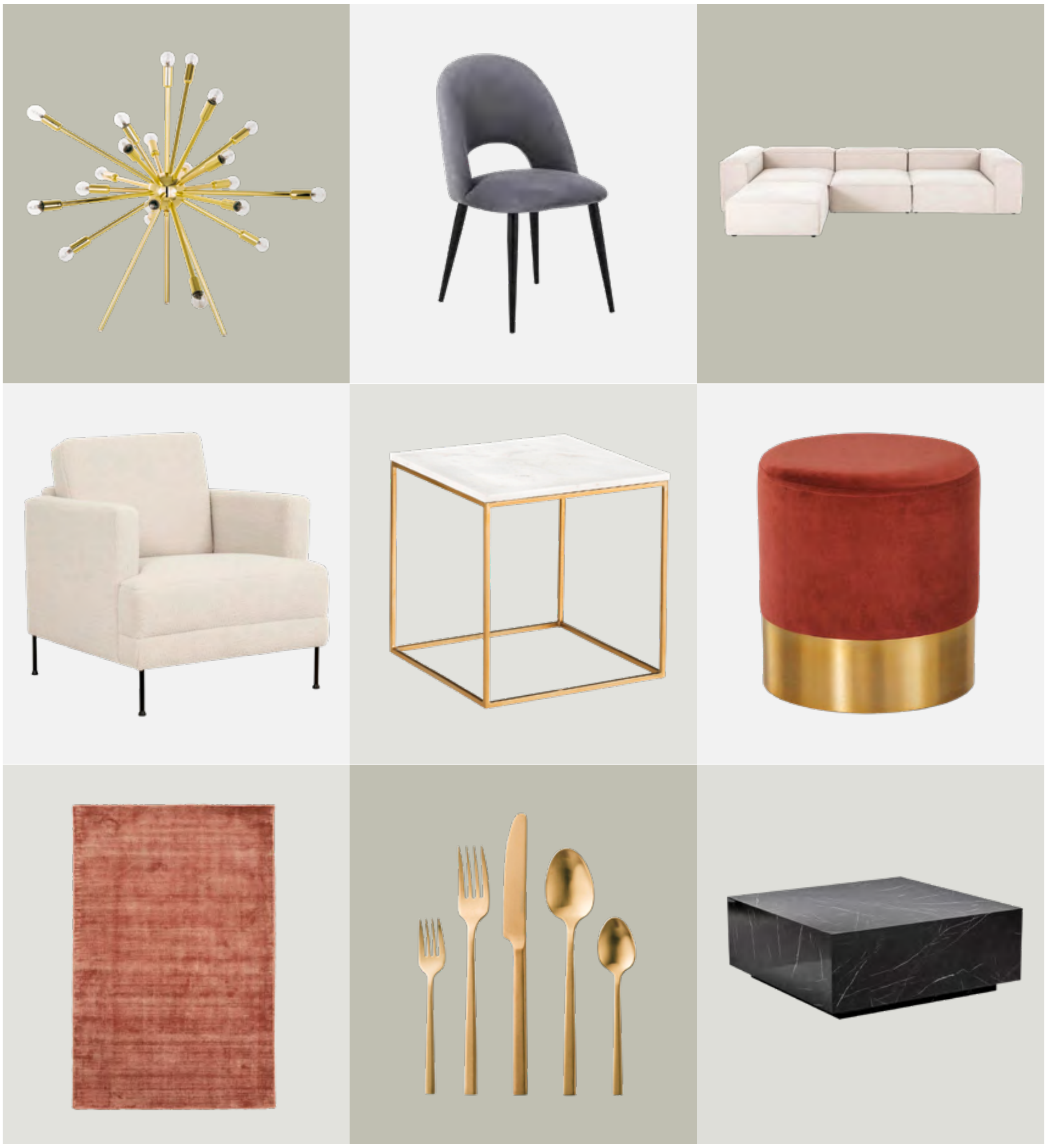
WESTWING COLLECTION

Our own products provide the best designs at great quality and affordable prices to our customers

PERMANENT ASSORTMENT

WESTWINGnow

In our permanent-assortment, WestwingNow, we provide the bestsellers and all of our own label and private label products with fast delivery and organized in fully shoppable looks



Westwing Collection

Launched in 2018 our own Westwing Collection has evolved into a big success with our customers. In the fourth quarter 2019, our Own Label and Private Label share of GMV was at 25 % vs. 18 % Q4 2018.

Our long-term goal is to grow our Own Label and Private Label share to 50 % of GMV.

Our team is a true design force: we continuously develop the products we know our customers will love and offer them at affordable prices.

Our collections comprise something for everyone: they range from furniture over textiles to décor. They are all carefully designed and sourced, with great quality and very good price points. No wonder they are our topsellers!

Content that inspires

We are a “shoppable magazine” combining the best of two worlds: eCommerce and interior design magazine.

We present our products alongside beautiful visual content such as shoppable interior themes and home styling tips. Moreover, we also work with influential celebrities and style icons so that our customers can be inspired by their home stories.

In 2019, we worked with the likes of Anna Dello Russo (1.7m followers on Instagram), Stefanie Giesinger (3.8m followers on Instagram), Dr. Barbara Sturm (Celebrity Beauty Expert) and Supermodel Romee Strijd (6.1m followers on Instagram).

Our content creation is done by a large team of creative talent such as art directors, interior designers, videographers and photographers. Some of them were previously magazine editors-in-chief and editors (from Home and Living and fashion), fashion stylists, film makers, fashion photographers, and graphic designers.

Westwing - A love brand

Westwing is a true love brand. Our customers love our brand so much that they keep coming back to us. We focus on women as they make the majority of Home and Living decisions in a household – which is why 90 % of our customers are women.

108

experts working in our
local customer service centers

Customer Service

Our scalable platform has an award winning customer service approach.

Our fulfilment process is geared towards customer satisfaction through high reliability across our different product categories. We operate five local customer service centers with a staff of 108 experts who pursue a multi-channel support approach, responding by email, telephone and via social media. The success of our customer service operations is evidenced by generally high satisfaction among our customers and high customer loyalty. Our customer service was ranked the best in the industry by a DGTV (Deutsche Gesellschaft für Verbraucherstudien) study in Germany.

Our rating on "Trustpilot" for our German operations in 2019 was 4.7 out of 5 points based on nearly 15,000 reviews.

5

international logistic and
distribution warehouses

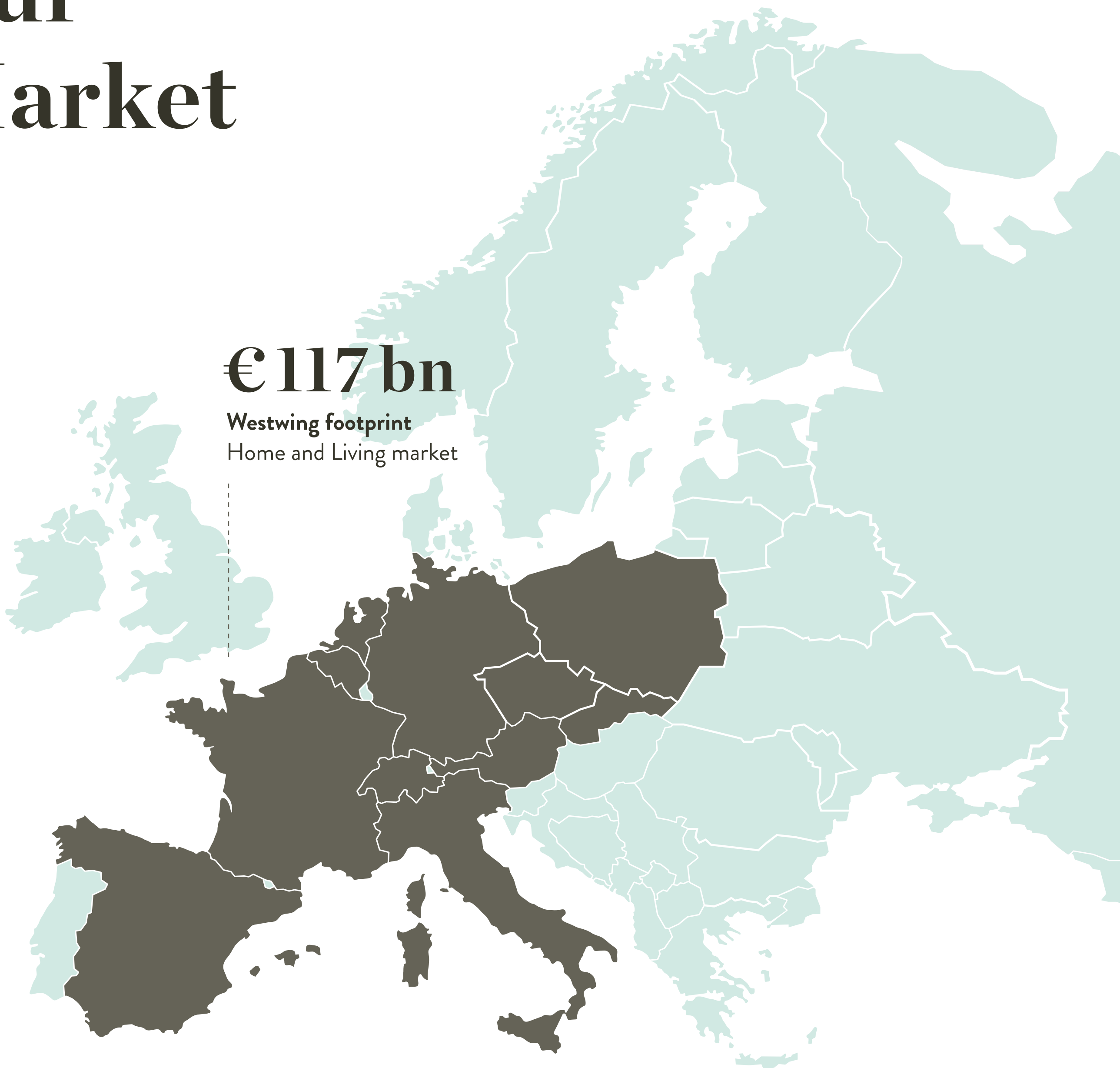
5

local customer
service centers

4.7 out of 5

Our rating on "Trustpilot"
for our German operations in 2019
was 4.7 out of 5 points based on
nearly 15,000 reviews.

Our Market



- Germany
- Austria
- Switzerland
- Poland
- France
- Spain
- Belgium
- Netherlands
- Czech Republic
- Slovak Republic
- Italy

Customers all over Europe love Westwing. We are present in 11 European countries and have generated EUR 267.3 million in revenue in 2019. The opportunity is massive as we are operating in a >EUR 117bn Home and Living market for countries in which Westwing is present, with only 5 % of sales made online, that is at the tipping point of online acceleration.

Key figures

	FY 2019	FY 2018	Change
Performance indicators			
Private Label share (in %)	24 %	16 %	+ 8 pp
GMV (in EUR m)	310	291	+ 6.6 %
Number of orders (in k)	2,428	2,399	+ 1.2 %
Average basket size (in EUR)	128	121	+ 5.3 %
Active customers (in k)	949	934	+ 1.6 %
Average orders per active customer in the preceding 12 months	2.6	2.6	– 0.4 %
Average GMV per active customer in the preceding 12 months (in EUR)	327	312	+ 4.9 %
Mobile visit share (in %)	76 %	73 %	+ 3 pp
Results of operations			
Revenue (in EUR m)	267.3	253.9	+ 5.3 %
Adjusted EBITDA (in EUR m)	– 10.3	3.1	– 13.3
Adjusted EBITDA margin (in % of revenue)	– 3.8 %	1.2 %	– 5.0 pp
Financial position			
Free cash flow (in EUR m)	– 22.1	– 5.5	– 16.6
Cash and cash equivalents (in EUR m)	73.2	123.0	– 49.8
Other			
Full-time equivalent employees (as of reporting date)	1,290	1,143	+ 12.9 %

Table of contents

01

COMPANY

02

COMBINED MANAGEMENT REPORT

03

CONSOLIDATED FINANCIAL STATEMENTS

04

FURTHER INFORMATION


01
COMPANY

THE MANAGEMENT BOARD

DELIA FISCHER
FOUNDER AND
CHIEF CREATIVE OFFICER

STEFAN SMALLA
FOUNDER AND
CHIEF EXECUTIVE OFFICER

DR. DR. FLORIAN DRABECK
CHIEF FINANCIAL
OFFICER

LETTER TO SHAREHOLDERS

Dear Shareholders,

We founded Westwing nine years ago with the vision to inspire our customers and to make every home a beautiful home. With our unique business model, we combine creativity, content and eCommerce seamlessly in a "shoppable magazine". We offer something to our customers that is very much a highly emotional and ever-present part of their lives: a beautiful home.

Over the past year we have taken many steps that have brought us closer to materializing our vision: We delighted our customers every day with new, exciting ideas on how to furnish and decorate their homes, and how to make their lives better. We inspired them with our daily themes that combine thousands of home and living ideas with hundreds of thousands of exciting products. We translated our insights into a growing Westwing Collection, showcasing our bestsellers which combine the most recent trends with affordability and high quality. Today, around one million active customers find their inspiration at Westwing, and we work tirelessly to bring them a great customer experience and make their home a bit more beautiful with every order they make. In 2019 alone, we had 2.4 million orders and sold 6.7 million items, resulting in EUR 310m of GMV. We thank our customers for their enormous loyalty and trust in us which was evidenced by more than 80 % of orders from repeat customers. We believe that our customers' loyalty is the key to our future success.

Strategically, we made significant progress in 2019: By now we have rolled out our full platform and business model consisting of our daily themes, our permanent assortment offering and our Own and Private Label products as well as our organic marketing model to all our eleven European countries. Based on strong collaboration with our business partners and suppliers, we were able to move closer to our strategic target of 50 % Private Label share – in the fourth quarter of 2019 we already did 25 % of our GMV with our Own and Private Label offering, which is an increase of 7pp compared to the previous year. On marketing, we have strengthened and solidified our organic marketing setup in all markets: With more than 160 dedicated team members in our marketing organization we have engaged with customers and prospects on a broad range of social platforms such as Instagram and provided them with appealing content around home and living.

Operationally, the year 2019 was marked by multiple challenges in the first half of the year, some of which were self-inflicted. Our warehouse move from Berlin to Poznan got delayed. Paired with other operational issues – for instance in our Italian business, cost discipline, marketing investment levels, and retail focus – this resulted in significant negative impact on contribution margin, profitability, and growth.

Fueled by the trust of our customers and the hard and work of our team, we were able to move back on track during the second half of the year and have continued our successful journey from the previous years. Based on our key principles and our core beliefs, we have focused on providing our customers with inspiration and great products. Thus, step-by-step, we solved the problems of the first half of the year with improved execution of our business processes as well as complexity reduction throughout our business. We were able to finish the second half of the year with 11 % of growth and – 1 % Adjusted EBITDA, returning back to profitable growth of 12 % and 3 % Adjusted EBITDA in the fourth quarter of the year.

As of the end of 2019, Westwing is in a strong position. Our business model is fully rolled out. Our operations are running well. We have a very strong cash balance of EUR 73m in the bank (and no debt).

We have a highly motivated team in place that will continue to delight our customers and implement our clear strategy for the coming years.

For 2020, based on our overall principle of profitable growth, our core priority for the year is the focus on our customers. Specifically, we want to increase the number of our customers to drive further growth by providing the best-in-class home and living online shopping experience across our sites and apps. This will be supported by continued efforts to increase the share of our Own and Private Label products – our own designs that our customers love. We will also focus on cost discipline and the “silent running” of our operations with flawless execution.

While there is significant uncertainty regarding the coronavirus situation among our customers, employees and partners, we will focus first and foremost on the health and safety of our team. We are also closely monitoring our supply chain, working tightly with our partners, and inspiring our customers to mitigate any negative impact that might come our way. While the situation is evolving and may result in risk and disruptions for us, we are confident that we are well prepared to deal with whatever comes.

The challenges of the previous year and how our team has solved them have demonstrated again that building the company we envision is in our own hands. We must never lose sight of our key priority, to enable an exceptional customer experience, that we want to execute with excellence. The opportunity ahead continues to be enormous for us and we are confident that we are pursuing the right strategy and have the team as well as the resources to realize it.

We would like to thank you, our shareholders, as well as our business partners, our team members, and our customers, for your trust.

The Westwing Founders & Management Board

Munich, March 26, 2020

Stefan Smalla
Chief Executive Officer
Westwing Group AG

Delia Fischer*
Chief Creative Officer
Westwing Group AG

Dr. Dr. Florian Drabeck
Chief Financial Officer
Westwing Group AG

* Stepped down from her role as Board Member effective March 1, 2020.

SHARE AND INVESTOR RELATIONS

Development of the Westwing Share

The Westwing share is listed on the Frankfurt Stock Exchange (Prime Standard).

	Bearer shares without par value
Types of Shares	
Share capital	EUR 20,740,809.00
Numbers of share issued	20,740,809
Total number of shares outstanding as of December 31, 2019 (net of Treasury shares)	19,997,359
ISIN	DE000A2N4H07
WKN	A2N4H0
Share Performance 2019[1]	
High 2019 (February 06, 2019, closing price)	EUR 17.90
Low 2019 (September 26, 2019, closing price)	EUR 1.89
Closing Price on December 31, 2019	EUR 3.56
Trading Liquidity 2019[1]	
Average daily trading volume (shares)	44,713
Average daily trading volume 2019 (EUR)	186,779

Investor relations

Westwing's aim is to communicate the strategic orientation and development of the Company in a reliable and transparent manner, thereby strengthening investor confidence in Westwing and achieving a fair valuation of the share. As in the past, the Company continues to work on increasing awareness of its own share and the equity story among capital market participants. In doing so, great importance is attached to regular communication with shareholders.

Share buyback

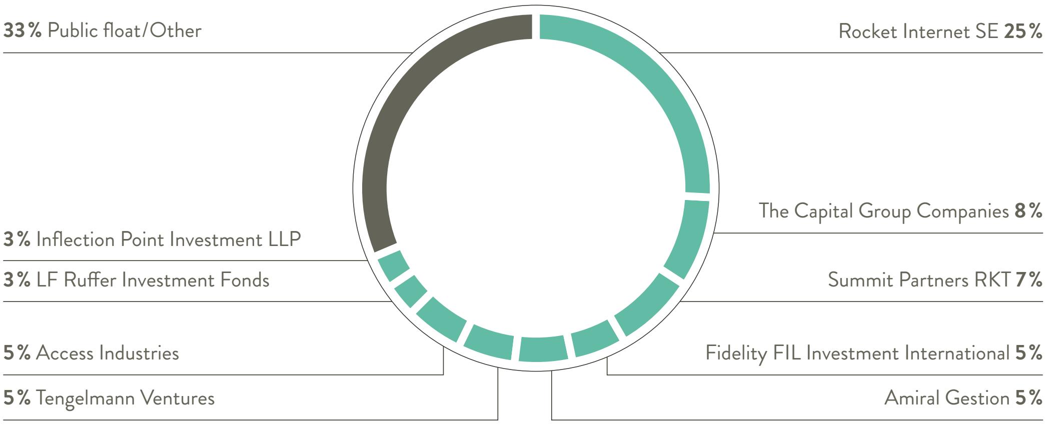
On August 21, 2019, the Management Board of Westwing Group AG, with consent of the Supervisory Board, has resolved to carry out a share buy-back program with a maximum volume of up to 800,000 shares for a total maximum purchase price of up to EUR 4m. The buy-back via Xetra trading of the Frankfurt Stock Exchange started August 14, 2019 and was finished October 30, 2019. Westwing paid a total amount of EUR 2.8m for 800,000 shares.

The Management Board intends to use the shares bought back to settle stock options for the acquisition of shares in Westwing Group AG that were granted to current or former employees or to board members of Westwing Group AG or its affiliates in case such stock options are exercised.

For further details in respect to share capital structure refer to the note 18 to the consolidated financial statements.

1 Based on Xetra stock exchange Frankfurt.

Shareholder Structure as of December 31, 2019



Our Shareholder structure is based on the voting rights (i) as last notified by the shareholders and (ii) as published by the shareholders in relation to the Company's current share capital as of December 31, 2019. Please note that the number of voting rights last notified could have changed within the respective thresholds without triggering an obligation to notify the Company[1].

Analyst Coverage

As of December 31, 2019, there are two research institutions covering Westwing.

- Berenberg
- Citi Group

1 Based on Xetra stock exchange Frankfurt.

THE SUPERVISORY BOARD

CHRISTOPH BARCHEWITZ
CHAIRMAN SUPERVISORY BOARD

DR. ANTONELLA MEI-POCHTLER
DEPUTY CHAIRMAN

THOMAS HARDING

MICHAEL HOFFMANN
CHAIRMAN AUDIT COMMITTEE

SUPERVISORY BOARD REPORT

Dear Shareholders,

We look back on a year where Westwing Group AG (“**Westwing**” or the “**Company**”) made significant steps forward in implementing its strategy and thus in pursuing its vision to make every home a beautiful home. While performance in the first half of the year was weak and impacted by operating challenges, the second half of the year showed improvements on all key dimensions. Westwing did not meet its targets for growth and profitability in 2019, yet was able to increase revenue, the number of active customers and its share of wallet with these customers. Single digit growth and lack of profitability for the full year does not meet the Management Board’s and the Westwing team’s ambition level, and they have addressed underlying drivers accordingly. The DACH segment continued to show its relative strength, and the International segment moved back to growth in the second half of the year. With many challenges now behind, Westwing has returned to a position of strength by the end of the year. In addition, Westwing’s very strong net cash position of EUR 73m gives the Company a very good foundation for the future and prepares it well for times of potential macroeconomic uncertainty.

From an internal perspective, the year was characterized by significant improvements with respect to Westwing developing as a listed company: All compliance and governance objectives were achieved and discussed in depth with the Supervisory Board throughout the year.

Two members left the Supervisory Board in March 2019 and the size of the Supervisory Board was adjusted accordingly, reducing its size from six to four members. The current team is independent and very well positioned to fulfill its responsibilities to support and control the Company in a demanding and dynamic environment.

Below, I would like to inform you about the work of the Supervisory Board in the 2019 fiscal year.

Management Oversight and Other Key Supervisory Board Activities

The Supervisory Board duly performed its duties in accordance with the statutory requirements, the Articles of Association of Westwing Group AG, the Rules of Procedure of the Supervisory Board dated August 8, 2018 (the “**Supervisory Board Rules of Procedure**”) and the German Corporate Governance Code in the version dated February 7, 2017 applicable to fiscal year 2019 (“**German Corporate Governance Code**”). The Supervisory Board was also directly involved in all fundamental decisions. The Supervisory Board obtained regular and detailed information, written and verbal, about business policy, significant financial, investment and personnel planning matters and the course of business. In particular, the Management Board and Supervisory Board discussed the Company's strategy and the Supervisory Board approved it.

Before adopting a resolution, all transactions that require Supervisory Board approval according to the Articles of Association and/or the Management Board Rules of Procedure were explained by the Management Board and discussed by the Supervisory Board and the Management Board. Discussions took place in meetings of the Supervisory Board or its committee or in informal communications with the Management Board outside the Supervisory Board meetings. The Chairman of the Audit Committee also discussed audit-related topics with the auditor also outside the meetings and without the involvement of the Management Board.

The Chairman of the Supervisory Board and other members of the Supervisory Board were also in regular contact with the Management Board outside the Supervisory Board meetings.

In addition, in fiscal year 2019, Supervisory Board discussed and reviewed inter-alia the following topics:

- Individual and consolidated financial statements for the 2018 fiscal year and the results for the first quarter, first half, and the third quarter of 2019
- Business plan 2019 and business development during fiscal year 2019
- Westwing Group AG's sales and earnings planning for 2020
- Planning and quarterly updates of the Group Accounting & Internal Control Department
- In-depth discussions on Supply Chain Compliance
- Agenda and invitation to the Annual General Meeting 2019
- Strategic positioning and structure of the Westwing Group and the corporate organization
- Extension of existing cost discipline measures
- Share buyback program 2019
- Simplified annual accounts for subsidiaries of Westwing Group AG
- Increased marketing spend towards the end of the year (compared to the business plan 2019) to drive higher revenue growth including thorough discussions on marketing effectiveness
- Fundamental consideration of the issues in Italy and development of the International segment in total
- Introduction of a new virtual stock option program for the Management Board and key employees
- Development of Westwing's share price
- Foundation of trading and quality assurance subsidiaries in Hong Kong and China
- Update of the Declaration of Compliance with the German Corporate Governance Code

Cooperation Between Supervisory Board and Management Board

The Management Board and Supervisory Board cooperated closely in fiscal year 2019 for the benefit of Westwing Group AG. In an ongoing dialogue between the two bodies, the Supervisory Board discussed issues relating to strategy, planning, business development and risk management with the Management Board.

The cooperation between the Supervisory Board and the Management Board includes the direct notification of the Chairman of the Supervisory Board about important events, the requirement of the Supervisory Board to approve transactions and operations of fundamental importance and those of members of the Management Board and persons closely related to Westwing Group AG, and the approval of secondary activities outside the Company. Members of the Management Board participated in all meetings of the Supervisory Board in fiscal year 2019 and until the approval of the annual financial statements in 2020. Notwithstanding the aforementioned, the members of the Supervisory Board took the opportunity to discuss at least one agenda item at each meeting without the presence of the Management Board.

Composition of the Supervisory Board and Committees

At the beginning of fiscal year 2019, the Supervisory Board consisted of the members Christoph Barchewitz (Chairman), Dr. Antonella Mei-Pochtler (Deputy Chairman), Christian Strain, Michael Hoffmann (Chairman of the Audit Committee), Oliver Samwer and Thomas Harding.

Two personnel changes in the Supervisory Board took place during fiscal year 2019. By letter dated February 1, 2019, Oliver Samwer resigned from his position as a member of the Supervisory Board with effect from February 11, 2019. In a letter dated March 12, 2019, Christian Strain resigned from his position as a member of the Supervisory Board with effect from March 15, 2019. The number of seats on the Supervisory Board was reduced from six (6) seats to four (4) seats by resolution of the Annual General Meeting on May 23, 2019.

All members of the Supervisory Board were elected by the Annual General Meeting. The Supervisory Board is not subject to any codetermination by employees.

In fiscal year 2019, the Supervisory Board had one committee, the Audit Committee. The Audit Committee consists of three (3) members of the Supervisory Board.

Meetings of the Supervisory Board and its Committees

The Supervisory Board met fourteen (14) times in the 2019 fiscal year and until the approval of the annual financial statements 2019 in presence meetings or telephone/video conferences and adopted three (3) resolutions by circular resolution.

Date	Christoph Barchewitz	Antonella Mei-Pochtler	Thomas Harding	Michael Hoffmann	Oliver Samwer	Christian Strain	Nature of the meeting
January 10, 2019	x	x	x	x			conference call
March 4, 2019	x	x	x	x	retired	x	presence meeting
March 19, 2019	x	x	x	x	retired	retired	presence meeting
March 27, 2019	x		x	x	retired	retired	conference call
May 2, 2019	x	x		x	retired	retired	presence meeting
May 23, 2019	x	x	x	x	retired	retired	presence meeting
June 18, 2019	x	x	x	x	retired	retired	circular resolution
August 7, 2019	x	x	x	x	retired	retired	presence meeting
August 12, 2019	x	x	x	x	retired	retired	circular resolution
September 25, 2019	x	x		x	retired	retired	conference call
October 7, 2019	x	x	x	x	retired	retired	conference call
October 29, 2019	x	x	x	x	retired	retired	presence meeting
December 24, 2019	x	x	x	x	retired	retired	circular resolution
January 8, 2020	x	x	x	x			conference call
February 13, 2020	x	x	x	x			conference call
February 28, 2020	x	x	x	x			presence meeting
March 26, 2020	x	x	x	x			conference call

Dr. Antonella Mei-Pochtler and Christian Strain did not attend one Supervisory Board meeting each. Thomas Harding and Oliver Samwer did not attend two (2) Supervisory Board meetings each. A quorum was present at every Supervisory Board meeting.

The Audit Committee held a total of seven (7) meetings in fiscal year 2019 and until the approval of the annual financial statements 2019. The results of the committee meetings were announced at the respective next Supervisory Board meeting.

Date	Christoph Barchewitz	Thomas Harding	Michael Hoffman	Nature of the meeting
March 4, 2019	x	x	x	presence meeting
March 19, 2019	x	x	x	presence meeting
May 2, 2019	x		x	presence meeting
August 7, 2019	x	x	x	presence meeting
October 29, 2019	x	x	x	presence meeting
February 28, 2020	x	x	x	presence meeting
March 24, 2020	x	x	x	conference call

Thomas Harding did not attend one (1) meeting of the Audit Committee.

At least one (1) member of the Management Board was present at all Supervisory Board meetings and reported to the Supervisory Board in detail on the course of business of the Company and the Group, including the development of sales and profitability as well as the positioning and business policy of the Company. The content of the reports of the

Management Board was discussed in detail with the Supervisory Board. The reports of the Management Board were also made available to the respective absent members. The issues addressed and the scope of the reports met the legal requirements, the principles of good corporate governance and the requirements of the Supervisory Board.

The focus of the Supervisory Board's plenary meetings in fiscal year 2019 was on strategic orientation towards profitable growth of the Group, securing and further developing governance, risk and compliance. In addition, the Supervisory Board approved to carry out the Westwing's share buyback program. The sole purpose of the share buyback was to use the repurchased shares to settle share options from stock option programs from employees which were able for exercise after the end of the vesting period following the IPO in fiscal year 2018.

The Audit Committee discussed the results of the individual quarters and the first half of fiscal year 2019 and the general audit process was discussed and agreed.

In addition to the meetings held, the Supervisory Board and its committees also discussed certain topics in telephone conferences. Several resolutions were also passed by the Supervisory Board by way of circulation.

No conflicts of interest arose among the members of the Supervisory Board when dealing with issues in the Supervisory Board.

Corporate Governance

The Management Board and Supervisory Board are committed to upholding the principles of good corporate governance in accordance with the recommendations of the Federal German Government Commission on the German Corporate Governance Code. As part of the reporting on fiscal year 2019, the Supervisory Board and Management Board resolved in December 2019 to issue an updated declaration of compliance for Westwing Group AG in accordance with Sec. 161 of the AktG ("Aktiengesetz": German Stock Corporation Act). This was published in the Investor Relations section of the Westwing Group AG website: www.westwing.com. The few exceptions to the German Corporate Governance Code are outlined in the declaration.

Additional information on the Company's corporate governance is provided in the Corporate Governance Report.

Audit of the Annual and Consolidated Financial Statements

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich branch, was elected as auditor for fiscal year 2019 at the 2019 Annual General Meeting. The Supervisory Board has commissioned Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft to carry out the audit. The following audit priorities were agreed:

- Review of books and records
- Audit of the annual financial statements, including the review and analysis of the early risk detection system
- Audit of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS)
- Audit of the combined management report of Westwing Group AG and the Westwing Group for fiscal year 2019

In all cases, the auditor issued an unqualified audit opinion.

The Supervisory Board satisfied itself of the auditor's independence and obtained a written declaration in this respect. The financial statements and the detailed audit long-form reports of the auditor were sent to the members of the Supervisory Board. The Supervisory Board reviewed the separate and consolidated financial statements and the combined management report of Westwing. The results of the review by the Audit Committee and the results of its own review are fully consistent with the results of the auditor's audit. Having completed its review, the Supervisory Board has no reason to raise objections to the audit of the financial statements. The Supervisory Board has therefore approved the separate and consolidated financial statements of Westwing Group which are thus ratified.

The Supervisory Board would like to thank the Management Board and all employees of Westwing Group AG and its subsidiaries for their hard work and their high commitment in fiscal year 2019.

Munich, March 26, 2020

On behalf of the Supervisory Board

Christoph Barchewitz

CORPORATE GOVERNANCE REPORT

In this statement Westwing Group (“**Westwing**” or the “**Company**”) reports in accordance with Sec. 289 f HGB (“Handelsgesetzbuch”: German Commercial Code) on the principles of corporate governance and in accordance with Sec. 161 AktG (“Aktiengesetz”: German Stock Corporation Act) and No. 3.10 of the German Corporate Governance Code (as amended on February 7, 2017 (published on April 24, 2017 and in the corrected version published on May 19, 2017)) on the Company’s corporate governance. In addition to the Declaration of Conformity with the German Corporate Governance Code, this statement contains information on corporate governance and the composition and working practices of the Management Board, the Supervisory Board and the Supervisory Board’s committees. The statement on corporate governance in accordance with Sec. 289 f HGB is also part of the management report.

Compliance with the Corporate Governance Code

Corporate governance means the responsible leadership and management of entities with a view to long-term value creation. The corporate governance and culture of Westwing Group AG conform to the legal requirements and – with a few exceptions – the additional recommendations of the German Corporate Governance Code. The Management Board and Supervisory Board are committed to good corporate governance and all business units follow this guiding principle. Competence, transparency and sustainability are core values for the Company.

The declaration is published on the Company’s website (ir.westwing.com).

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SEC. 289 F AND 315 D HGB (“HANDELSGESETZBUCH”: GERMAN COMMERCIAL CODE)

A. DECLARATION BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD IN ACCORDANCE WITH SEC. 161 AKTG (“AKTIENGESETZ”: GERMAN STOCK CORPORATION ACT)

Declaration of Conformity 2019 (“Entsprechenserklärung”)

Declaration by the Management Board and the Supervisory Board of Westwing Group AG regarding the recommendations of the “Government Commission on the German Corporate Governance Code” pursuant to Section 161 AktG (Aktiengesetz)

“The Management Board and Supervisory Board of Westwing Group AG declare that Westwing Group AG (the ”Company“) complies with the recommendations of the German Corporate Governance Code, as amended on February 7, 2017 (published on April 24, 2017 and in the corrected version published on May 19, 2017) (the ”Code”) since November 2018, namely the day of the previous declaration of conformity of the Management Board and the Supervisory Board, and intends to comply in future with the recommendations of the Code except for the following:

- **No. 3.8 sentences 4 and 5 of the Code:** The Code provides that, if a company provides a D&O insurance for the Management Board, a deductible of at least 10 % of the loss up to at least the amount of one and a half times the fixed annual remuneration of the Management Board member must be agreed. A similar deductible shall be agreed in any D&O insurance policy for the Supervisory Board. The Company’s current D&O insurance policy does not include a deductible for the members of the Supervisory Board. The Company is of the opinion that a deductible for the members of the Supervisory Board does not have any influence on the awareness of responsibility and loyalty of the members of the Supervisory Board with regard to their tasks and functions. Moreover, it would reduce the Company’s possibilities to compete for competent and qualified members of the Supervisory Board.

- **No. 4.2.3 sentence 4 of the Code:** The Code provides that variable remuneration components generally have a multiple year assessment basis that shall have essentially forward-looking characteristics. The members of the Management Board are entitled to variable remuneration in cash based on the achievement of certain performance targets for the relevant fiscal year. The Company deems an annual assessment basis to be reasonable, since the Company is still a young company whose business performance is therefore difficult to predict.

- **No. 4.2.3 sentence 7 of the Code:** The Code provides that the amount of remuneration of the members of the Management Board shall be capped with maximum levels, both as regards variable components and in the aggregate. The members of the Management Board have been granted in the past and may from time to time in the future be granted call options for the acquisition of shares in the Company in addition to their remuneration under their relevant service agreement. Such call options are not granted under a standardized call option program and are not capped with maximum level.

- **No. 4.2.5 sentences 5 and 6 of the Code:** The Code provides that the remuneration report, which is part of the management report and describes the principal features of the Management Board remuneration system, shall include information on the nature of fringe benefits provided by the Company. The total compensation of every member of the Management Board shall be disclosed on an individual basis, divided into fixed and variable compensation granted and received. The model tables provided by the Code shall be used to disclose such information. On September 21, 2018, the Company's shareholders' meeting resolved that the compensation of the members of the Management Board will not be disclosed individually in the Company's individual or consolidated financial statements to be prepared for all fiscal years until 2022 (inclusive) in accordance with Sections 286 para. 5 sentence 1, 285 no. 9, 315e paras. 1 and 2 and 314 para. 3 sentence 1 HGB (Handelsgesetzbuch). Therefore, at least with respect to all fiscal years until 2022 (inclusive), the Company will abstain from an individual disclosure of the aggregate compensation for each member of the Management Board and, to the extent legally permissible, from a disclosure of their individual compensation. The Company believes that the information it will provide in accordance with mandatory laws is sufficient for current and future shareholders and the public. With respect to the model tables, the Company will refrain from using these tables in its compensation report as it believes that it can display the relevant information in another suitable form in the notes or the management report.

- **No. 5.3.3 of the Code:** The Code provides that the Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which proposes suitable candidates to the Supervisory Board for its recommendations to the shareholders' meeting. The Supervisory Board has not formed a Nomination Committee, since the Supervisory Board is of the opinion, that a Nomination Committee is not required with respect to the shareholder structure of the Company.

Munich, December 2019"

B. CORPORATE GOVERNANCE PRACTICES OF WESTWING GROUP AG AND THE GROUP OF WESTWING COMPANIES

Westwing Group AG and the group of Westwing companies pursue the following key corporate governance practices:

Code of Conduct

The success of Westwing Group AG and the group of Westwing companies is based on the trust placed in us by customers, investors and employees. That is why high standards are set when it comes to responsibility – both for the company and for each individual. Westwing's Codes of Conduct lays down these standards in a binding set of guidelines that are to be used worldwide. The objectives are to help employees implement the key principles and values of our company in their everyday working life and to show them how to handle potential issues or difficult situations that affect our business practices or our dealings with each other.

The Westwing Group Code of Conduct is available on the Company's website (ir.westwing.com).

Anti-bribery and Anti-corruption Initiatives at Westwing

In 2014, Westwing implemented its anti-corruption policy. This policy outlines acceptable and non-acceptable behavior to avoid violations of anti-corruption laws. This behavior includes compliance with all laws, domestic and foreign, and the prohibition of improper payments, gifts or inducements of any kind to or as received from any person. Westwing follows a zero-tolerance policy for bribery. The policy applies to all Westwing employees and third parties Westwing engages. Furthermore, all subsidiaries were required to implement an equivalent policy as well.

The policy provides guidance on what can be accepted by an employee and when a gift or, for example, an invitation to an event constitutes bribery.

In all cases, the employee who is offered a gift or, for example, an invitation to an event must inform the Compliance Department in writing about the gift or invitation to an event. Depending on certain value limits, the Compliance Department, in consultation with the employee and the supervisor, grants permission to accept the gift or invitation to an event after appropriate factual analysis.

Furthermore, Westwing has implemented a whistleblower email address where employees can anonymously make a report if they detect something is not working correctly. In the past years, no suspicious events were reported. In addition, it is part of our overall risk management system to detect any violations.

To give our employees an overview of compliance at Westwing, as well as our Code of Conduct, our anti-corruption policy and other selected guidelines, including guidelines on data protection, Westwing introduced mandatory compliance training (face-to-face events) for all employees in the second half of 2019. By conducting the training on a regular basis, Westwing ensures that all employees (including new employees) fulfill their training obligations.

Appropriate opportunity and risk management

A responsible approach to opportunities and risks is a priority for Westwing Group AG. This is ensured by having an extensive opportunity and risk management to identify and monitor major opportunities and risks. The system is continuously enhanced and adapted to changing conditions. The management report contains detailed information on the Company's risk management system.

Committed to transparency

As part of ongoing investor relation activities, all important dates for shareholders, investors and analysts during the upcoming fiscal year are published in our financial calendar at the beginning of the year. The financial calendar, which is regularly updated, is available on the Company's website (ir.westwing.com).

The Company informs shareholders, analysts and journalists according to uniform criteria. The information is transparent and consistent for all capital market participants. Ad hoc reports and press releases as well as presentations of press and analyst conferences are published immediately on the Company's website.

Insider information (ad hoc publicity), voting rights notifications and securities transactions by members of the Management Board and Supervisory Board and related persons ("**Directors' Dealings**") are announced by Westwing Group AG in accordance with the legal requirements.

This information is also available on the Company's website (ir.westwing.com).

Financial reporting

In 2019, the Annual General Meeting elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich office, as auditor of the separate and consolidated financial statements. In preparation, the auditor presented a declaration that there are no business, financial, personal or other relationships between the auditor, its governing bodies and audit managers on the one hand and the Company and its directors on the other hand which could give cause to doubt the auditor's independence.

C. INFORMATION ON MANAGEMENT BOARD AND SUPERVISORY BOARD WORKING PRACTICES AT WESTWING GROUP AG, AS WELL AS ON THE COMPOSITION AND WORKING PRACTICES OF THEIR COMMITTEES

As a stock company under the German Stock Corporation Act (Aktiengesetz), having its registered seat in Berlin, Westwing Group AG has a two-tier management system, comprising of a Management Board and a Supervisory Board. The two boards cooperate closely for the benefit of the Company. The Management Board manages the entity, the Supervisory Board advises and oversees the Management Board. The shareholders of Westwing Group AG exercise their rights in the Annual General Meeting.

Working practices of the Management Board

The Management Board manages the Company on its own responsibility in accordance with legal provisions, the Articles of Association of Westwing Group AG (the "Articles of Association") and the rules of procedure for the Management Board dated August 7, 2018 ("Management Board Rules of Procedure"). It is obligated to protect the Company's interest, in particular to increase its long-term business value. The Management Board develops the Company's strategy, discusses and agrees on it with the Supervisory Board and ensures that it is implemented. It is also responsible for appropriate risk management and control as well as regular, timely and comprehensive reporting to the Supervisory Board.

The Management Board performs its management function as a collective body. Notwithstanding their overall responsibility for management, the individual members of the Management Board manage the areas assigned to them on their own responsibility within the framework of the Management Board's resolutions. The allocation of responsibilities among the members of the Management Board is defined in the Management Board Rules of Procedure according to which the members of the Executive Board are responsible for the following departments:

CEO: Stefan Smalla

- Strategy (development and implementation)
- Organization
- Operating business
- Marketing
- Technology & product management
- Product development

CCO (Chief Creative Officer): Delia Fischer

- Creative
- Offering
- Public Relations

CFO: Dr. Dr. Florian Drabeck

- Finance
  - Accounting, taxes, treasury
  - Controlling
  - Financial reporting to the capital market
- Investor Relations
- Holding tasks: human resources, legal, risks & compliance.

The Management Board's work is precisely stated in the Management Board Rules of Procedure. Sec. 4 stipulates that the Management Board as a whole must decide on the Company's strategic alignment and the strategic planning of the use of funds. In addition, measures and transactions of strategic and/or extraordinary importance for the Company and/or group companies or associated with an extraordinary economic risk require the prior approval of the entire Management Board. Furthermore, the Management Board Rules of Procedure stipulates that certain transactions of fundamental importance require the prior approval of the Supervisory Board or one of its committees.

The Management Board principally meets once a month and, in addition, if required (see Sec. 5 (1) of the Management Board Rules of Procedure).

The Management Board informs the Supervisory Board pursuant to Sec. 6 of the Management Board Rules of Procedure regularly, timely and comprehensively on all relevant issues relating to strategy, planning, business development and risk management for the Company.

Composition of the Management Board

In accordance with the Articles of Association (Sec. 7 (1)), the Management Board is composed of one or more persons. The number of members is determined by the Supervisory Board. In the 2019 fiscal year, the Management Board had three (3) members, each of whom is responsible for the tasks assigned to their area of responsibility. Further details on the members of the Management Board are provided in the notes to the annual financial statements of Westwing Group AG in accordance with Sec. 285 no. 10 of the German Commercial Code (HGB). The Management Board takes an age limit of 75 years into account for its composition. In justified individual cases, exceptions may be made.

Diversity concept and proportion of women on the Management Board

Diversity must be taken into account on the Westwing Group AG Management Board. This means that there should be different skills and experience from different areas, which help to ensure that decisions can be made from different perspectives. In addition, care should be taken to ensure that different genders are represented.

The Supervisory Board has set the target figure for the proportion of women on the Management Board at 1/4. The Supervisory Board will review the target figure again in the 2023 fiscal year at the latest.

Supervisory Board

The Supervisory Board advises and oversees the Management Board. It works closely with the Management Board for the benefit of the Company and is involved in all decisions of fundamental importance (see also above).

Its rights and duties are governed by legal requirements, the Articles of Association, the rules of procedure for the Supervisory Board dated August 8, 2018 (the "**Supervisory Board Rules of Procedure**"), and the Management Board Rules of Procedure. It appoints and removes the members of the Management Board and, together with the Management Board, ensures long-term succession planning.

The work of the Supervisory Board takes place in plenary meetings and in an Audit Committee (see below). The work of the committee is aimed at improving the efficiency of the Supervisory Board's work. The Chairman of the Audit Committee reports regularly to the Supervisory Board on the work of the committee. According to its rules of procedure (Sec. 6 (1) sentence 1), the Supervisory Board must meet at least once every calendar quarter. In addition, it convenes whenever it is in the Company's interest to do so. Seven Supervisory Board meetings are currently scheduled for 2020.

Requirements regarding the composition of the Supervisory Board

Taking into account the recommendations of the German Corporate Governance Code as amended on February 7, 2017 (published on April 24, 2017 and in the corrected version published on May 19, 2017) (the "Code") and certain published recommendations of the new German Corporate Governance Code effective as of March 2020, the Supervisory Board has set itself targets with regard to its composition.

The Supervisory Board is to be composed in such a way as to ensure qualified supervision and consultation of Westwing's Management Board by the Supervisory Board.

The Supervisory Board shall comprise an appropriate number of independent members and the Chairman of the Supervisory Board and the Chairman of the Audit Committee shall be independent. A member of the supervisory board shall be deemed to be independent if he or she has no personal or business relationship with the company, its executive bodies or a controlling shareholder that could give rise to a material and not merely temporary conflict of interest.

In order to ensure that the Management Board is always monitored and advised independently and efficiently, Supervisory Board members should not normally hold their mandate for more than twelve years. The Supervisory Board takes an age limit of 75 years into account for its composition. In justified individual cases, exceptions may be made.

A Supervisory Board member should not be exposed to any potential conflicts of interest. This means, for example, that no more than two former members of the Management Board may be members of the Supervisory Board and that Supervisory Board members should not exercise directorships or similar positions or advisory tasks for major competitors of the company. Furthermore, Supervisory Board members should not have any personal relationship with a major competitor.

In addition, Supervisory Board members should ensure that they have sufficient time to perform their duties. With regard to the exercise of their mandate, it should be noted that at least four ordinary Supervisory Board meetings are held annually, each of which requires appropriate preparation. In addition, extraordinary meetings of the Supervisory Board may be necessary to deal with special issues.

In order to have sufficient time available, a member of the Supervisory Board who is not a member of a company's management body should not hold more than five supervisory board mandates at listed companies or comparable functions, whereby a supervisory board chairmanship counts twice.

In addition, a supervisory board member who is a member of an executive body of a company shall not hold more than two supervisory board mandates in a total of listed companies outside the group or comparable functions and shall not chair any other supervisory board.

Competence profile for the Supervisory Board

With regard to knowledge and experience, the Supervisory Board has drawn up a competence profile for the entire Supervisory Board. The members of the Supervisory Board should have industry knowledge (especially in the home & living sector, in technology and in e-commerce) and financial knowledge and should have competences in the areas of strategy and supervision gained by holding a management position or being a member of the supervisory board of listed companies or venture capital companies.

According to the Articles of Association (Sec. 9 (1)), the Supervisory Board has four (4) members. It is not subject to employee co-determination. All members of the Supervisory Board are elected by the Annual General Meeting as shareholder representatives.

Details on the members of the Supervisory Board are provided in the notes to the financial statements of Westwing Group AG in accordance with Sec. 285 no. 10 HGB).

The Supervisory Board of Westwing Group AG is composed in accordance with the aforementioned objectives. The body has the necessary independence and meets the conditions of the competence profile drawn up.

Diversity concept and proportion of women on the Supervisory Board

The Supervisory Board strives to ensure diversity in its composition. When selecting the candidates for the Supervisory Board, it should be examined in the interest of complementary cooperation which desirable professional backgrounds, expertise and experience are required in the Supervisory Board.

Candidates with appropriate skills shall be identified and, if the candidates are equally suitable, diversity shall be taken into account. Diversity means that there are different professional skills and experience in the desired areas that complement each other. Care should also be taken to ensure that different genders are represented.

The aim is to ensure that decisions made by Westwing Group AG are assessed from different perspectives on the basis of existing diversity and can be made with the help of a wide range of knowledge.

The Supervisory Board has set the target figure for the proportion of women on the Supervisory Board at 1/4, which is currently already being met. The Supervisory Board will review the target figure again in the 2023 financial year at the latest.

Cooperation between the Management Board and Supervisory Board

The Management Board and the Supervisory Board cooperate closely for the benefit of the Company. Ongoing and intensive dialog between the boards is the basis for efficient and effective corporate management. The Management Board develops Westwing Group AG's strategy, discusses and agrees on it with the Supervisory Board and ensures that it is implemented.

The Management Board discusses the progress made in implementing the strategy with the Supervisory Board at regular intervals. The Chairman of the Supervisory Board has regular contact with the Management Board and advises it on strategy, planning, business development and risk management issues. The Management Board informs the Chairman of the Supervisory Board without delay about important events which are of significance for the assessment of the position and development as well as for the management of the Company and its group companies. The Chairman of the Supervisory Board subsequently informs the rest of the Supervisory Board and, if necessary, convenes an extraordinary Supervisory Board meeting.

The Management Board Rules of Procedure contains provisions stipulating that the Supervisory Board is required to give its approval for transactions of fundamental significance.

The members of the Management Board must disclose any conflicts of interest to the Supervisory Board and the other members of the Management Board without delay. Significant transactions by members of the Management Board and related parties with the Company require the approval of the Supervisory Board, as does the acceptance of sideline work outside the entity.

A D&O group policy was concluded for the members of the Management Board and the Supervisory Board.

Supervisory Board committees

In fiscal year 2019, the Supervisory Board had one committee: the Audit Committee. Additional committees may be established as required.

Audit Committee

The Audit Committee deals in particular with the monitoring of the financial reporting process, the effectiveness of the internal control and internal audit systems, auditing – in particular the independence of the auditor, additional services by the auditor, engaging the auditor, determining the areas of audit focus and fee arrangement – and compliance.

The Audit Committee prepares the Supervisory Board's resolutions on the separate and, if necessary, the consolidated financial statements, i.e., it bears responsibility for the preliminary audit of the documents relating to the separate and consolidated financial statements and for preparing the approval and ratification of these financial statements and of the

Management Board's proposal for profit appropriation. Furthermore, the Audit Committee prepares the agreements with the auditor, in particular the engagement of the auditor, the determination of the areas of audit focus and the appointment of the auditor by the Annual General Meeting. This also includes evaluating the required independence; the Audit Committee takes suitable action to determine and monitor the auditor's independence. The Audit Committee rather than the Supervisory Board decides on whether or not to approve agreements with auditors on additional advisory services, if such agreements require approval. The Audit Committee discusses with the Management Board the principles for compliance, risk identification, risk management and the design and operating effectiveness of the internal control system. Five meetings of the Audit Committee are currently scheduled for 2020.

Since August 8, 2018, the members of the Audit Committee are Michael Hoffmann (Chairman), Christoph Barchewitz and Thomas Harding. The Chairman of the Audit Committee is independent, has specific knowledge and experience in the application of accounting principles and internal control procedures and thus satisfies the requirements of Sec. 100 (5) AktG. The members of the Audit Committee have expert knowledge in financial reporting and auditing and the composition meets all requirements relating to independence for the purposes of the Commission Recommendation of February 15, 2005, on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC) and the recommendations of the German Corporate Governance Code.

Management Board committees

The Management Board has not established any committees. It performs its management function as a collective body, with responsibility for specific areas being assigned to the individual members of the Management Board.

D. STIPULATIONS TO PROMOTE THE PARTICIPATION OF WOMEN IN LEADERSHIP ROLES

Westwing is committed to building a diverse employee structure and is aware of the particular importance of female participation at all management levels of Westwing Group AG. We are proud of the high proportion of female employees and leaders at Westwing Group AG.

According to Sec. 111 (5) AktG, the Supervisory Board is required to set targets for the percentage of women on the Supervisory Board and Management Board. The Supervisory Board has set the target figure for the proportion of women on the Supervisory Board at 1/4 and for the proportion of women on the Management Board at 1/4. The Supervisory Board will review the target figure again in the 2023 financial year at the latest.

According to Sec. 76 (4) AktG of the Code 2017, the Management Board is required to set targets for the percentage of women in the two management levels below Management Board. We are proud that currently 57 % of the leaders in the first and second management levels of Westwing Group AG are female.[2] At its meeting on March 25, 2019, the Management Board defined a minimum target percentage of 40 % at the second management level of Westwing Group AG which shall in any reporting period be exceeded until March 25, 2023. For the first management level of Westwing Group AG, the minimum target rate should be zero (this is only two employees, the CTO and CMO, who are employed by Westwing Group AG). In 2019, the minimum target rate of 40 % women for the second management level of Westwing Group AG was exceeded with 60 %.Note that the regulation extends only to Westwing Group AG; yet, we would like expressly state that we feel committed to increasing female participation at all management levels also in our other operating entities and countries.

Westwing Group AG
Management Board

2 The two members of the first management level (CTO and CMO) are both male.

02

COMBINED MANAGEMENT REPORT

1. BACKGROUND TO THE GROUP

The Westwing Group headed by Westwing Group AG (short: “Westwing”, “Company” or “Group”) operates as a brand and platform in Home and Living eCommerce in Europe.

Westwing was founded in 2011 and offers customers different Home and Living categories such as textiles, furniture, lightings, kitchen equipment and decoration.

1.1 Business Activities

Westwing, operating as a Home and Living eCommerce brand in Europe, aims to inspire its loyal, mostly female customers through a “shoppable magazine” concept with a selected range of products and varying content.

Since Westwing’s founding our strategy has always been to inspire our customers by providing them with a daily interior magazine with the opportunity to discover and instantly shop their favorite Home and Living pieces. This shopping experience distinguishes us from typical Home and Living eCommerce, which is usually search based. We offer our customers relevant Home and Living categories such as textiles, furniture, lightings, kitchen equipment and decoration, and can thereby address all their Home and Living needs.

Through our daily themes, our customers can find daily ideas from décor tips to home stylings with matching products. Additionally, they find a large variety of products on WestwingNow, our permanent assortment website.

Westwing is targeting a very attractive market that is approximately EUR 117bn[3] in the geographies in which we operate and is at the tipping point of online acceleration with just 5 % online penetration. Our business model is fueled by our high customer loyalty with 82 % of orders coming from repeat customers.

Our business activities follow our company mission “To inspire and make every home a beautiful home” and are focused on inspiration.

In 2019, we generated a gross merchandise volume (GMV, see also chapter 1.3) of EUR 310m, of which we derived 22 % from textiles and rugs, 15 % from home décor and accessories, 11 % from kitchen and dining, 10 % from lighting, 26 % from large furniture, 7 % from small furniture and 9 % from other products.

The combination of our Own Label and Private Label with third-party products enables us to offer a broad and relevant assortment. We launched two new Westwing collections in 2019, one in spring and one in fall. Our long-term goal is to grow our Own Label and Private Label share to 50 % of GMV.

Additionally, we work with over 5,000 global and local third-party suppliers that we have vetted with our standards concerning quality and reliability.

We present our products alongside beautiful visual content such as shoppable interior themes, home stories and home styling tips. Our content creation is done by a large team of creative talent such as art directors, interior designers, videographers and photographers. Some of them were previously magazine editors-in-chief and editors (from Home and Living and fashion), fashion stylists, film makers, fashion photographers, and graphic designers.

The content creation teams work with the style and merchandizing teams to find the right combination of inspiration and merchandizing for our customers.

3 Home & Living market defined as Euromonitor Passport: Home and Garden categories “Homewares” and “Home Furnishings”. Refers to retail value sales including sales tax at current prices (EUR using 2017 fixed exchange rates) for countries in which Westwing is present.

1.2 Group Structure

The Group is headed by our holding company, Westwing Group AG, a stock company registered at Berlin District Court, Germany, under the number HRB 199007 B. The Company is headquartered at Moosacher Str. 88, 80809 Munich, Germany. Westwing has been listed on the regulated market of the Frankfurt Stock Exchange since October 9, 2018.

As of December 31, 2019, 26 companies are fully consolidated in the accounts of the Westwing Group. The most important affiliate with respect to revenue is German Westwing GmbH that also covers a part of our international business with a high share of Own and Private label products. Thus, revenue in the legal entities in other countries does not reflect the full Westwing sales in those countries. Westwing GmbH showed third-party revenue of EUR 171.7m (2018: EUR 140.7m), while Italian Westwing S.r.l. had revenue of EUR 26.6m (2018: EUR 36.1m) and revenue at Spanish Westwing Iberia S.L. amounted to EUR 25.1m (2018: EUR 28.7m).

1.3 Performance Measurement System

Westwing manages the operating business via two segments “DACH” and “International” using the key performance indicators revenue, Adjusted EBITDA and Adjusted EBITDA margin. The DACH segment is comprised of Germany, Switzerland and Austria. The International segment consists of Spain, Italy, France, Poland, the Czech Republic, Slovak Republic, Belgium and the Netherlands.

We define EBITDA as the sum of earnings before interest and taxes (EBIT) and depreciation, amortization and impairments. We calculate Adjusted EBITDA by making adjustments to EBITDA for share based compensation (income) / expenses. In 2019, EBITDA was adjusted for expenses relating to restructuring costs in Italy and France. In 2018, IPO costs recognized in profit and loss and central costs allocated to discontinued operations were also adjusted (affiliates in Brazil and Russia were sold in October and November 2018, central costs were allocated for full year due to e.g. ongoing handover). None of these costs were incurred in 2019.

The Adjusted EBITDA margin is defined as Adjusted EBITDA in percentage of revenue.

In addition to our key performance indicators revenue, Adjusted EBITDA and Adjusted EBITDA margin, other both financial and non-financial performance indicators are reported to corporate management and include the following:

- Private Label Share: Share of Own and Private Label GMV as percentage of total GMV.

- GMV (gross merchandise volume): Defined for the relevant period as the product value of all valid orders excluding failed and cancelled orders and less future projected cancellations. Future projected cancellations are estimated based on historical patterns. Returns are included.

- Number of orders: Defined as total number of valid orders (i.e. orders for which payment has been processed successfully and which have not been cancelled), during the twelve months previous to the relevant period end, irrespective of returns.

- Average basket size: Defined as GMV for the relevant period divided by the total number of orders for the same period.

- Active Customers: Defined as customers who have placed at least one valid order (i.e. an order for which payment has been processed successfully and which has not been cancelled), during the twelve months previous to the end date of the relevant period, irrespective of returns.

- Average Orders per Active Customer in the preceding twelve months: Defined as total number of orders in the last twelve months from the relevant period end date divided by Active Customers as of the end date of the relevant period.

- Average GMV per Active Customer in the preceding twelve months: Defined as GMV in the last twelve months from the relevant period end date divided by Active Customers as of the end date of the relevant period.

- Mobile visit share: Defined as the share of visits via Mobile Devices as percent of total visits.

- Contribution margin: Defined as the margin of the total of gross profit less adjusted fulfilment expenses in percent of revenue.

- Free cash flow: Defined as the sum of operating cash flow and investing cash flow.

1.4 Research and Development

Since its founding, Westwing has invested in and further developed software to cover the growing internal and external business requirements. An important development was the expansion of the technological landscape to address the increasing focus on mobile platforms. Westwing provides apps for iOS and Android devices as well as smartphone and tablet-optimized sites.

Westwing develops and uses different software of which large amounts are capitalized in line with IAS 38. To maintain its software architecture, Westwing has established a skilled in-house technology team who provides central support to all countries. During the 2019 fiscal year, Westwing's net book value of intangible assets resulting from capitalization of internally developed software increased by EUR 3.8m to a total of EUR 11.5m. The share of capitalized development costs as percent of total technology costs was about 43 % in 2019 (2018: 54 %). Amortization of capitalized development costs of the year 2019 amounted to EUR 1.9m (2018: EUR 1.5m). Impairment expenses were EUR 0.3m (2018: none).

2. ECONOMIC DEVELOPMENTS

2.1 Macro-Economic and Sector-Specific Environment

As of year-end Westwing operates in the market for online retailing of Home and Living products in eleven countries. The Company's revenue and profitability depend on conditions and prospects in their respective markets. These include macroeconomic developments, the conditions in the Home and Living markets in general and the prospects for eCommerce and mobile channels.

Macro-economically, Europe's dynamic slowed down in 2019: According to estimates by the IMF[4], real GDP had an estimated growth of 1.5 %, thus 0.7pp lower than in 2018. In Germany, Westwing's largest market, real GDP growth was only 0.5 %, which is an even stronger decline (2018: 1.5 %).

4 International Monetary Fund: World Economic Outlook Database October 2019.

The global Home and Living market amounted to approximately EUR 575bn[5] in 2018. The eleven countries in which Westwing operates covered approximately EUR 117bn[6] in 2017; those markets consist of over 300 million people.

2.2 Business Development[7]

2019 has been a challenging year for Westwing, especially the first half of the year, where we faced delays as well as additional ramp-up costs related to our large warehouse move to Poland. In addition, customer churn slightly increased, and we saw an overall lack of operating leverage throughout the year. We addressed these topics and furthermore increased our marketing activities in the second half of the year. As a result, we saw improvements in growth, customer acquisition and contribution margin from the third quarter onwards, however, the additional marketing investments affected our Adjusted EBITDA. We closed the year with revenue growth by 5.3 % to EUR 267m (2018: EUR 254m) and an Adjusted EBITDA margin of – 3.8 % (2018: +1.2 %). Free cash flow was EUR – 22.1m (2018: EUR – 5.5m). Net result for the Group was EUR – 39.0m (2018 for continuing operations EUR – 26.0m).

Thus, we met our adjusted guidance to capital markets from September 2019 on Adjusted EBITDA (at around – 3.5 % within a range of one percentage point, originally within a range of 1pp of 1 %) and free cash flow (not exceeding EUR – 29m, originally lower than EUR – 25m), but slightly missed our adjusted guidance for revenue (at the low end of the updated guidance of 6 – 12 % of revenue growth, originally within a range of 2 – 3 ppts of 16 %), with revenue increasing by 5.3 % compared to the previous year.

Broken down to segments Group results correspond to EUR 151.4m revenue and EUR – 0.5m Adjusted EBITDA in DACH while revenue in our International segment was EUR 115.9m with an Adjusted EBITDA of EUR – 9.4m (we refer to the results of segments for more details).

Major themes relevant for the business development in 2019 were the following:

Maintain and Improve Customer Loyalty

Westwing's customer loyalty was very strong with 82 % of orders coming from repeat customers (2018: 81 %). We were able to increase the share of wallet as measured by average GMV per active customer from EUR 312 in 2018 to EUR 327 in the year 2019. However, churn slightly increased through the year.

Establishing a Full Working Business Model in all 11 countries

Based on the DACH business we use as blueprint for the International segment we have our fully working business model now live in all our eleven countries: Daily themes, permanent assortment, Private Label, all of which supported by our organic marketing approach. The latest launches took place in the Czech Republic and the Slovak Republic in summer 2019.

5 Imarc; Press Release Home Decor Market.

6 Euromonitor International.

7 All explanations and numbers regarding quarterly developments are unaudited.

Increase Share of our Own and Private Label products for better customer experience and increased profitability
The share of GMV from Own and Private Label increased to 25 % of GMV in Q4 2019 compared to 18 % in Q4 2018. Our Own and Private Label products help improve our gross and contribution margins as they typically have margins that are 8 – 10 percentage points higher. In addition, we have full control over the supply chain as well as product quality and are able to offer competitive pricing.

Addressing key challenges
In 2019, we faced several challenges which we were able to address:

- After initial delays our new large warehouse in Poland was fully operational since June 2019 and is now improving productivity for benefits of lower variable fulfilment costs.

- Problems in the assortment, especially driven by not enough low-price point products, were addressed, and our offering is now better balanced

- The entire International segment faced challenges regarding traffic and offering in 2019, especially France and Italy. However, the International segment has returned to growth since the third quarter of 2019 with the Italian business recovering and having implemented a restructuring plan. Restructuring and centralization of our French business in Munich was completed.

- New customer acquisition has ramped up and our target marketing cost ratio was updated to 9 % of revenue (before 6 – 7 %)

2.2.1 RESULTS OF OPERATIONS

CONDENSED CONSOLIDATED INCOME STATEMENT

The condensed Consolidated Income Statement as reported under IFRS previous to adjustments defined for calculating Adjusted EBITDA looks as follows:

EUR m	**2019**	**In % of revenue**	2018	In % of revenue	Change in EUR m	Change in %
Revenue	**267.3**	**100.0**	**253.9**	**100.0**	**13.4**	**5.3**
Cost of sales	– 148.1	– 55.4	– 145.5	– 57.3	– 2.6	1.8
Gross Profit	**119.2**	**44.6**	**108.4**	**42.7**	**10.7**	**9.9**
Fulfilment expenses	– 62.7	– 23.4	– 54.2	– 21.3	– 8.5	15.7
Marketing expenses	– 23.2	– 8.7	– 17.8	– 7.0	– 5.5	30.7
General and administrative expenses	– 66.4	– 24.8	– 55.9	– 22.0	– 10.5	18.7
Other operating expenses	– 2.1	– 0.8	– 0.7	– 0.3	– 1.3	175.3
Other operating income	1.0	0.4	0.7	0.3	0.3	46.7
Operating Result	**– 34.2**	**– 12.8**	**– 19.5**	**– 7.7**	**– 14.7**	**75.2**

The following table shows the reconciliation from Operating Result to Adjusted EBITDA:

EUR m	2019	2018
Operating result	**– 34.2**	**– 19.5**
Share based compensation expenses	12.3	8.4
Restructuring France and Italy	2.4	–
IPO costs recognized in profit or loss	–	4.4
Central costs allocated to discontinued operations	–	2.6
Depreciation, amortization and impairments	9.2	7.2
Adjusted EBITDA	**– 10.3**	**3.1**
Adjusted EBITDA margin	– 3.8 %	1.2 %

The adjusted consolidated income statement (as stated in the following table) down to adjusted EBITDA that we use to comment on the operating development of the individual positions excludes share-based compensation expenses. In 2019, restructuring expenses in France and Italy were adjusted as well. In France, the restructuring refers to the centralization of the French business in Munich. The costs of EUR 1.9m includes mostly severances. In Italy a transformation program was set-up to support the recovery of the business, the restructuring costs of EUR 0.5m also mainly comprise severances.

In 2018, next to share-based compensation, the Adjusted EBITDA was also adjusted for IPO costs recognized in the income statement, and central costs allocated to discontinued operations. The operations in Russia and Brazil were sold in the fourth quarter of 2018, however, the central costs incurred were allocated to the whole year due to handover, among others. Both costs did not re-occur in 2019. Finally, depreciation, amortization and impairments are excluded from Adjusted EBITDA.

ADJUSTED CONDENSED CONSOLIDATED INCOME STATEMENT

EUR m	2019	In % of revenue	2018	In % of revenue	Change in EUR m	Change in %
Revenue	**267.3**	**100.0**	**253.9**	**100.0**	**13.4**	**5.3**
Cost of sales	– 148.1	– 55.4	– 145.5	– 57.3	– 2.6	1.8
Gross Profit	**119.2**	**44.6**	**108.4**	**42.7**	**10.7**	**9.9**
Fulfilment expenses*	– 62.1	– 23.2	– 55.1	– 21.7	– 7.0	12.6
Contribution Profit	**57.1**	**21.4**	**53.3**	**21.0**	**3.8**	**7.1**
Marketing expenses*	– 23.0	– 8.6	– 17.7	– 7.0	– 5.3	30.1
General and administrative expenses*	– 52.4	– 19.6	– 42.2	– 16.6	– 10.2	24.1
Other operating expenses	– 2.1	– 0.8	– 0.7	– 0.3	– 1.3	175.3
Other operating income	1.0	0.4	0.7	0.3	0.3	46.7
Central costs allocated to discontinued operations	–	0.0	2.6	1.0	– 2.6	– 100.0
Depreciation, amortization and impairments	9.2	3.4	7.2	2.8	2.0	27.3
Adjusted EBITDA	**– 10.3**	**– 3.8**	**3.1**	**1.2**	**– 13.3**	–

* The following adjustments were made in the corresponding lines:

EUR m	Expense line	2019	2018
Share-based compensation	Fulfilment	0.1	– 0.9
	Marketing	0.2	0.0
	General and Administrative	12.1	9.3
Restructuring France and Italy	Fulfilment	0.5	–
	General and Administrative	1.9	–
IPO costs recognized in profit or loss	General and Administrative	–	4.4
Central costs allocated to discontinued operations	General and Administrative	–	2.6
Total		**14.7**	**15.4**

Revenues for the year comprise the following:

EUR m	2019	In % of revenue	2018	In % of revenue
Revenue from the sale of products	263.6	98.6	251.0	98.8
Other revenue	3.7	1.4	2.9	1.1
Total	**267.3**	**100.0**	**253.9**	**100.0**

In the reporting period, other performance indicators developed as follows:

OTHER PERFORMANCE INDICATORS

	2019	2018	Change
Own and Private Label share (in % of GMV)	24 %	16 %	8pp
GMV (in EUR m)	310	291	6.6 %
Number of orders (in k)	2,428	2,399	1.3 %
Average basket size (in EUR)	128	121	5.3 %
Active Customers (in k)	949	934	1.6 %
Average orders per Active Customer (in EUR)	2.6	2.6	– 0.4 %
Average GMV per Active Customer in the preceding twelve months (in EUR)	327	312	5.0 %
Mobile visit share	76 %	73 %	3pp

Westwing increased revenue from EUR 253.9m in 2018 to EUR 267.3m in 2019. This corresponds to a year-over-year revenue growth rate of 5.3 %. The increase in Group revenue was mainly driven by an increase in the average basket size and a higher share of wallet, i.e. the average GMV per Active Customer.

Revenue growth was supported by Westwing's successful further build-up of its Own Label and Private Label offering. The Own Label and Private Label share grew by 8 percentage points from 16 % of GMV in 2018 to 24 % of GMV in 2019. Westwing launched two new collections in 2019, one in spring and one in fall.

Westwing's gross profit margin was at 44.6 % on a higher level than 2018 (42.7 %) with the fourth quarter 2019 reaching an all-time high of 47.1 %. Drivers were especially a higher share of Own and Private Label and more discipline regarding pricing and discounts.

Fulfilment expenses[8] (before share-based compensation and restructuring expenses) as percent of revenue increased compared to the previous year, to 23.2 % (2018: 21.7 %). This development was primarily driven by higher logistic costs in the first half of the year relating to the delayed warehouse move from Berlin to Poland and costs increases from freight providers.

Marketing expenses (before share-based compensation) in percentage of revenue was higher at 8.6 % (2018: 7.0 %) which reflects the Company's strategy to push revenue growth with higher marketing investments starting in the second half of 2019. Marketing expenses in absolute terms rose to EUR 23.0m (2018: EUR 17.7m).

General and administrative expenses (before adjustments[9]) increased from EUR 42.2m in 2018 to EUR 52.4m in 2019. In percent of revenue this is a development of + 3.0 percentage points to 19.6 % of revenue. The key underlying driver for the development of our general and administrative expenses were investments into enablers of growth, specifically the internationalization of our permanent assortment WestwingNow, Technology as well as Own and Private Label. Next to our daily theme business, both WestwingNow and Own and Private Label have been available in all our eleven countries since the third quarter of 2019.

The Adjusted EBITDA margin decreased by 5.0 percentage points from + 1.2 % in 2018 to – 3.8 % in 2019, whereas in the fourth quarter 2019 it was + 3.1 % compared to + 2,3 % in the fourth quarter of 2018. This development shows that we addressed the issues we had faced in our assortment and in our warehouse in the first half of 2019.

Amortization, depreciation and impairments increased by EUR 2.0m to EUR 9.2m primarily due to the increase in software capitalization over the recent years and additional right-of-use assets recognized due to the warehouse move from Berlin to Poland.

The net financial result amounted to EUR – 3.8m, thus improved by EUR 3.1m compared to the previous year (2018: EUR – 6.9m). This development was mainly due to lower interest expenses, as we still had high non-cash interest expenses in 2018 from previous financing rounds that were classified at amortized cost or fair value, however, these expenses or income related only to the valuation and did not result in any payments.

The tax expense of EUR 1.0m (2018: income of EUR 0.4m) comprises mainly the write-off of the deferred tax asset in Spain of EUR 0.5m.

In the 2019 fiscal year the net result amounted to EUR – 39.0m, increasing the net loss by EUR 13.0m compared to the previous year (net result for continuing operations of EUR – 26.0m). This development was primarily driven by a lower operating result and higher share-based compensation expenses of EUR 12.3m in 2019 (compared to EUR 8.4m in 2018).

8 Fulfilment expenses include shipping costs.

9 Share-based compensation, restructuring expenses Italy and France

The net result from discontinued operations in 2018 amounted to EUR 23.6m and was mainly due to the income from the disposal of the subsidiaries in Russia and Brazil and deconsolidation effects in the fourth quarter of 2018.

GMV increased from EUR 290.8m in 2018 to EUR 310.0m in 2019 representing growth of 6.6 % and being slightly higher than the percentage of the revenue increase. This increase was based on a total of 2.4m orders (2018: 2.4m) placed by 949k (2018: 934k) Active Customers, each of them increasing their average GMV to an average of EUR 327 in 2019, compared to EUR 312 in 2018.

Mobile visit share in 2019 continued to increase to 76 % (2018: 73 %). This development is in line with our expectation that mobile channels will become increasingly important over time.

RESULTS OF SEGMENTS

The split of the Group's revenue into segments is as follows:

EUR m	2019	In % of revenue	2018	In % of revenue	Change in EUR m	Change in %
DACH	151.4	56.6	133.2	52.5	18.2	13.6 %
International	115.9	43.4	120.7	47.5	– 4.8	– 4.0 %
Total	**267.3**	**100.0**	**253.9**	**100.0**	**13.4**	**5.3 %**

Adjusted EBITDA of the segments developed as follows:

EUR m	2019	Margin	2018	Margin	Change in EUR m
DACH	– 0.5	– 0.3 %	5.7	4.3 %	– 6.2
International	– 9.4	– 8.1 %	– 2.7	– 2.2 %	– 6.7
HQ/Reconciliation	– 0.4	–	– 0.0	–	– 0.4
Total	**– 10.3**	**– 3.8 %**	**3.1**	**1.2 %**	**– 13.3**

Our DACH segment had a successful year with respect to revenue and contributed EUR 151.4m, a growth of 14 % compared to 2018. Revenue in our International segment declined by 4 %, but with improvements over the year and a positive development in the second half of the year. The DACH segment showed an Adjusted EBITDA margin of – 0.3 % (2018: + 4,3 %), and we continued to have a negative EBITDA margin in the International segment, which was – 8.1 % (2018: – 2.2 %), again driven by the decline of revenue, as the entire International segment faced challenges regarding traffic and offering in 2019, especially France and Italy.

2.2.2 FINANCIAL POSITION

CONDENSED STATEMENT OF CASH FLOWS

EUR m	2019	2018	Change in EUR m
Cash flows from operating activities	– 13.3	– 9.9	– 3.4
Cash flows from investing activities	– 8.8	4.4	– 13.2
Cash flows from financing activities	– 27.3	114.2	– 141.5
Cash flows from discontinued activities	-	1.0	– 1.0
Change in cash and cash equivalents	**– 49.4**	**109.7**	**159.1**
Effect of exchange rate fluctuations on cash held	– 0.4	– 0.5	0.2
Cash and equivalents as of January 1	123.0	13.8	109.2
Cash and equivalents as of December 31	**73.2**	**123.0**	**– 49.8**

Cash outflow from operating activities totaled EUR – 13.3m (2018: EUR – 9.9m), an increase of EUR 3.4m. This development is primarily due to a lower operating result. Cash and working capital developed positively in the fourth quarter of 2019, where we had a high focus on efficient stock management throughout the Group. Net working capital – defined as inventory plus goods prepayments, current trade and other financial assets less trade payables, accrued liabilities and contract liabilities – has increased by EUR 1.4m to EUR – 3.4m in 2019 (2018: EUR – 4.8m).

Cash outflows from investing activities amounted to EUR – 8.8m (2018: cash inflows of EUR 4.4m), which includes investments in intangible assets of EUR 6.2m in 2019, especially in internally developed software, being slightly higher than the EUR 5.7m in 2018. The cash inflow in 2018 included one-time proceeds from the sale of operations in Brazil and Russia amounting to EUR 11.0m, resulting in a positive cash inflow from investing activities.

As a result of the developments in the operating and investing cash flows described above, the free cash flow for the full year amounted to EUR – 22.1m (2018: EUR – 5.5m). In the fourth quarter of 2019 it was at EUR +7.7m, thus again positive as in the same quarters in the previous years.

The cash outflow from financing activities amounted to EUR – 27.3m (2018: EUR 114.2m) and in 2019 especially includes the repayment of the loans with GGC EUR S.À.R.L of EUR 15.0m as well as related interest expenses and exit fees of EUR 2.7m. Furthermore, cash out flows for treasury shares primarily resulting from the buyback program in fall 2019 amounted to EUR 3.0m. The share-buyback program was completed at the end of October 2019. In 2018, the cash flow from financing activities was primarily impacted by the proceeds from the initial public offering on October 9, 2018, which led to gross proceeds of EUR 122.5m.

Principles and objectives of financial management

Managing cash and working capital are at the heart of financial management at Westwing. Maintaining liquidity is also a paramount objective. The type and volume of transactions involving cash are focused on our operating business. Westwing only has term deposits such as short-term highly liquid investments with original maturities of three months or less. A rolling twelve-month cash flow planning is used to determine liquidity requirements.

After the IPO in 2018, the Company has cash reserves to cover additional investments in growth as well as to support the ongoing business. Westwing has consistently ensured that sufficient liquid funds were available to fund operations. Westwing was able to meet its payment obligations at all times.

Details on financial risk management can be found in the notes to the consolidated financial statements (note 24).

2.2.3 ASSETS AND LIABILITIES

CONDENSED STATEMENT OF FINANCIAL POSITION

EUR m	2019	2019 in % of Total	2018	2018 in % of Total	Change in EUR m	Change in %
Total Assets	**165.4**	**100.0 %**	**197.5**	**100.0**	**– 32.0**	**– 16.2 %**
Non-Current Assets	51.5	31.1 %	33.3	16.9	18.2	54.7 %
Current Assets	113.9	68.9 %	164.2	83.1	– 50.2	– 30.6 %
Total Liabilities + Equity	**165.4**	**100.0 %**	**197.5**	**100.0**	**– 32.0**	**– 16.2 %**
Equity	74.4	45.0 %	104.9	53.1	– 30.5	– 29.1 %
Non-Current Liabilities	26.7	16.1 %	32.4	16.4	– 5.7	– 17.5 %
Current Liabilities	64.4	38.9 %	60.2	30.5	4.2	7.0 %

Current assets accounted for EUR 113.9m as of December 31, 2019 (December 31, 2018: EUR 164.2m). Cash and cash equivalents decreased to EUR 73.2m (December 31, 2018: EUR 123.0m), mainly as a result of the cash used in operating activities and the repayment of loans with GGC EUR S.À.R.L in the amount of EUR 15.0m as well as related interest expenses and exit fees of EUR 2.7m. Inventory was up slightly at EUR 23.4m (December 31, 2018: EUR 22.6m) due to overall business growth, in particular for WestwingNow as well as Own Label and Private Label. Trade and other current financial receivables amounted to EUR 9.4m (December 31, 2018: EUR 10.0m).

Non-current assets mainly consist of property, plant and equipment as well as intangible assets. The increase in property, plant and equipment from EUR 21.9m end of 2018 to EUR 35.4m end of 2019 is especially driven by new right-of-use assets for the new warehouse in Poland and new office space in Germany, Italy and Spain. Intangible assets, primarily representing capitalization of software development, increased by EUR 3.8m. Capitalization of software development of EUR 6.1m was partially offset by amortization of EUR 1.9m and an impairment of EUR 0.3m in 2019.

Current liabilities were EUR 4.2m higher compared to the previous year, at EUR 64.4m (December 31, 2018: EUR 60.2m). Trade payables strongly decreased from EUR 24.9m at the end of 2018 to EUR 17.1m as of December 31, 2019, particularly caused by earlier payment runs due to the timing of bank holidays in December. This development was offset by EUR 5.5m higher accruals and a slight increase in contract liabilities, mainly due to the higher business volume towards the end of the year.

The decrease in non-current liabilities to EUR 26.7m (December 31, 2018: EUR 32.4m) comprises some adverse effects: while non-current borrowings of EUR 14.9m were completely paid back in 2019, non-current leasing liabilities increased by EUR 9.8m corresponding to the higher right-of-use assets described above.

The Company's equity amounted to EUR 74.4m as of December 31, 2019, compared to EUR 104.9m at the end of 2018. This development was caused by the net loss for the year and the increase in treasury shares, only partly compensated by higher share-based payment reserves.

As of December 31, 2019, the Group did not have available credit lines. As of December 31, 2018, the Group had EUR 3.0m of undrawn committed borrowing facilities.

Overall assessment of the Group's economic position

The year 2019 was a year of challenges for Westwing and we have not reached our original plans. However, we were able to address most of the issues mentioned above in the second half of the year. As a result of these developments and building on our ongoing improvements in business processes and our assortment, we expect to get business back on track steadily and put the International segment on a trajectory to follow the DACH role model.

3. EMPLOYEES

At the end of December 2019, Westwing Group employed 1,290 full time equivalents (hereinafter: FTEs[10]), which is an increase compared to 1,143 employees in 2018.

In December 2019 most staff were employed by the Munich-based legal entities Westwing Group AG (339 FTEs) and Westwing GmbH (182 FTEs), as well as the Polish entity (458 FTEs) that also operates Westwing's shared service center.

At Westwing, international diversity is considered an important competitive factor. This international character is expressed in the diverse backgrounds of the employees. At the end of 2019 the Company employed more than 50 different nationalities. Likewise, Westwing sees gender diversity as an important factor. 61 % of Westwing employees are female.

4. NON-FINANCIAL REPORT[11]

Our vision is to be the European leader in Home and Living eCommerce. We want to achieve this by creating the most inspiring customer experience and the most loved brand.

In order to fulfil our mission "to inspire and make every home a beautiful home" and to drive future business success, we aim to ensure corporate social responsibility throughout the whole Group. Together with our employees, partners, suppliers and customers, we want to sustainably act and grow.

To be able to support and achieve our vision, accomplish our mission and drive sustainability in the Home and Living eCommerce market, we have outlined the following Westwing values:

- Inspiration every day: We inspire our customers in everything we do to make every home a beautiful home.

- Customer delight: We work for our customers. We strive to make them truly fall in love with our brand, and a little more with every action and interaction.

- Genuine care: We genuinely care about our customers, colleagues, and partners. We do not let people down. We are open, honest, direct, and reliable.

- Driven to get results: We get things done, in a fast and lean way, no matter the obstacles in our way.

10 According to Westwing definition, one FTE is equivalent to one employee working full-time.

11 This section of the Combined Management Report is not subject to audit requirements.

- Unique team: We are a diverse and passionate team. We work together with integrity, creativity, fun and energy to achieve incredible things and build a company of true longevity.

- Ambition to be the best: We strive for excellence and aspire to create the European leader in Home and Living eCommerce.

Those values shape our culture and reflect what we appreciate as a company. They are the essence of our identity – our principles, beliefs or philosophy of values. They are thus timeless and do not change, they are sustainable in the longer term and they are universally applicable to all Westwing businesses, teams and employees.

As a result, we defined five material topics of activity that are particularly important for us to achieve our aims to act and grow sustainably. These are Employees and Diversity, Environmental and Climate Protection, Human Rights in our Supply Chain, Customer Relationship and Data Protection as well as Anti-Bribery and Anti-Corruption initiatives at Westwing.

Our Governance, Risk and Compliance (GRC) function is an integrated collection of capabilities that enable an organization to reliably achieve objectives, address uncertainty and act with integrity. It consists of a set of functions that oversees and manages risks and compliance across the organization to reliably meet Company objectives.

The GRC function monitors risks that might impact our business performance, which includes not only financial risks, but also reputational, social and environmental risks, among others. All identified risks are visualized to facilitate comparison of the risks' relative priority and to provide an overview of Westwing Group´s total risk exposure. The rating of risks reveals which risk information require attention. The results of the risks are summarized in the risk and opportunity report. We did not identify any risks resulting from our business activities, value chain, products or services that would affect sustainability aspects concerning employees, environment, social concerns, anti-corruption and human rights.

The following non-financial report sets out the steps we have taken so far to meet corporate responsibility requirements. This chapter includes our non-financial report for Westwing Group AG in accordance with Sec. 315b and 315c and in conjunction with Sec. 289b and 289c of the German Commercial Code (HGB). We oriented our report toward the German Sustainability Code (DNK). The non-financial report is divided into the sections:

MATERIAL TOPICS OF ACTIVITY

- CUSTOMER RELATIONSHIP AND DATA PROTECTION
- ANTI-BRIBERY AND ANTI-CORRUPTION
- ENVIRONMENTAL AND CLIMATE PROTECTION
- OVERALL SUPPLY CHAIN COMPLIANCE
- EMPLOYEES AND DIVERSITY

Concerning the definition of our business model we refer to section 1.1 of this combined management report.

Employees and Diversity

The Westwing Group considers international diversity to be an important competitive factor. We believe that our diverse, smart and friendly atmosphere is the secret to our success.

This international character is expressed in the diverse backgrounds of our employees. Westwing unites individuals from more than 50 nationalities, with great passion, integrity, creativity, joy and energy to achieve extraordinary results and build a company of true longevity. Constantly growing, we strive for excellence and aspire to create the European leader in Home and Living eCommerce. Likewise, Westwing sees gender diversity as an important factor: 61 % of employees of Westwing Group are female.

EMPLOYEES BY GENDER AND SEGMENT

	DACH	International	Group
Total	**570**	**720**	**1,290**
Female*	321	404	716
Male*	258	316	574

* Headcount as of December 31, 2019

This dynamic environment offers our nearly 1,300 employees great opportunities to develop.

We know that for the fulfilment of our vision and the achievement of our objectives, we are dependent on the knowledge, experience and motivation of all our employees. Without their enthusiasm, diversity, ambition and contribution Westwing would not be able to grow and expand. Westwing therefore focuses on investing in the current workforce and extending the workforce as required. We support personal and professional growth by building a strong feedback culture that enables development and learning opportunities on a daily basis.

We have created and want to sustain an open and honest atmosphere in which each employee feels encouraged to proactively state their opinions and suggestions – irrespective of age or position in the Company.

Hence, in addition to regular (at least annual, often bi-annual) performance feedbacks, we have established the following institutions not only to keep employees informed about current developments in the Company but also to gauge their current mood about their tasks and working conditions, for which our HR department is responsible:

- Allhands Meetings: Update on all important topics by the management on a regular basis as well as a Q&A-session at the end.

- Insights Sessions: Presentations by our leaders to give diverse Westwing business insights and discussions.

- Team Pulse Checks: Bi-annual request to gather anonymous feedback from employees about Westwing, team, what is good or what needs to be improved. This provides the opportunity to tell HR and management openly how everybody feels and what is good and not good, so we can learn about it and work on it.

- Upward Feedback Process: Upward Feedback provides an anonymous and confidential way for employees to provide feedback to their immediate supervisors to enhance supervisor's ability to lead their teams more effectively. It is administered twice a year via an external service provider, to ensure anonymity.

- 1-on–1s: Regular meetings of every employee and their supervisor on a weekly or biweekly basis to give the opportunity to openly talk about pressing issues, give feedback, to develop a strong relationship and ensure that an employee is on track working towards their goals.

Furthermore, we are always open to support trainings and further educational projects of our employees.

We also recognize our responsibility as an employer to protect the health of everybody at Westwing and to provide a working environment that cares about the current and future needs of our employees' work-life balance. Attracting talent is essential for our success and growth strategy. Thus, we want to design an attractive and innovative work environment together with our team.

We offer a safe and healthy work environment to our employees. Therefore, we aim to completely prevent accidents and minimize the risk of occupational illnesses. We have established clear and reliable structures within Westwing offering suitable solutions for the corresponding work environments.

To prevent accidents in our offices, there is a mandatory "safety in workplace" guideline that every new employee has to read and sign, and for which the sign-off is regularly updated. We offer trainings for fire protection assistants and to provide first aid. Furthermore, we provide health-promoting activities to our employees on a regular and voluntary basis. In 2019, employees could participate in a variety of sports programs and consultations on ergonomics at the workplace.

In order to be an attractive employer, we are very flexible concerning working hours, part-time employments and job location solutions, such as the possibility of working from home. In spring 2020 Westwing as a family-conscious company, will open its own day care for children's aged 0 to 3 years to make it easier to balance work and family life.

As Westwing places value on environmental protection, public transportation is supported for all employees. Furthermore, no company cars are provided to the employees. Our travel guidance states that we should avoid as much travel as possible and replace it with video conferencing and Skype meetings.

In our warehouse in Italy, which we do not manage by ourselves, we checked to ensure that the warehouse service provider has set up adequate policies and guidelines concerning safety in the workplace. Furthermore, we regularly review fire safety requirements in all of our warehouses. For this review we created a checklist, which has to be filled out and signed by the warehouse manager. Our last review was performed in the second quarter of 2019 and all of our warehouses passed the review.

Environmental and Climate Protection

Westwing has grown successfully in the past few years, leading to an increasing number of customers and consequently an increasing number of shipped packages, which is also causing a larger ecological footprint. Nevertheless, Westwing is aware of its responsibilities towards nature, the environment and climate protection. We therefore decided to establish new ways of delivery not only to save transportation costs but in particular to avoid long routes of transport and to reduce environmental pollution. We have set up five logistics centers around Europe, and we ship the ordered products from the logistic center located nearest to the customer.

Every day numerous orders are processed in our logistic centers, and with our growing business the number will increase even more. Consequently, we also expect the amount of packaging material to increase. Our packaging guidelines have been designed to define and implement a standard for Westwing's packages. Westwing stands for elegance, quality, variety of products and value. Therefore, every packaging decision is a negotiation between safety of the products, cost-efficiency and the customer experience when unpacking. Packages should leave the warehouse clean and undamaged without any exceptions and arrive at the customers in the same condition. To deliver Westwing's high quality-products in an impeccable condition, there must be enough cushioning material without overwhelming the customer with unnecessary waste. Packing and protection should not only be cost effective, but also aim to produce as little waste as possible.

All Westwing packages are eco-friendly, this means that all our boxes consist of 100 % recycled cardboard and are even more biodegradable. Westwing sees itself as responsible for addressing sustainability and decreasing our CO2 footprint. A decisive signpost for the future is to establish the option of order bundling in 2020. Once rolled out, the customer can decide on their own to receive all ordered items in one package or whether all items should be delivered individually as soon as they are available. In addition, we try to reduce transportation distances by partially using drop shipment (i.e. when the supplier delivers directly to the customer instead of to the Westwing warehouse). Furthermore, in order to reduce transportation almost all of our Own and Private Label sofas and beds are produced in Europe.

A responsible and prudent use of natural resources is a prerequisite for our sustainable business operation. We therefore also expect our Own Label and Private Label business partners to define standards and implement procedures that enable a responsible use of resources. They shall provide a waste management as well as a disposal of hazardous substances management that guarantees a careful treatment of the environment. Furthermore, they have to particularly take into account human health and safety. All procedures should focus on the precautionary principle of low emissions and water conservation. Necessary permits, licenses and test reports must be obtained and kept up to date. This includes but is not limited to emissions to air, noise, water discharge, ground contamination and animal protection.

Overall Supply Chain Compliance

Compliance with applicable laws and other legislation in each country in which we operate, the relevant industry minimum standards and the conventions of the International Labour Organization (ILO) form the base for our sustainability-oriented business.

As an internationally oriented company, we have to rely on the support and the cooperation of our business partners, since we not only aim to comply with the above-mentioned standards within the Westwing Group but also want our business partners to do so.

To keep the risk of reputational damage, legal fines and potential sourcing interruptions as low as possible, we have set up our own Code of Conduct for Own and Private Label suppliers, where we have our Westwing creations produced by third party suppliers. The principles of our Private Label Code of Conduct are based on the Conventions of the International Labour Organization (ILO), United Nations Global Compact Principles and OECD Guidelines for Multinational Enterprises. This code is the basis of Own and Private Label for any collaboration with business partners, no matter in which area. It includes sections to avoid inhuman circumstances and child labor, among many others. We recognize that local laws in some of our business partners' countries may have lower standards than those set out in our Code of Conduct. In such cases, we expect our business partners to adapt to our standards. Otherwise we would end the collaboration and blacklist the supplier. The Code of Conduct entitles us to conduct regular and unannounced audits and obliges our suppliers to work on non-compliances and work only with compliant subsuppliers. So far, we have managed to have 100 % of our Own and Private Label suppliers signed our Code of Conduct. To increase transparency, we collected and evaluated certified audit reports which suppliers have on hand from audits mandated by other suppliers or themselves. We implemented an internal factory audit form which is an integral part of the onboarding process of new suppliers. At the first visit of a new supplier it is mandatory for our Own and Private Label team to walk through the factory to get an overview of the situation and fill out the form. This form provides us with a first impression of the condition and shape of the factory to get an indication of potential risks and to understand the supplier's willingness to be transparent regarding these topics.

In the second quarter of 2019 we implemented the Code of Conduct as an integral part of our new supplier framework agreement to further leverage compliance. This entitles us to terminate for cause in case of a fundamental breach and hence cancel open purchase orders and return remaining stock against refund. Thus, we get more traction and importance on Supply Chain Compliance. To improve our Supply Chain Compliance, we are requiring that 100 % of our Own and Private Label suppliers will sign the new framework in 2020.

We expect our business partners to align their operations and activities with these principles. Furthermore, it is the responsibility of our business partners to disseminate and educate the principles of this code to their suppliers.

In addition, our partners are required to implement a control system with internal audits at least once a year and a minimum level of documentation for at least 24 months. The business partner has to agree to regular external audits which may take place unannounced.

As mentioned above, we do not manage all our warehouses by ourselves, but we also have checked to ensure that our service providers have set up policies and guidance to meet the industry minimum standards.

Customer Relationship and Data Protection

With around one million Active Customers we have been able to establish a very loyal customer base with a steadily increasing share of wallet. This customer loyalty is one of the major drivers of our success, so we try to maintain and improve customer satisfaction by offering new services on our website, such as interior design support and "shop the look". We request feedback from customers on transactions and we talk to them directly as part of customer service to learn how we can become even more attractive.

Another aspect concerning customer satisfaction is the quality of our products. Therefore, Westwing maintains close relationships with our suppliers to reduce any complications in our supply chain and ensure the best possible delivery quality. The staff in our warehouses also contributes to our delivery quality as they are trained to check the quality of each product. These quality checks are part of the inbound inventory process in each warehouse to avoid products of low quality being sent to customers.

As an online shop for Home and Living products we receive and handle a considerable amount of data day by day. In order to support our global business, it is essential that necessary information and data are provided throughout Westwing. The Company's international activities require us to comply with various legal regulations in different countries and regions. At the same time, adequate protection must be accorded to our business partners and our employees. To handle all these requirements, we have set up an IT Security Policy defining all aspects of information technology in use; it covers not only IT Systems, but also facilities and processes concerning relevant IT systems. Our Legal department together with our IT department is responsible for setting up the rules and take care of any issues the concerning data protection and IT security.

We have established rules to protect data handled at Westwing and prevent unauthorized usage of personal, confidential or sensitive information in possession of Westwing or our employees. Complying with this policy is a requirement for the access and exchange of information within Westwing. Furthermore, Westwing has implemented appropriate technical and organizational measures to ensure the necessary data security.

The purpose of this policy is to secure and protect the information owned by Westwing. The Company provides and uses special software, networks, other electronic information systems and data to meet its mission, goals, and initiatives. Westwing grants access to its resources as a privilege and as such has to manage its responsibility to maintain confidentiality, integrity and availability of all information assets. This responsibility can only be met, if all users are fully aware of how to work securely given the data and the risks that are involved.

In conclusion, our IT Policy among other things establishes rules for all users of Westwing IT resources for handling any security incidents as well as personal, business, internal or sensitive data ensuring the security of Westwing's network.

Anti-bribery and Anti-corruption Initiatives at Westwing

Westwing has implemented a comprehensive anti-corruption policy. This policy outlines acceptable and non-acceptable behavior to avoid violations of anti-corruption laws. This behavior includes compliance with all laws, domestic and foreign, and the prohibition of improper payments, gifts or inducements of any kind to or as received from any person. Westwing follows a zero-tolerance policy for bribery. The policy applies to all Westwing employees and third parties Westwing engages. Furthermore, all subsidiaries were required to implement an equivalent policy as well. In the second half of 2019, Westwing conducted mandatory compliance trainings for each employee and the Management Board to ensure reasonable and ethical behavior. This training circle will be completed in the first half of 2020.

The anti-corruption policy provides guidance on what can be accepted by an employee and when a gift constitutes bribery. If support is required, employees can ask their supervisor, the Compliance Officer or the Legal department.

Westwing has implemented a whistleblower email address, where employees can report if they detect something is not working correctly. In the past years, no suspicious events were reported. In addition, it is part of our overall risk management system to detect any violations.

5. SUBSEQUENT EVENTS

For subsequent events after the end of the 2019 fiscal year, that have a significant impact on Westwing's future results of operations, financial position and net assets, we refer to the disclosure in the notes (note 32).

6. RISK AND OPPORTUNITY REPORT

In the course of its business activities, the Westwing Group is exposed to a multitude of risks. These result, among other things, from its activities that seek to develop and make use of opportunities to improve the Company's competitiveness. Risks and opportunities encompass events and developments with a certain probability of occurrence that may have material negative or positive financial and non-financial effects on the achievement of Westwing's objectives.

Westwing sees risk management as an integral part of creating transparency about risks and opportunities and, hence enhancing decision-making processes. The Company carefully weighs risks and opportunities, thereby actively making tradeoffs.

The Company fosters a risk-conscious corporate culture in all decision-making processes. We carefully weigh the opportunities and risks associated with our decisions and our business activities, from a well-informed perspective. This involves consciously taking and accepting calculated risks that are within the Company's risk appetite and mitigating those which are not.

6.1 Risk Management System

Westwing is committed to managing all risks in a proactive and effective manner. This requires a customized risk management system to communicate management decisions to all levels within the organization. To support this commitment, risk management is integrated into all business processes at appropriate level. Risk management at Westwing covers not only potential risks but also opportunities. Within the risk management process biannual inventories are carried out to identify, evaluate, document, and subsequently communicate the material risks in a structured way along with the measures to manage these risks. The corresponding principles, reporting and feedback processes are laid out in a directive that applies across the Group and is regularly updated. Risk management system is coordinated at Westwing headquarters.

The Management Board of Westwing Group AG has overall responsibility for the appropriateness and effectiveness of the Risk management system in accordance with Sec. 91 (2) AktG("Aktiengesetz": German Stock Corporation Act). Risk management is an integral part of management's approach to achieve its strategic objectives and to contribute to the long-term growth of the business. The Management Board has appointed a risk management officer, who reports directly to the Management Board. The risk management officer is mainly responsible for the risk management process, the coordination of trainings and all roles including risk owners. Risk owners are all employees of the operational and corporate functions. Their key responsibility is to continually report risks in their area on an operational level to their supervisor.

A separate Governance, Risk and Compliance (GRC) function exists at Westwing that combines risk management, internal controls and compliance.

6.2 System of Internal Financial Reporting Controls

As a part of its internal control system, Westwing has implemented internal controls over financial reporting. These consist of preventive, detective and monitoring control measures in accounting and operational functions that insure consistent process preparation of financial statements.

The control mechanisms include identifying and defining processes, introducing layers of approval and applying the principle of segregation of duties in order to have an efficient and effective control system in place. Processes and internal controls are regularly reviewed and improved by GRC function within Westwing.

6.3 Risk Methodology

Risk assessment at Westwing is performed on a regular basis. In the course of risk assessment, Westwing gathers information on potential risks identified locally as well as globally. This information is analyzed to determine whether the risks identified are still valid and correctly assessed. The documentation is updated accordingly, and a consolidated aggregated risk report is sent to the Management Board. The Management Board reports Westwing's current risk situation to the Supervisory Board.

The detailed risk guidance was established and implemented within the Company to bring transparency in the process of risk identification and assessment.

The risks identified by Westwing are quantified based on their likelihood of occurrence as well as their potential impact. The probability assessment is based on a time horizon of one year after the assessment date. In order to fully understand and highlight the effectiveness of the mitigation measures all risks are assessed on a gross risk basis (before mitigation measures are in place).

The likelihood of occurrence refers to the statistical or estimated probability of a risk issue occurring during the time horizon under review. It is stated as a percentage. The likelihood of the occurrence is determined by choosing one of the given probability ranges which are shown in the table below:

Likelihood	Assessment
Probable	(75 % – 99 %)
Likely	(50 % – 74.9 %)
Possible	(25 % – 49.9 %)
Unlikely	(5 % – 24.9 %)
Rare	(1 % – 4.9 %)

To assess the impact Westwing uses qualitative and quantitative assessments. Quantitative assessment is used when the amount can be easily estimated. The quantitative impact basis is revenue, Adjusted EBIT and cash flow, depending on the nature of the risk. When quantitative assessment is not possible, i.e. when it is about reputation or shareholder trust, a qualitative assessment is used.

	Quantitative Assessment (preferred)	
Effect	Financial Impact	
5	**> EUR 10.0m**	**Severe damaging** negative effect on business operations, financial status, profitability and cash flows
4	**> EUR 5.0m**	**Substantial** negative effect on business operations, financial status, profitability and cash flows
3	**> EUR 2.0m**	**Some** negative effect on business operations, financial status, profitability and cash flows
2	**> EUR 0.5m**	**Limited** negative effect on business operations, financial status, profitability and cash flowss
1	**< EUR 0.5m**	**Insignificant** negative effect on business operations, financial status, profitability and cash flows

Based on the assessment of the likelihood of occurrence and the impact, all identified risks are classified and visualized in the following risk matrix:

Likelihood	Rare (1 % – 4.9 %)	Unlikely (5 % – 24.9 %)	Possible (25 % – 49.9 %)	Likely (50 % – 74.9 %)	Probable (75 % – 99 %)
Impact					
5	MODERATE	HIGH	HIGH	VERY HIGH	EXTREME
4	LOW	MODERATE	HIGH	VERY HIGH	VERY HIGH
3	LOW	MODERATE	MODERATE	HIGH	HIGH
2	LOW	LOW	MODERATE	MODERATE	HIGH
1	LOW	LOW	LOW	LOW	MODERATE

The risk matrix facilitates the comparison of the risks' relative priority and increases transparency over Westwing's total risk exposure. In addition, the categorization of risks from "low" to "extreme" is used to determine which risk information needs to be provided in more detail to the Management Board and the Supervisory Board. Risks that could impact the ability of the Company to continue as a going concern are reported immediately once identified.

Westwing defines following risk categories within the Company:

- Strategic risks
- Financial risks
- Operational risks
- Corporate governance risks
- Political and regulatory risks
- IT risks
- Capital market related risks

6.4 Risk Report

Overall no risks were identified that could threaten the going concern of Westwing Group. The report below presents the most significant risks that were classified as "High" or "Very High" according to the latest risk management assessment. Currently no risks are assesed to be "Extreme".

6.4.1 ECONOMIC AND SECTOR RISKS

The growth and the margins we can achieve partially depend on global and regional economic conditions in the markets in which we operate and their impact on consumer spending, which is likely to decline during periods of economic uncertainty and recession. Given that large furniture items, which are part of our product offering, require our customers to make higher investments compared to purchases in other retail markets such as consumer electronics, traditional toys and games, consumer appliances and apparel, consumers may be even more reluctant to make such investments in periods of economic downturns. We also offer a large number of smaller furniture items, textiles and accessories, the purchase of which is largely discretionary in nature. Our customers could decide to no longer purchase such products during economically challenging times. As a result, our industry may be more adversely affected by such developments than other industries. In addition, beyond typical seasonal patterns, our revenue can also be impacted by other factors that have an impact on consumer spending, such as weather conditions. Sunny and warm weather typically leads to lower orders, as our consumers spend their time outside and not in front of their computers or mobile devices browsing our offers. Any deterioration of economic conditions could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects.

We constantly monitor the economic situations in Europe as well as analyze and compare our budgets against actual results, reviewing the structure of our costs. We are aware of risks and in case of any changes in market conditions, will adjust budgets, our spending and our strategy accordingly.

Risks arising from the coronavirus outbreak: In late 2019 it was reported that a new virus had been identified in Wuhan, the capital of China's Hubei province. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". Subsequently, many cases have been diagnosed around the world. With the rapid development of the coronavirus outbreak, many countries have required entities to limit or suspend business operations and have implemented travel restrictions and quarantine measures. Colleagues in our Italian affiliate worked mainly from home in the weeks after the first virus spread end of February. Starting mid-March this has also affected a large share of our other European Westwing staff outside of operations.

At the time this report was prepared, Westwing was not significantly affected by Covid– 19 (official designation by the WHO). Westwing does not rule out the possibility that the supply chain could be affected by the measures taken in China and other affected countries, including Germany. The effects cannot yet be reliably estimated. At the same time, a further spread of the virus could affect or disrupt Westwing's operations. Additional risks arise from possible government restrictions on work in warehouses, the work of logistics service providers or even work in offices if it is not required for basic supplies. As Westwing currently strongly recommends that all of its employees work from home to reduce the risk of infection and take care of their health, this could affect their efficiency.

In addition, consumer confidence could be affected if infections and the risk of infection increase and people change their consumption patterns. Due to the rapid development of the virus outbreak, it is not yet possible to reliably estimate the potential impact on the economy. Overall, there is a risk that Westwing will deviate significantly from its plans due to the uncertainties surrounding the developing situation of the coronavirus outbreak.

Westwing implemented concrete measures to protect its employees at a very early stage. The company constantly monitors the situation and the development of the coronavirus outbreak. A team of managers is assessing the potential impact on Westwing in order to be able to react to the situation immediately. A comprehensive real-time document with recommendations for action has been available to all employees since February 26, 2020.

6.4.2 FINANCIAL RISKS

Financial planning and performance

Properly predicting revenue growth as well as overall business development is one of Westwing's key challenges and subject to management assumptions and estimations regarding the business environment. Failure to forecast, monitor and control our business plan could lead to wrong decisions and may harm Westwing's revenue growth and profitability. Additionally, low performance of standalone business units could require additional funding or endanger financial position of the Group. In order to address these risks, we improved our planning process significantly over the past years. On a monthly basis we analyze our performance results, discuss current trends and update our business plan in case of significant deviations. To make this process effective it is important to identify and use correct performance indicators applicable for the Group.

6.4.3 STRATEGIC AND OPERATIONAL RISKS

Competition

Westwing experienced an increased competitive environment in the recent past. In the future, even more companies could enter the Home and Living market with the intention to attract the same customers as Westwing or to follow a similar approach. This would increase the competition in the relevant market and pose a risk for Westwing, especially when new companies have sufficient liquidity to enter this market.

However, given that Westwing has been operating in this industry for over eight years the Company has been able to create significant assets: Compared to a new entrant, Westwing has access to a large supplier base, many of whom are tied to and integrated process-wise with Westwing. Furthermore, it is winning more and more new customers year on year having now about one million Active Customers, an already established and efficient logistics and supply chain, highly experienced and well-trained staff and customized IT architecture. All these factors represent significant barriers of entry for new companies.

In addition, Westwing closely observes the market environment in order to be able to react quickly to potential new competitors.

Lack of Customer Loyalty

One of the major drivers of Westwing's success is the loyalty of its customers. Loss of customers' loyalty could harm the business significantly. Reasons could be Westwing specific (e.g., bad customer experience) or driven by external factors such as changes in available disposable income or other changes in general spending preferences.

In 2019, 82 % of all orders were made from repeat customers. Our rating on "Trustpilot" for our German operations in 2019 was 4.7 out of 5 points based on nearly 15,000 reviews. These KPIs show a very high level of customer loyalty to the Westwing brand. In addition, the Company constantly offers new products and furniture collections on its website, inspires customers with new design ideas or magazine articles.

Product Quality and Safety

Reliable and high-quality goods lead to satisfied customers. High customer satisfaction increases the probability that customers will place another order. Adversely, quality problems may have a negative long-term effect on Westwing. In addition, they pose a risk of product liability claims from customers in case of any accidents as a result of defective products.

Westwing enjoys a high reputation and great loyalty among its customers. To address the risk of bad quality and poor safety, Westwing carefully selects manufacturing companies based on a rigorous evaluation process and maintains close relationships with them afterwards. In order to achieve the highest standards and product quality for Own and Private Label, Westwing also cooperates with professional quality controllers who perform product quality tests and safety checks directly on site. In 2020 Westwing will expand the quality team with four employees who will continue to improve the product quality.

Marketing

We have had and will continue to have substantial marketing expenses. Some years ago, we shifted our marketing efforts within the Group primarily towards organic marketing channels such as Instagram or Facebook and focused on our mobile and social media activities.

We cannot guarantee that our current marketing channels will continue to be effective, permissible and generally available to us in the future. Our online partners might be unable to deliver the anticipated number of customer visits, or visitors that are attracted to our websites by such campaigns might not make the anticipated purchases. New regulation may adversely affect certain marketing channels and the ways in which we may use data collected in the past. Regulation has aimed at controlling social media and increasingly stringent and complex data protection regulation. If we are unable to attract enough traffic to our websites, translate a sufficient number of website visits into purchasers with sufficiently large order values, build and maintain a loyal customer base, increase the purchase frequency of these customers, or do any of the foregoing on a cost-effective basis, this could adversely affect our business.

Our management and marketing department are aware of these risks. We constantly monitor new trends and analyze the effectiveness of our marketing strategy. In the last years we gathered significant knowledge and experience in order to react quickly and adapt our strategy in this dynamic environment.

Logistics
One of the critical success factors for Westwing is its logistics capabilities. Any interruption of logistics processes, e.g., due to IT systems failure, improper planning, physical damage of goods during delivery or problems with warehouse management service providers may have an immediate impact on logistics costs and impair customer satisfaction due to delayed deliveries.

In order to address these risks, Westwing has invested in its international logistics network with five local logistics centers and continued standardization of processes and systems. This year we moved our biggest warehouse operations to the newly created warehouse in Poznan, Poland.

Westwing is constantly developing and improving specialized tools such as the Warehouse Management System and Partner Portal software in order to set up stable and scalable operations as well as de-risk processes. In addition, the Company has established stable business relationships with its service providers, including systematic performance monitoring. Westwing's ongoing improvement initiatives in operations also materialized in improved delivery time and quality.

Loss of Key Employees and Hiring
Westwing depends on the knowledge, experience and motivation of its key employees to implement its vision and reach its goals. Without their enthusiasm and contribution, Westwing would be unable to advance its business. Key employees might leave the Company, which could have a negative impact on the Company's success.

In addition, the Company faces the risk of not being able to hire the right employees when needed, due to a shortage of suitable professionals on the labor market or not being able to attract those professionals to join Westwing. Moreover, a potential lack of career and personal development or insufficient compensation could also encourage employees to leave the Company.

To ensure Westwing's attractiveness as an employer, the Company has developed the necessary structures to give all employees an opportunity to fulfil their career goals, such as leadership development programs as well as in-house and external trainings. Evaluation rounds for all employees are performed twice a year. In addition, upward feedbacks and overall employee surveys are conducted by the Company to analyze and improve working conditions in the Company and make Westwing an attractive employer.

6.4.4 IT RISKS

IT Infrastructure and Technological Progress
In recent years we have developed proprietary software to facilitate our business operations, data gathering analysis and online marketing capabilities. We have invested significant funds and man hours into building and updating our IT platform and IT infrastructure. In order to remain competitive, we will continue with significant investments in IT. However, there is a risk that we are not able to develop suitable IT solutions as well as to maintain and expand our IT platform and IT infrastructure as intended. This could adversely affect our capability or require us to purchase expensive software solutions from third-party developers whose solutions might not be reliable and or could be complicated to support.

Our success depends on our websites and apps being accessible to potential and existing customers at all times. It may become increasingly difficult to maintain and improve the availability of our websites and apps, especially during peak usage times and as our product offering becomes more complex while at the same time the number of visitors increases.

Given that the internet and mobile devices are characterized by rapid technological progress, our future success will depend on our ability to adapt our websites, apps and other parts of our IT platform to such advances. Progress is especially being made in the field of machine learning, artificial intelligence, augmented reality and potentially virtual reality, where we need to sustain their interoperability with relevant operating systems. Purchases from mobile devices have increased significantly since we introduced our apps. However, the variety of technical and other configurations across mobile devices and platforms makes it more difficult to develop websites and apps that are suitable for multiple channels.

Any failure to adapt to technological advances in a timely manner and to integrate our offerings through our websites and apps could decrease the attractiveness of our apps and websites and adversely affect our business.

To operate successfully, Westwing has developed an extensive infrastructure with various complex IT solutions and interfaces. This high degree of interconnectivity could also bear a significant risk for the Company. Unauthorized logical access, failed connection between interfaces or recovery of multiple IT systems in case of accidents could disrupt Westwing's operations or cause errors in financial reporting.

Currently, Westwing employs a skilled IT team of more than 100 full-time employees. This enables Westwing to constantly monitor, develop and improve our internal IT infrastructure, logistic and warehouse software, website and smartphone apps.

In the past years our IT and management team have gathered profound experience in the development of technology trends. On a regular basis, meetings are held to discuss which developments need to be executed to be in line or even to drive technological trends.

Additionally, in order to reduce the amount of time the website is not available, Westwing implemented multiple systems and solutions to monitor the website performance. As a result of all efforts, the website was online and functional with an average Group-wide uptime of more than 99.998 % in the fiscal year 2019.

Data Security

We operate websites, apps and other IT systems through which we collect, maintain, transmit and store sensitive information about our customers, suppliers and other third parties as well as proprietary information and business secrets. We also employ third-party service providers who store, process and transmit such information on our behalf, in particular payment details. Furthermore, we rely on encryption and authentication technology licensed from third parties to securely transmit sensitive and confidential information. While we take steps to protect the security, integrity and confidentiality of sensitive and confidential information, our security practices may be insufficient, and third parties may access our IT systems without authorization, which may result in unauthorized use or disclosure of such information.

Any leakage of sensitive information could lead to a misuse of data. Inefficient management of administrator and user accounts may increase the risk of fraud and malfunctions. In addition, any such breach could violate applicable privacy, data security and other laws. This would result in significant legal and financial risks, negative publicity and adversely affect our business and reputation.

To secure all sensitive information that we collect and store, we developed a strong IT security concept that is followed by our employees who have access to sensitive information. Compliance workshops are conducted in the Company in order to raise more awareness on importance of data compliance among all Westwing employees. Moreover, all employees are obliged to sign an obligation to comply with data protection requirements under the general data protection regulation (GDPR).

6.4.5 LEGAL AND TAX RISKS

Legal and Regulatory Requirements

Currently we have continuing operations in eleven countries in Europe. As a result, our business is already subject to numerous laws in different countries, including laws applicable to the eCommerce sector such as laws regarding privacy, data protection and data security, and online content as well as telecommunications and laws applicable to public companies in general, in particular laws with respect to intellectual property protection, corporate, local employment, tax, finance, money laundering, online payment, consumer protection, product liability and the labelling of our products, competition, anti-corruption and international sanctions. Operating in foreign jurisdictions entails an inherent risk of misinterpreting and wrongly implementing local laws and regulations. In addition, numerous laws and regulations apply to our products, and our ability to ensure that such products comply with all applicable regulations is limited.

While we are not aware of any material breaches of applicable laws and regulations, we cannot guarantee that we have always been in full compliance with them in the past and will be able to fully comply with them in the future. The violation of any of the laws and regulations applicable to us may result in litigation, damage claims from our customers, business partners and/or competitors as well as extensive investigations by governmental authorities and substantial fines being imposed on us. Even unfounded allegations of non-compliance may adversely affect our reputation and business. Additionally, any changes in the legal framework applicable to our business could adversely affect our operations and profitability. Moreover, not reviewing all significant contracts by our legal department could pose an additional risk the Company.

To keep the potential risk as low as possible, our Legal department and the affiliates' local management that consist of skilled employees who maintain awareness of regulatory requirements and changes in local regulations so that the Company can be compliant with all applicable legal requirements. Additionally, Westwing cooperates with external consulting companies that also assist Westwing in case of complications.

Tax Compliance
Our business is subject to the general tax environment in the jurisdictions in which we operate. Our ability to use tax loss carry-forwards and other favorable tax provisions depends on national tax laws and their interpretation in these countries. Changes in tax legislation, administrative practices or case law could increase our tax burden and such changes might even occur retroactively. Furthermore, tax laws may be interpreted differently by the competent tax authorities and courts, and their interpretation may change at any time, which could lead to an increase of our tax burden. In addition, court decisions are sometimes ignored by competent tax authorities or overruled by higher courts, which could lead to higher legal and tax advisory costs and create significant uncertainty.

Tax authorities in various jurisdictions are currently reviewing the appropriate treatment of eCommerce activities. Due to the global nature of our eCommerce business, various jurisdictions might attempt to levy additional sales, income or other taxes relating to our activities. Such new tax regulation may subject us or our customers to additional taxes, which would increase our tax burden and may reduce the attractiveness of our online offering. New taxes could also result in additional costs necessary to collect the data required to assess these taxes and to remit them to the relevant tax authorities.

In Germany, income and wage tax audits of the Company are currently ongoing with respect to all periods up to and including the year that ended December 31, 2018, with no feedback yet. As a result, we may be required to make additional tax payments with respect to previous periods. However, based on current assumptions, we do not expect this to be more likely than not. Furthermore, the competent tax authorities could revise their original tax assessments. Any tax assessments that deviate from our expectations could lead to an increase in our tax burden. In addition, we may be required to pay interest on these additional taxes as well as late filing penalties. Changes in the tax environment and future tax audits could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects.

Late submission or non-completion of VAT declarations could also result into extraordinary VAT tax audits by the fiscal authorities. Westwing implemented a web-based tool and cooperates with external consulting company to assure that the Company is compliant with tax rules in all countries.

6.4.6 OVERALL ASSESSMENT OF RISK BY THE MANAGEMENT BOARD

Management is satisfied that existence-threatening risks for the Company in 2019 did not exist. No single risk or bundle of risks is currently considered to threaten the Company as a going concern in the next year. Management believes that it has taken all necessary precautions to address existing risks and reduce their possible impact.

6.5 Opportunities Report

While Westwing faces several risks, there are also many opportunities for the Company that have great potential to drive the Company further forward. Not only will they provide Westwing with the possibility of growth, they will also facilitate improved profitability. Below you can find a summary of primary opportunities identified by the Company.

e-Commerce Growth

The growth of eCommerce compared to traditional main-street focused business in the Home and Living market is one of the key opportunities for Westwing. Online-based trading in this sector is growing significantly faster than offline business. Management believes this trend results from the following factors:

- Improved product offering: eCommerce is generally better positioned to offer its customers an attractive and varied product offering. Westwing is not bound by store size constraints when it comes to offering customers products and can therefore go far beyond the range compared to what a main-street shop could offer its customers.

- Round-the-clock availability of products: For many customers, the visit to a traditional main-street Home and Living (especially furniture) shop that meets their needs is very time consuming. More and more people therefore turn to online shopping. The increased simplification and reduced time required in the process of buying Home and Living products online increases the likelihood of an initial purchase by any given potential customer.

- Wider range of customers: In the beginning, online shopping targeted the younger generations, which felt more comfortable with computers and the concept of placing orders online. However, this trend has been changing, and the age range of potential customers has been increasing steadily. These days, many of Westwing's customers are among the older generation and management expects this trend to continue. The increased trust with online transactions will attract more and more people to eCommerce companies and will increase Westwing's potential customer base.

- Currently the market for Home and Living products, compared to other retailing categories, does not yet show a high online penetration. While online penetration[12] in Europe for consumer electronics is at 24 % and for fashion is at 12 %, Home and Living is currently at only 5 %. The significant growth potential can be already seen in the UK and the US markets, with online penetration for Home and Living of 14 %. Given that the total (i.e. offline and online) Home and Living market is of similar size compared to the fashion market, there is a huge opportunity for Westwing as Home and Living moves online.

With its more than eight years on the market, strong brand recognition and customer loyalty, Westwing can be a key player in the Home and Living market.

Own Label and Private Label

We are constantly continuing to increase the share of Own and Private label in our offering. The share of Own Label and Private Label GMV already reached 25 % in the fourth quarter of 2019, which is 7 percentage points higher compared to the fourth quarter of 2018 and proves the high potential of Own and Private Label business.

Westwing's dedicated Private Label team is actively driving this business forward from Westwing's headquarters in Munich and its newly established subsidiary in Hong Kong.

Our internally designed Own and Private labels give us an opportunity to present curated and well-rounded assortment on our website. This helps us to react quickly to changing market trends and drive the home and living market in Europe.

12 Euromonitor International. Values of 2018.

To strengthen our Own and Private Label assortment in 2019, Westwing presented two new collections (a Spring and a Fall edition) which were very well accepted by our customers. In addition to new collections we constantly increase the range of products in our assortment during the year.

Brand

Management sees Westwing's strong brand and brand recognition as an important factor for long-term success. Unlike other industries such as fashion, where the customer focus is primarily on supplier brands, in the Home and Living industry the retailer brand is very important. This is driven by the fact that in Home and Living the supplier universe is very fragmented and the supplier brands as such are in many cases not the key driver for customers' purchasing decision. By focusing on PR, content creation and social media and by applying carefully selected marketing initiatives, Westwing presents itself as a brand that values quality, style and inspiration and that conveys confidence, trust and personality to its customers.

Management believes that Westwing as a strong retail company combined with its increased awareness of Westwing as a provider of Own and Private Label products can create a very strong holistic Home and Living brand on the market.

Mobile eCommerce

While eCommerce as a whole is growing at a fast pace, its subsector mobile eCommerce is growing even faster. When referring to mobile eCommerce, Westwing means business on handheld devices such as smartphones or tablets instead of desktops or other stationary devices. For the last two years the mobile visit share increased from 70 % at the end of 2017 to 76 % at the end of 2019.

Westwing is well equipped for this trend and is constantly making significant investments in the development of smartphone- and tablet-optimized web sites as well as user friendly apps for all popular mobile platforms.

7. OUTLOOK

The forecast for our business development in the coming year is based on the assumptions described in the economic as well as risk and opportunities reports above. We do not expect material changes in the composition and business activities of the Westwing Group.

For the ongoing year 2020 we are channeling our ambitions to the key elements of our business and concentrating on our skills, by focusing on the following priorities:

- Attracting more customers
- Keeping our operations silently running
- Ensuring flawless execution of our business model
- Mitigate Coronavirus impact

In addition, we plan to further increase our share of Own Labels and Private Label towards the strategic long-term target of 50 % with expansion into new product categories, new product and collection launches and intensified international expansion. At the same time, we want to continue to relentlessly improve customer experience with inspiring content, gorgeous merchandise, exciting sites and apps, and to work on operations for excellent delivery experience. We gained positive momentum in the fourth quarter of 2019 based on our customer's loyalty as well as our learnings and improvements from the past year.

We assume revenue growth in 2020 to be in a range of 5 – 10 %. We expect Adjusted EBITDA and Adjusted EBITDA margin to moderately improve compared to 2019. Adjusted EBITDA shall become positive again in 2021. This outlook is the result of different planning assumptions and currently does not take into account any significant effects from the corona crisis on revenues and Adjusted EBITDA beyond moderate delays in the supply chain.

However, due to the coronavirus situation, there is a substantial degree of uncertainty that may affect our forecast. The impact of the coronavirus situation on our business is unclear and we are constantly reassessing the development of the situation and taking appropriate action. It is expected that Westwing's supply chain could be affected by the measures taken in China and other affected countries, including Germany. The effects cannot yet be reliably estimated. At the same time, further spread of the virus could affect or disrupt Westwing's operations. Additional risks arise from possible government restrictions on work in warehouses, the work of logistics service providers or even work in offices when not needed for basic services, as well as a possible severe recession. There is therefore a considerable risk that these factors could lead to an unfavorable development of the business. In such a case, our results in terms of both revenue and Adjusted EBITDA would differ materially from the guidance presented. At the time of publication of this annual report (as of March 26, 2020), Westwing's business development is in line with the outlook for 2020.

The Management Board continues to believe in the business model and is convinced that Westwing has the necessary operational and financial resources to reach its vision in the long term.

8. SUPPLEMENTARY MANAGEMENT REPORT OF WESTWING GROUP AG (IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE – HGB)

The annual financial statements of Westwing Group AG have been prepared in accordance with the rules set out in the German Commercial Code (Handelsgesetzbuch). Westwing Group AG is the parent company of the Westwing Group and is also acting as holding company of the various operational entities and does not generate revenues with third parties but generates income from Group internal services provided, which are shown as revenue. The income and expenses as holding will influence in the long-term the profitability of Westwing Group AG.

8.1 Results of Operations Westwing Group AG

EUR m	2019	2018
Revenue	**40.2**	**24.7**
Own work capitalized	5.9	5.6
Other operating income	1.9	11.8
Gross Performance	**48.0**	**42.1**
Material expenses	– 12.0	– 7.5
Personnel expenses	– 25.4	– 21.2
Depreciation and amortization of property plant and equipment and intangible assets	– 3.1	– 2.0
Other operating expenses	– 9.7	– 14.9
Operating Result	**– 2.2**	**– 3.5**
Interest income	1.6	2.4
Write-down on investments	– 23.3	– 39.3
Interest and other expenses	– 2.1	– 4.0
Financial Result	**– 23.8**	**– 40.8**
Income tax	– 0.0	– 0.0
Result After Tax	**– 26.1**	**– 44.3**

Westwing Group AG increased revenue from EUR 24.7m to EUR 40.2m. This corresponds to a year-over-year revenue growth rate of 63.0 %. This increase is mainly due to the internationalization of our Private Label business and our permanent assortment business WestwingNow and the positive business developments in the DACH segment. As the Westwing Group AG provides several services to its affiliates its revenue grows with their business expansion. Own work capitalized nearly remained stable at EUR 5.9m. Other operating income was significantly lower in 2019, due to the income from the shift from cash settled to equity settled share-based compensation plans in the previous year, as equity-settled share-based compensation is not recognized under HGB.

Personnel expenses increased by EUR 4.2m, which was on the one hand caused by the higher number of employees, which averaged 360 in 2019 compared to 251 in 2018, on the other hand by expenses for share-based payments of EUR 1.1m related to expenses recognized for the buyback of shares and options from some of the participants as part of a new commitment package, which was not recognized according to HGB in previous years.

The cost of purchased services was EUR 12.0m (2018: EUR 7.5m) and thus up compared to the previous year. This primarily resulted from the overall expansion of business. Westwing further pursued its investments in its team and technological infrastructure in 2019. Such investments constitute the basis for adaptable and sustainable business operations. An increase of EUR 4.3m was caused by higher investments in marketing, due to Westwing's strategy to increase investments in marketing in the second half of the year. The decrease in other operating expenses is mainly due to the costs related to the IPO in the previous year. Overall, higher expenses correlate to the raise in revenue and own work capitalized.

In total, an operating profit (before interest, amortization/depreciation, write offs on financial assets and taxes) of EUR 0.9m was incurred in 2019, which was affected by higher revenues and lower other operating expenses, compared to a respective operating loss of EUR 1.5m in 2018.

The financial result of EUR – 23.8m (2018: EUR – 40.8m) comprises interest income on non-current financial assets of EUR 1.6m (2018: EUR 2.4m) as well as interest and other expenses of EUR 2.1m (2018: EUR 4.0m). The decrease of interest income is due to lower interest charged to affiliates for newly issued loans in 2019. As a result of an impairment test loans to four affiliates needed to be written down (2018: two). Though overall it is expected that the future development of the Westwing Group and the operational entities will become profitable, Westwing decided on a case by case base that partially long-term loans to subsidiaries needed to be impaired by EUR 23.1m (2018: EUR 38.8m). In addition, shares in two of those affiliates were written off by EUR 0.2m (2018; EUR 0.5m).

8.2 Financial Position of Westwing Group AG

Westwing Group AG had cash and cash equivalents of EUR 46.4m as of December 31, 2019 (December 31, 2018: EUR 92.5m). Cash and cash equivalents developed as follows:

- In 2019, the Company financed operations of its subsidiaries with loans of EUR 22.4m (2018: EUR 14.7m), which are deemed to be long-term in economic terms but are short-term in legal terms.

- The receivable for the sale of the Brazilian entity of EUR 12,3m was paid in July 2019.

- Upstream loans from the Spanish and Italian affiliates were paid back in 2019 amounting to EUR 6.4m

- In the third quarter of 2019 the company paid back the GGC loans (EUR 15.0m).
- In addition, Westwing Group AG paid interest expenses of EUR 1.1m for loans.
- Investments in tangible and intangible assets amounted to EUR 7.7m in the 2019 fiscal year (2018: EUR 6.2m).
- In the first half of the year the company paid a rent deposit for the new office space amounting to EUR 0.5m.
- The company purchased own equity instruments amounting to EUR 1.0m as well as treasury shares amounting to EUR 3.0m.

Westwing Group AG ensured that sufficient liquid funds were available to maintain the business activities of the Company and the Group. Westwing Group AG has issued a letter of comfort to its subsidiaries Westwing GmbH and wLabels GmbH in which it undertakes to be liable for the obligations arising up to December 31, 2021. Westwing Group AG met its payment obligations at all times.

8.3 Total Assets of Westwing Group AG

EUR m	12/31/2019	12/31/2018
Assets		
Non-current assets		
Intangible assets	11.8	7.9
Property, plant and equipment	2.3	1.6
Financial assets	165.3	176.4
Total Non-current Assets	**179.4**	**185.9**
Current assets		
Trade and other receivables	7.4	6.5
Cash and cash equivalents	46.4	92.5
Total Current Assets	**53.8**	**99.1**
Prepaid expenses	0.7	0.6
Total Assets	**234.0**	**285.6**
Equity/(Deficit)		
Share capital	20.7	20.7
Treasury shares	– 0.7	– 0.0
Issued capital	20.0	20.7
Share premium	347.2	349.4
Accumulated losses	– 143.0	– 116.9
Total Equity/(Deficit)	**224.2**	**253.2**
Provisions	3.8	4.5
Liabilities	5.9	27.7
Deferred items	0.1	0.2
Total Equity and Liabilities	**234.0**	**285.6**

As of December 31, 2019, the total assets amounted to EUR 234.0m and represented a decrease compared to previous year (December 31, 2018: EUR 285.6m). This development is mainly driven by the lower cash and cash equivalents, which was partly offset by an increase of intangible assets. Cash development was impacted by the repayments for intercompany loans, the issuing of new intercompany loans and the GGC loan payback. The Company's assets consist primarily of financial assets as well as cash and cash equivalents.

Current assets amounted to EUR 53.8m (2018: EUR 99.1m) as of the end of 2019. The accounts receivable from affiliated companies were up to EUR 4.2m (December 31, 2018: EUR 3.5m). Cash and cash equivalents were reduced to EUR 46.4m (December 31, 2018: EUR 92.5m) as a result from the effects described above.

Non-current assets consist of fixed tangible assets, intangible assets and financial assets.

In the 2019 fiscal year, the fixed tangible assets increased to EUR 2.3m (December 31, 2018: EUR 1.6m) as a result of purchased office equipment for the new office. Intangible assets consist of both purchased and internally developed software. In 2019, the net book value increased by EUR 3.8m to EUR 11.8m (December 31, 2018: EUR 7.9m) due to the capitalization of software development. Capitalization of software development of EUR 5.9m was partially offset by amortization of EUR 1.9m in 2019.

Investments into subsidiaries slightly decreased by EUR 0.2m to EUR 15.2m in 2019, as a result of the impairments described above. The loans provided to subsidiaries disclosed as long-term financial assets decreased by EUR 10.9m to EUR 150.1m. New loans and interests to affiliates of EUR 12.1m were offset by an impairment of loans to subsidiaries of EUR 23.1m.

Liabilities significantly decreased from EUR 27.7m at the end of 2018 to EUR 5.9m as of December 31, 2019. This development was particularly due to the repayment of non-current borrowings of EUR 14.9m and of intercompany loans of EUR 6.4m.

As of the balance sheet date, the Company's equity decreased by EUR 29.0m from EUR 253.2m in December 2018 to EUR 224.2m in December 2019, with the main driver being the loss of the year and the purchase of treasury shares.

At the end of 2019, the equity ratio increased from 88.7 % in the previous year to 95.8 %, which is a very high level.

8.4 Employees of Westwing Group AG

At the end of December 2019, Westwing Group AG employed 372 employees including interns, temporary staff and management (2018: 291). Most of the staff works in the areas of administration/IT and marketing. The software development is nearly completely done by employees in the technology department of Westwing Group AG.

At Westwing Group AG, 55 % of employees at the end of 2019 were female, which is lower than at the total Group given the high share of technology employees at Westwing Group AG where we struggle to employ a high share of female employees.

For information on the percentage of women and the corresponding targets and for disclosures regarding diversity on the Executive Board and the Supervisory Board, please refer to the corporate governance report.

8.5 Risk and Opportunities of Westwing Group AG

The risks and opportunities for Westwing Group AG are in substance the same as for the Group as a whole. Therefore, we refer to the risk and opportunity report under chapter 6 of this combined management report. Additional risks result from further impairment need for loans to affiliates or the requirement to provide liquidity to them both of which linked to their business performance.

8.6 Outlook for the Westwing Group AG

The forecast for Westwing Group AG is substantially the same as for the Westwing Group as a whole relating to economic environment and expectations for the operating business. We refer to chapter 7.

For fiscal year 2020, Westwing Group AG expects a similar or slightly increased revenue level compared to the previous year reflecting the expected higher business volume of the operating subsidiaries, driven by its activities as a holding company for the Westwing Group. The result before tax and before impairments is expected to improve moderately due to a better expected operating result and lower interest expenses.

Westwing Group AG fulfilled the previous-year expectation to increase revenue, the revenue was up by 63.0 % to EUR 40.2m, and thus strongly exceeded the projected slight extension, primarily due to higher service revenue from Westwing GmbH. The result before tax and before impairments also improved more strongly than forecast, especially as a result from lower administrative expenses in 2019.

We are convinced that Westwing has the necessary operational and financial resources to reach our ambitions in the mid and long term.

9. REMUNERATION REPORT AND OTHER DISCLOSURES

9.1 Remuneration of the Management Board

BASIC FEATURES OF THE REMUNERATION SYSTEM FOR THE MEMBERS OF THE MANAGEMENT BOARD

The Management Board's remuneration comprises a fixed base salary, a variable annual bonus and a long-term incentive including share and option plans. The total remuneration is aligned to each board member's tasks and performance. The criteria used for the decision on remuneration is based on each Management Board member's responsibilities, personal target achievements and Westwing's economic situation as well as the expected Company development. The ratio of non-performance related remuneration to performance related remuneration (before share-based compensation) is 85 %.

Pursuant to the resolution passed by the Company's general meeting held on September 21, 2018, information on the Management Board members individual remuneration is not published in accordance with Sec. 286 (5) sentence 1, 285 no. 9, 315e (1) and (2) and 314 (3) sentence 1 HGB.

NON-PERFORMANCE-RELATED COMPENSATION

All members of the Management Board receive a non-performance-related remuneration in form of monthly salaries, non-cash transactions and other services.

Salaries are paid to each Management Board member as an installment at the end of each month. Westwing's Management Board members in total received gross salary payments of EUR 625k in the 2019 fiscal year (2018: EUR 615k).

All Management Board members receive reimbursements for travel and other out-of-pocket expenses. Furthermore, they are entitled to receive a subsidy for health insurance.

For all Management Board members an insurance policy for directors and officers (D&O insurance) was taken out, with adequate coverage according to the usual market practice and deductibles according to the corresponding regulations of the German Stock Corporation Act (Aktiengesetz or "AktG"). These insurances policies cover financial losses that may occur from Management Board members' breaches of duty during their terms of office.

PERFORMANCE-RELATED COMPENSATION (SHORT-TERM INCENTIVE)

In addition to the non-performance-related compensation, the members of the Management Board are entitled to receive a total variable bonus for the 2019 fiscal year of EUR 110k (2018: EUR 110k), if 100 % of the agreed individual targets are met. The targets consist of business development targets such as the achievement of planned growth and profitability. Due to the performance of the business in 2019, there was no performance-related compensation for fiscal year 2019. However, there was a total of EUR 100k one-time bonus for Dr. Dr. Florian Drabeck granted in 2019 and payable in 2020.

In September 2018, the three members of the Management Board had been provided with an IPO related-bonus award. The bonus was subject to the occurrence of an IPO or another liquidity event or the achievement of certain performance targets. Provided that an IPO took place, the bonus for the three members of the Management Board depended on the volume-weighted average share price on the last 30 trading days before April 1, 2019 and is therefore classified as share-based compensation. The final bonus amount was paid out in April 2019 to the members of the Management Board and amounted to a total of EUR 1.0m.

SHARE-BASED COMPENSATION (LONG-TERM INCENTIVES)

Since 2011 the Company operates share-based compensation schemes under which eligible employees and the Management Board have (i) been provided with the opportunity to invest in the Company's shares or (ii) been granted options for shares in the Company.

As a basic principle, the share-based compensation awards have a vesting period of 36 or 48 months. The first tranche vests after twelve months, while the remaining awards vest in equal instalments on quarterly basis over the remainder of the vesting period. Generally, the awards may only be exercised once vested.

In 2019, a new cash-settled program was established and issued to executives and other top managers of the Company incl. the Management Board in the third quarter of 2019. For the Management Board, it comprises a total number of 342,000 virtual options, thereof all 84,000 options which were issued to Dr. Dr. Florian Drabeck forfeited due to his exit as CFO in the second quarter of 2020. The shares fully vest on December 31, 2022, without intermediate vesting and they are only exercisable starting August 2023. In 2019, expenses of EUR 0.1m were recognized for this program.

The table below provides an overview of the options granted to the members of the Management Board during the 2019 reporting period:

	2019	2018
Options granted during the period	342,000	1,068,300
Weighted average exercise price (in EUR):	1.00	18.88
Weighted average fair value (in EUR):	2.57	34.86

TOTAL REMUNERATION OF THE MANAGEMENT BOARD

EUR k	**2019**	2018
Employee benefits:		
Salaries (short-term employee benefits)	625	615
Bonus	–	110
Share-based compensation expenses	4,333	4,207
Total	**4,958**	**4,932**

The weighted average fair value for equity-settled share-based compensation expenses reflects the value as of the issue dates in the past. Therefore, it is independent from the current stock price and will remain unchanged until settlement.

The share-based compensation expenses of EUR 4.3m relate mainly to programs from recent years with a higher fair value for recognition. The majority of these expenses relates to the commitment package initiated in 2018 that has an exercise price of EUR 19.30; thus the corresponding options are significantly out of money considering the share price of March 2020.

OTHER INFORMATION

During their employment, the Supervisory Board must approve the Management Board members' additional activities outside of Westwing in written form. Furthermore, all board contracts included restraints on competition that prohibit Management Board members from working for a company that is a direct or indirect competitor of Westwing.

The Management Board contract for Stefan Smalla has a term until August 7, 2023.

An additional employment contract between Delia Lachance and the Westwing GmbH exists for PR services rendered. Remuneration from this was EUR 160k in the 2019 fiscal year (2018: EUR 130k). Furthermore, a separate one-time contract with Delia Fischer for a total remuneration of EUR 55k was agreed, approved by the Supervisory Board and paid out in June 2019.

9.2 Remuneration of the Supervisory Board

The remuneration for the members of the Supervisory Board is regulated by the articles of associations of Westwing Group AG.

The members of the Supervisory Board receive a fixed based compensation for each fiscal year of the Company in the amount of EUR 25k. The chairman of the Supervisory Board receives a fixed base compensation of EUR 40k, the deputy chairman of EUR 30k. The chairman of the Audit committee is compensated with an additional EUR 20k, and other members of the audit committee with EUR 10k.

The compensation is payable after the end of the respective fiscal year. Supervisory Board members holding office only during a part of the fiscal year receive a corresponding portion of the compensation.

In addition to the compensation paid on a fixed base, Westwing reimburses the members of the Supervisory Board for their reasonable out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members as well as the value added tax on their compensation and out-of-pocket expenses.

In addition, Supervisory Board members are included in the D&O liability insurance for board members that will provide reasonable coverage against financial damages. The premiums for this insurance policy are paid by the Company.

According to the Articles of Association (Art. 9 (1)), the Supervisory Board has four members. It is not subject to employee co-determination. All members of the Supervisory Board are elected by the Annual General Meeting as shareholder representatives.

Details on the members of the Management Board and the Supervisory Board are provided in the notes to the financial statements of Westwing Group AG in accordance with Sec. 285 HGB.

In fiscal year 2019, the Supervisory Board had one committee: The Audit Committee. Additional committees may be established as required.

The Company's Supervisory Board consisted of

Name	Function(s) Remunerated
Christoph Barchewitz	Chairman of the Supervisory Board and member of the Audit Committee
Dr. Antonella Mei-Pochtler	Deputy Chairwoman of the Supervisory Board
Michael Hoffmann	Member of the Supervisory Board and the Chairman of the Audit Committee
Thomas Harding	Member of the Supervisory Board and the Audit Committee
Christian Strain	Member of the Supervisory Board (until March 14, 2019)
Oliver Samwer	Member of the Supervisory Board (until February 11, 2019)

9.3 Declaration on Corporate Governance

The declaration on corporate governance pursuant to Section 289f of the German Commercial Code (HGB) and Section 315d of the German Commercial Code (HGB) including the declaration of compliance according to Sec. 161 AktG is permanently and publicly available on the Company's website (https://ir.westwing.com/download/companies/westwing/CorporateGovernance/Entsprechenserklaerung%202019 %20EN.pdf and https://ir.westwing.com/download/companies/westwing/CorporateGovernance/Corporate_Governance_Report_16032020.pdf) in the section Investor Relations – Corporate Governance. It is also included in the corporate governance report in the annual report.

9.4 Take-over Law

EXPLANATORY REPORT BY THE MANAGEMENT BOARD IN ACCORDANCE WITH SEC. 176 (1) SENTENCE 1 GERMAN STOCK CORPORATION ACT (AKTG ("AKTIENGESETZ": GERMAN STOCK CORPORATION ACT)) ON DISCLOSURES RELATING TO TAKE-OVER LAW IN ACCORDANCE WITH SEC. 289A AND 315A GERMAN COMMERCIAL CODE (HGB ("HANDELSGESETZBUCH": GERMAN COMMERCIAL CODE)

In accordance with Sec. 176 (1) sentence 1 AktG, the Management Board of Westwing Group AG has prepared the following explanatory report on the disclosures relating to take-over law in accordance with Sec. 289a and Sec. 315a HGB.

COMPOSITION OF SHARE CAPITAL (SEC. 289A SENTENCE 1 NO. 1 HGB)

As of December 31, 2019, the paid-in share capital amounts to EUR 20,740,809. The share capital is divided into 20,740,809 no par value bearer shares representing a share of the share capital of EUR 1.00 each. The shares are fully paid in. Each share carries identical rights and obligations. Each share entitles the bearer to one vote.

RESTRICTIONS RELATING TO THE VOTING RIGHTS OR THE TRANSFER OF SHARES (SEC. 289A SENTENCE 1 NO. 2 HGB)

As of December 31, 2019, Westwing Group AG holds shares with a nominal value of EUR 743,450 as treasury shares from which no rights accrue to Westwing Group AG pursuant to Sec. 71b AktG.

SHAREHOLDINGS THAT EXCEED 10 % OF THE VOTING RIGHTS (SEC. 289A SENTENCE 1 NO. 3 HGB)

As of December 31, 2019, the following direct and indirect interests in the capital of Westwing Group AG exceeded the threshold of 10 % of voting rights:

- Rocket Internet SE, Berlin, Germany (also indirectly via Bambino 53. V V GmbH);

LEGAL REQUIREMENTS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION RELATING TO THE APPOINTMENT AND REMOVAL OF MEMBERS OF THE MANAGEMENT BOARD AND TO AMENDMENTS TO THE ARTICLES OF ASSOCIATION (SEC. 289A SENTENCE 1 NO. 6 HGB)

The Supervisory Board appoints the members of the Management Board on the basis of Sec. 84 and Sec. 85 AktG and Sec. 7 Sec. 3 and 4 of Westwing Group AG's Articles of Association for a term of office of no more than five years; members may be reappointed. Under Sec. 7 para. 1 sentence 1 of Westwing Group AG's Articles of Association, the Management Board comprises one or more persons; in all other aspects, the Supervisory Board determines the number of Management Board members (Sec. 7 para. 1 sentence 1 of the Articles of Association).

In accordance with Sec. 179 Sec. 1 sentence 1 AktG, the Annual General Meeting decides on amendments to the Articles of Association. Amendments to the Articles of Association are made in accordance with Sec. 179 and Sec. 133 AktG. Under Sec. 179 (1) Sentence 2 AktG in conjunction with Sec. 11 Sec. 4 of the Articles of Association, the Supervisory Board is authorized to decide on amendments and supplements to the Articles of Association that relate only to the wording. In accordance with Sec. 4 Sec. 3 to (9) of the Articles of Association, the Supervisory Board is authorized in particular to amend and revise Section 4 of the Articles of Association (Share capital) subsequent to the use of approved or conditional capital.

AUTHORITY OF THE MANAGEMENT BOARD TO ISSUE OR REDEEM SHARES (SEC. 289A SENTENCE 1 NO. 7 HGB)

ACQUISITION OF TREASURY SHARES

On September 21, 2018, the General Meeting adopted a resolution authorizing the Management Board, with the approval of the Supervisory Board, to acquire until September 20, 2023, Westwing Group AG's own shares representing up to 10 % of Westwing Group AG's capital on the date of the resolution, or if lower, on the date of exercising the authorization, provided that the principle of equal treatment (Sec. 53a AktG) is applied ("**Shares**"). Together with Westwing Group AG's other treasury shares previously acquired and still held by Westwing Group AG or which are attributable to Westwing Group AG under Sec. 71a et seq. AktG, the shares acquired under this authorization may at no time exceed 10 % of Westwing Group AG's share capital.

This authorization may be exercised on one or more occasions, wholly or in part, in pursuit of one or more purposes by Westwing Group AG, but also by group companies or by third parties for the account of Westwing Group AG or group companies.

The acquisition of treasury shares is permitted for the following purposes, among others:

- The shares can be redeemed and reduce Westwing Group AG's share capital by the part of the registered share capital allotted to the redeemed shares. The Management Board may also redeem the shares using the simplified procedure without reducing the registered share capital so that the proportion of the other shares in the registered share capital is increased through the redemption.

- The shares can be offered and transferred to persons who are or were employed by Westwing Group AG or any of its affiliates and board members of Westwing Group AG or its affiliates or investment vehicles, or to other holders of acquisition rights arising in particular from call options (issued by Westwing Group AG's legal predecessors).

- The shares can be offered for purchase and transferred to holders of virtual option rights to satisfy virtual option rights which, in particular, have been or will be issued by Westwing Group AG, the legal predecessors of Westwing Group AG or their subsidiaries.

- With the approval of the Supervisory Board, the shares can be offered in particular in the course of company mergers or the acquisition of companies, parts of companies or holdings, enterprises or interests to third parties in exchange for contribution in kind. The above described may also be used for ending or, respectively, for the settlement of valuation proceedings under company law of companies affiliated with Westwing Group AG.

- The shares can be issued in order to distribute a dividend in kind in context of which shares of Westwing Group AG (also in part or subject to election) may be issued against the contribution of dividend claims (scrip dividend).

- With the approval of the Supervisory Board, the Shares may be sold to third parties in return for cash payment if the price at which Westwing Group AG's shares are sold is not significantly below the stock exchange price of one share of Westwing Group AG at the time of the sale (Sec. 71 (1) no.8 sentence 5, Sec. 186 (3) sentence 4 AktG.

- The shares can be used to serve acquisition obligations or acquisition rights to shares of Westwing Group AG out of and in connection with convertible bonds, options, profit rights and/or profit bonds (respectively combinations of these instruments) issued by Westwing Group AG or group companies, with conversion or option rights, respectively conversion or option rights or obligations.

On August 12, 2019, the Management Board of Westwing Group AG resolved, with consent of the Supervisory Board, to carry out a share buy-back program with a maximum volume of up to 800,000 shares of Westwing Group AG for a total maximum purchase price (excluding incidental costs) of up to EUR 4 million. The buy-back via Xetra trading of the Frankfurt Stock Exchange began on August 14, 2019 and was able to be carried out by December 31, 2020.

In the period from August 14, 2019 (inclusive), until the early end of the program on October 30, 2019 (inclusive), a total of 800,000 shares were bought back in the course of the share buy-back program of Westwing Group AG. This corresponds to a portion of approximately 3.86 % of the registered share capital. The purchase price per share amounted to EUR 3.45 on average. In total, shares were bought back for an overall purchase price of EUR 2,756,076. The sole purpose of the share buyback was to use the repurchased shares to service share options which entitle the holders to acquire shares Westwing Group AG and which were issued to current or former employees or members of the executive bodies of the company or companies affiliated with Westwing Group AG, provided that these share options are exercised.

As of December 31, 2019, Westwing Group AG has sold 98.250 shares to current or former employees or members of the executive bodies. This means that a total of 98,250 share options were exercised in the 2019 fiscal year, which corresponds to a portion of approximately 0.47 % of the registered share capital and to EUR 98,250 (amount of the registered share capital attributable to treasury shares). The average exercise price was EUR 0.59. The exercise price in individual cases was EUR 0.01, EUR 1.23 and EUR 1.71, depending on the individual contractual arrangement with the option holder. As a result, Westwing Group AG received sales proceeds of EUR 57,755. The proceeds were not used for a specific purpose but served the general business of Westwing Group AG.

ACQUISITION OF TREASURY SHARES THROUGH THE USE OF EQUITY CAPITAL DERIVATIVES

The Management Board was authorized until September 20, 2023, with the approval of the Supervisory Board, to acquire treasury shares up to a total amount of 5 % of the registered share capital at the time of the resolution by the use of derivates (put or call option or a combination thereof). The acquisition of shares is in addition to be credited against the 10 % limitation in the authorizations to acquire treasury shares.

REDEMPTION OF ACQUIRED TREASURY SHARES AND REDUCTION OF CAPITAL AS WELL AS THE EXCLUSION OF SUBSCRIPTION RIGHTS

The Management Board is authorized until September 20, 2023, with approval of the Supervisory Board, to exercise the call options for the acquisition of own shares under the existing agreements, in particular the so-called Angel Agreements and the Call Option Agreements, that were concluded between Westwing Group AG or its current or former subsidiaries with current and/or former employees, organ members and/or (former) advisors (service providers) and/or supporters (or their respective investment vehicles) of Westwing Group AG and/or its subsidiaries, and to acquire own shares up to a total amount of 10 % of the share capital of Westwing Group AG at the time of the resolution. The treasury shares acquired and owned by Westwing Group AG are to be credited against this 10 % limitation.

AUTHORIZED CAPITAL 2018/I

The Management Board is authorized to increase the share capital on one or more occasions by August 6, 2023, with the approval of the Supervisory Board, by a maximum amount of EUR 90,000 by issuing up to a total of 90,000 new no-par value bearer shares in return for cash contributions (Authorized Capital 2018/I) and, with the approval of the Supervisory Board, under certain conditions and within predefined limits, to exclude the shareholders' subscription right. This authorized capital is listed in the commercial register as Authorized Capital 2018/I.

AUTHORIZED CAPITAL 2018/II

The Management Board is authorized to increase the share capital on one or more occasions by August 6, 2023, by a maximum amount of EUR 3,088 by issuing up to a total of 3,088 new no-par value bearer shares in return for cash contributions (Authorized Capital 2018/II) and, under certain conditions and within predefined limits, to exclude the shareholders' subscription right. This authorized capital is listed in the commercial register as Authorized Capital 2018/II.

AUTHORIZED CAPITAL 2018/III

The Management Board is authorized to increase the share capital on one or more occasions by August 6, 2023, with the approval of the Supervisory Board, by a maximum amount of EUR 67,500 by issuing up to a total of 67,500 new no-par value bearer shares in return for cash contributions (Authorized Capital 2018/III) and, with the approval of the Supervisory Board, under certain conditions and within predefined limits, to exclude the shareholders' subscription right. This authorized capital is listed in the commercial register as Authorized Capital 2018/III.

AUTHORIZED CAPITAL 2018/IV

The Management Board is authorized to increase the share capital on one or more occasions by August 6, 2023, with the approval of the Supervisory Board, by a maximum amount of EUR 101,250 by issuing up to a total of 101,250 new no-par value bearer shares in return for cash contributions (Authorized Capital 2018/IV) and, with the approval of the Supervisory Board, under certain conditions and within predefined limits, to exclude the shareholders' subscription right. This authorized capital is listed in the commercial register as Authorized Capital 2018/IV.

AUTHORIZED CAPITAL 2018/V

The Management Board is authorized to increase the share capital on one or more occasions by August 6, 2023, with the approval of the Supervisory Board, by a maximum amount of EUR 4,350,000 by issuing up to a total of 4,350,000 new no-par value bearer shares in return for cash and/or non-cash contributions (Authorized Capital 2018/V) and, with the approval of the Supervisory Board, under certain conditions and within predefined limits, to exclude the shareholders' subscription right. This authorized capital is listed in the commercial register as Authorized Capital 2018/V.

AUTHORIZED CAPITAL 2018/VI

The Management Board was authorized to increase the share capital on one or more occasions by September 20, 2023, with the approval of the Supervisory Board, by a maximum amount of EUR 2,847,853 by issuing up to a total of 2,847,853new no-par value bearer shares in return for cash and/or non-cash contributions (Authorized Capital 2018/VI) and, with the approval of the Supervisory Board, under certain conditions and within predefined limits, to exclude the shareholders' subscription right. In principle, the shareholders are to be granted a subscription right. The shares may also be subscribed for by one or more credit institution(s) or one or several enterprise(s) operating pursuant to Sec. 53 (1) sentence 1 or Sec. 53b (1) sentence 1 or (7) of the German Banking Act (Gesetz über das Kreditwesen) with the obligation to offer the shares to the shareholders of Westwing Group AG pursuant to Sec. 186 (5) AktG (so-called indirect subscription right). This authorized capital is listed in the commercial register as Authorized Capital 2018/VI.

CONDITIONAL CAPITAL 2018/I

Westwing Group AG's share capital was conditionally increased by up to EUR 5,000,000 by issuing 5,000,000 no-par value bearer shares (Conditional Capital 2018/I).

The Conditional Capital 2018/I serves to grant shares when conversion or option rights are exercised or to fulfill conversion or option obligations to the holders or creditors of convertible bonds, warrant bonds, profit participation rights and/or participation bonds (or combinations of such instruments) (collectively, the "Bonds") issued under the authorization resolution adopted by the General Meeting on September 21, 2018.

The new shares are issued at the conversion or option price to be determined in accordance with the authorization resolution adopted by the General Meeting on September 21, 2018. The conditional capital increase will only be executed to the extent that bearers or creditors of Bonds which are issued or guaranteed by Westwing Group AG, dependent companies or by companies in which Westwing Group AG owns a majority interest either directly or indirectly. This may happen on the basis of the authorizing resolution of the General Meeting of September 21, 2018 until September 20, 2023, when bearers or creditors exercise their conversion or option right respectively satisfy the conversion or option obligations under such Bonds, or to the extent Westwing Group AG grants shares in Westwing Group AG instead of paying the amount due as well as the extent the conversion or the option rights respectively conversion or option obligations are not served by treasury shares but rather by shares from authorized capital or other consideration.

To date, no use has been made of this authorization to issue Bonds. This conditional capital is listed in the commercial register as Conditional Capital 2018/I.

SIGNIFICANT AGREEMENTS OF WESTWING GROUP AG CONTINGENT UPON A CHANGE OF CONTROL AS A RESULT OF A TAKEOVER BID AND THE RESULTING CONSEQUENCES (SEC. 289A SENTENCE 1 NO. 8 HGB)

Westwing Group AG's significant agreements contingent upon a change of control relates to a number of rental and lease agreements entered into by subsidiaries of Westwing Group AG which, in the event of a change of control, assume a change of tenant and therefore require the approval of the landlord or lessor.

Munich, March 26, 2020

Stefan Smalla
Chief Executive Officer
Westwing Group AG

Dr. Dr. Florian Drabeck
Chief Financial Officer
Westwing Group AG

03

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

For the period from January 1 to December 31, 2019 and 2018

EUR m	Notes	2019	2018
Revenue	5	267.3	253.9
Cost of sales		– 148.1	– 145.5
Gross profit		**119.2**	**108.4**
Fulfilment expenses	6	– 62.7	– 54.2
Marketing expenses	6	– 23.2	– 17.8
General and administrative expenses	6	– 66.4	– 55.9
Other operating expenses	8	– 2.1	– 0.7
Other operating income	8	1.0	0.7
Operating result		**– 34.2**	**– 19.5**
Finance costs	10	– 4.1	– 8.4
Finance income	10	0.7	1.8
Other financial result	10	– 0.3	– 0.3
Financial result		**– 3.8**	**– 6.9**
Result before income tax		**– 38.0**	**– 26.4**
Income tax expense/(benefit)	26	– 1.0	0.4
Result for the year from continuing operations		**– 39.0**	**– 26.0**
Result for the year from discontinued operations	2.3	–	**23.6**
Result for the year		**– 39.0**	**– 2.3**
Thereof attributable to:			
Owners of the Company		– 39.0	– 2.3
Non-controlling interests		– 0.0	– 0.1
Result for the year		**– 39.0**	**– 2.3**
Average number of shares in circulation; undiluted (= diluted)	11	20,530,009	15,497,938
Earnings per share (in EUR) from continuing operations attributable to the owners of the Company; undiluted (= diluted)	11	– 1.90	– 1.77
Earnings per share (in EUR) from discontinued operations attributable to the owners of the Company; undiluted (= diluted)	11	–	1.62
Earnings per share (in EUR) from continuing and discontinued operations attributable to the owners of the Company; undiluted (= diluted)	11	**– 1.90**	**– 0.15**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period January 1 to December 31, 2019 and 2018

EUR m	2019	2018
Result for the year	**– 39.0**	**– 2.3**
Other comprehensive income:		
Items that subsequently will be reclassified to the income statement:		
Exchange translation differences of foreign operations	– 0.0	0.4
Other comprehensive income for the year, net of tax	**– 0.0**	**0.4**
Attributable to:		
Owners of the Company	– 0.0	0.3
Non-controlling interests	–	0.1
Total comprehensive loss for the year	**– 39.1**	**– 2.0**
Attributable to:		
Owners of the Company	– 39.0	– 2.0
Non-controlling interests	– 0.0	– 0.0
Total comprehensive loss for the year	**– 39.1**	**– 2.0**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR m	Notes	12/31/2019	12/31/2018
Assets			
Non-current assets			
Property, plant and equipment	12	35.4	21.9
Intangible assets	13	11.9	8.0
Trade receivables and other financial assets	14	4.2	2.9
Deferred tax assets	26	–	0.5
Total non-current assets		**51.5**	**33.3**
Current assets			
Inventories	15	23.4	22.6
Prepayments on inventories	15	2.4	2.5
Trade receivables and other financial assets	14	9.4	10.0
Other assets	16	5.5	6.1
Cash and cash equivalents	17	73.2	123.0
Total current assets		**113.9**	**164.2**
Total assets		**165.4**	**197.5**

EUR m	Notes	31.12.2019	31.12.2018
Equity			
Share capital	18	20.7	20.7
Capital reserves		351.1	349.1
Treasury shares	18	– 2.6	– 0.8
Other reserves	18	51.8	43.6
Retained earnings		– 344.2	– 305.2
Other comprehensive income (OCI) reserve	18	0.3	0.3
Equity attributable to the owners of the Company		**77.2**	**107.7**
Non-controlling interests		**– 2.8**	**– 2.7**
Total equity		**74.4**	**104.9**
Non-current liabilities			
Borrowings	20	–	14.9
Lease liabilities	22	25.6	15.8
Other non-financial liabilities	22	0.2	1.5
Provisions	23	1.0	0.2
Total non-current liabilities		**26.7**	**32.4**
Current liabilities			
Lease liabilities		5.1	2.3
Trade payables and accruals	22	29.7	32.0
Contract liabilities	22	8.9	7.9
Refund liabilities	22	7.0	6.2
Other financial liabilities	22	0.0	0.7
Other non-financial liabilities	22	12.0	10.4
Provisions	23	1.7	0.7
Total current liabilities		**64.4**	**60.2**
Total liabilities		**91.1**	**92.5**
Total equity and liabilities		**165.4**	**197.5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the owners of the Company		
EUR m	Notes	Share capital	Capital reserves	Treasury shares
As of December 31, 2017		**0.1**	**210.3**	**– 1.0**
Cumulative effect of initially applying IFRS 15		–	–	–
As of January 1, 2018		**0.1**	**210.3**	**– 1.0**
Result for the year		–	–	–
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		**–**	**–**	**–**
Issue of share capital	18	20.6	138.8	0.0
Share-based compensation	19	–	– 0.1	0.2
Change of non-controlling interests	18	–	–	–
As of December 31, 2018 / January 1, 2019		**20.7**	**349.1**	**– 0.8**
Result for the year		–	–	–
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		–	–	–
Purchase of treasury shares	18	–	–	– 3.0
Issue of treasury shares		–	–	1.3
Share-based compensation	19	–	2.0	–
As of December 31, 2019		**20.7**	**351.1**	**– 2.6**

	Attributable to the owners of the Company					
	Other reserves	Retained earnings	Other comprehensive income (OCI) reserve	Total	Non-controlling interests	Total equity
	22.7	**– 269.3**	**7.2**	**– 30.0**	**– 35.8**	**– 65.8**
	–	– 0.2	–	– 0.2	–	– 0.2
	22.7	**– 269.5**	**7.2**	**– 30.2**	**– 35.8**	**– 66.0**
	–	– 2.3	–	– 2.3	– 0.1	– 2.3
	–	–	0.3	0.3	0.1	0.4
	–	**– 2.3**	**0.3**	**– 2.0**	**– 0.0**	**– 2.0**
	–	–	–	159.5	–	159.5
	20.9	–	–	21.0	– 0.6	20.4
	0.0	– 33.5	– 7.2	– 40.6	33.7	– 7.0
	43.6	**– 305.2**	**0.3**	**107.7**	**– 2.7**	**104.9**
	–	– 39.0	–	– 39.0	– 0.0	– 39.0
	–	–	– 0.0	– 0.0	–	– 0.0
	–	**– 39.0**	**– 0.0**	**– 39.0**	**– 0.0**	**– 39.1**
	–	–	–	– 3.0	–	– 3.0
	–	–	–	1.3	–	1.3
	8.2	–	–	10.3	–	10.3
	51.8	**– 344.2**	**0.3**	**77.2**	**– 2.8**	**74.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR m	Notes	2019	2018
Cash flows from operating activities:			
Result before income tax		– 38.0	– 26.4
Adjustments for:			
Depreciation and impairment of property, plant and equipment	12	6.8	5.6
Amortization and impairment of intangible assets	13	2.4	1.6
Loss/(gain) on disposal of property, plant and equipment		0.0	0.0
Share-based compensation expenses	19	12.3	8.4
Fair value (gain) / loss on financial liabilities		– 0.7	– 1.8
Finance income	10	0.0	–
Finance costs	10	4.1	8.4
Foreign currency effects		0.3	– 0.3
Other non-cash related adjustments		1.1	1.3
Changes in provisions and pensions		1.8	4.3
Cash effective operating loss before changes in working capital		**– 9.8**	**1.1**
Adjustments for changes in working capital:			
Changes in trade receivables and other financial assets		– 2.4	– 7.0
Changes in inventories		– 0.3	– 5.3
Changes in trade and other payables		– 1.1	1.8
Cash used in operations		**– 13.5**	**– 9.5**
Tax paid / (received)		0.2	– 0.4
Net cash flows used in operating activities (continuing operations)		**– 13.3**	**– 9.9**
Net cash flows used in operating activities (discontinued operations)		**–**	**2.3**
Net cash flows used in operating activities		**– 13.3**	**– 7.6**
Investing Activities:			
Proceeds from sale of property, plant and equipment		0.1	0.2
Purchase of property, plant and equipment		– 3.1	– 1.6
Purchase and investments in intangible assets		– 6.2	– 5.7
Rent deposits		– 1.1	–
Security deposits paid		0.0	0.5
Other investing activities		0.0	0.0
Interest received		–	– 0.0
Disposal of a subsidiary, net of cash disposed		1.6	11.0
Net cash flows used in investing activities (continuing operations)		**– 8.8**	**4.4**
Net cash flows used in investing activities (discontinued operations)		**–**	**– 0.3**
Net cash flows used in investing activities		**– 8.8**	**4.1**
Financing activities:			
Proceeds from capital increase by initial public offering		–	122.5
Transaction costs on issue of shares		–	– 4.0
Sale/(Purchase) of non-controlling interests		–	– 0.1
Interest and other finance charges paid		– 4.0	– 2.4
Proceeds from borrowings	20	0.0	15.0
Repayment of borrowings		– 15.0	– 11.5
Payments of lease liabilities		– 4.3	– 3.4
Purchase of own equity instruments		– 1.0	– 1.9
Purchase of treasury shares		– 3.0	–
Net cash flows from financing activities (continuing operations)		**– 27.3**	**114.2**
Net cash flows from financing activities (discontinued operations)		**–**	**– 1.0**
Net cash flows from financing activities		**– 27.3**	**113.2**
Net change in cash and cash equivalents		**– 49.4**	**109.7**
Effect of exchange rate fluctuations on cash held		– 0.4	– 0.5
Cash and cash equivalents as of January 1	17	123.0	13.8
Cash and cash equivalents as of December 31		**73.2**	**123.0**
Thereof continuing operations		**73.2**	**123.0**
Thereof discontinued operations		**–**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2019

1. GENERAL INFORMATION

The Westwing Group AG and its subsidiaries (together referred to as “Westwing” or the “Group”) belong to the leading eCommerce companies in the European Home and Living sector. Westwing is an integrated Home and Living company that offers its customers a broad and diverse range of beautiful Home and Living products.

The Company is registered at the German stock exchange in Frankfurt since October 9, 2018.

The consolidated financial statements of Westwing Group AG for the fiscal year ended December 31, 2019 were authorized for issuance by the Supervisory Board on March 26, 2020.

The Company was incorporated in 2011 and is headquartered at Moosacher Str. 88, 80809 Munich, Germany. The Company is registered at Berlin District Court, Germany, under the number HRB 199007 B. As of December 31, 2019, the Group operated in eleven countries (Germany, Austria, Switzerland, Italy, Spain, the Netherlands, France, Poland, Belgium, the Czech Republic and the Slovak Republic) and consisted of 26 legal companies, all of which are consolidated in the consolidated financial statements, 17 of which are non-operating entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) applicable as of the reporting date, as adopted by the European Union, and in accordance with the provisions applicable under German Commercial law as defined in Sec. 315e German Commercial Code (Handelsgesetzbuch, ‘HGB’).

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The consolidated financial statements have been prepared in EUR and presented in millions of euros (EUR m). The values in the consolidated financial statement have been rounded according to commercial principles. Therefore, it could be that the sum of a table does not exactly match the addition of the individual numbers and differences may arise when individual amounts or percentages are added up. In respect of financial information set out in this report, a dash (“–”) signifies that the relevant figure is not available, while a zero (”0.0”) signifies that the relevant figure is available but has been rounded to zero.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities (including derivative instruments) measured at fair value through profit or loss.

The Company presents its consolidated income statement classifying expenses by function.

The consolidated statement of financial position is classified based on the maturity of assets and liabilities. Assets that are used or settled within a normal cycle of business operations, are held for the purpose of trading or are expected to be realized within twelve months from balance date are classified as current. Assets not meeting these criteria are classified as non-current.

Liabilities are classified as current where they are expected to be settled in a normal cycle of business operations, within twelve months or where there is no unconditional right to defer settlement beyond twelve months. All other liabilities are classified as non-current.

Deferred taxes either as asset or as liability are classified as non-current.

The fiscal year comprises one calendar year. Consolidated statement of cash flows is based on actual cash flows for the period.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.2 New Standards, Amendments and Interpretations

The IASB (International Standards Accounting Board) has issued the following Standards or amendments to Standards, which were first time applied in the consolidated Financial Statements of the Group for the year ended December 31, 2019.

		IASB Mandatory application	Adoption by the EU by 12/31/2019
IFRS 16*	Leases	01/01/2019	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019	Yes
Amendment to IFRS 9	Prepayment Features with Negative Compensation	01/01/2019	Yes
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures	01/01/2019	Yes
Amendments to IAS19	Plan Amendment, Curtailment or Settlement	01/01/2019	Yes
Annual Improvements	2015 – 2017 Cycle	01/01/2019	Yes

* Early adopted as of January 1, 2018.

Besides the effects described in detail below, the application of the new or amended standards in fiscal year 2019 did not have a material impact on group accounting, the presentation of the consolidated financial statements and on the Group's net assets, financial position and results of operations. The Group did not early apply standards, interpretations or amendments that are published but not yet effective.

IFRIC 23 "UNCERTAINTY OVER TAX TREATMENTS"

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The new interpretation did not have any impact on the Group's tax situation.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards or amendments which are not yet effective have been issued:

		IASB Mandatory application	Adoption by the EU by 12/31/2019
Amendment to IFRS 3	Definition of a Business	01/01/2020	No
Amendments to IFRS 9, IAS 39 and IFRS7	Interest Rate Benchmark Reform	01/01/2020	Yes
Amendments to IAS 1 and IAS 8	Definition of Material	01/01/2020	Yes
Conceptual Framework in IFRS Standards	Amendments to References	01/01/2020	Yes
Amendment to IAS 1	Classification of Liabilities as Current or Non-current	01/01/2022	No

No new standards or amendments, not yet effective, are expected to have a material impact on the Group. Westwing plans to adopt the new standards when they become mandatory effective.

2.3 Consolidation

2.3.1 SCOPE OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of Westwing and entities controlled by Westwing ("subsidiaries"). Consequently, all companies in which the Company holds a controlling interest are fully consolidated in the financial statements.

As of December 31, 2019, the Company controls 20 domestic subsidiaries (2018: 20), as well as maintaining indirect control of six foreign subsidiaries (2018: five). The composition of and changes to the Group are detailed in note 31.

The annual financial statements of the Company and its subsidiaries are prepared under uniform accounting standards. Where necessary, the accounting policies of subsidiaries have been changed to align them to the policies adopted by the Group. The financial statements of the Company and its subsidiaries cover the fiscal year 2019, from January 1, 2019, to December 31, 2019, and are prepared as of the reporting date of these consolidated financial statements. Intercompany receivables, liabilities as well as profits or losses, revenues, income and expenses between Group companies are eliminated during the consolidation process.

2.3.2 SUBSIDIARIES

Subsidiaries are those entities over which the Group has control. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to govern the relevant activities of the entity. Subsidiaries are fully consolidated from the date that control commences to the date that control ceases.

2.3.3 NON- CONTROLLING INTERESTS (NCI)

If an acquirer acquires less than 100 % of shares in an acquiree there is a non-controlling interest. Non-controlling interest is the equity in a subsidiary that is not attributable, directly or indirectly, to a parent.

Non-controlling interests can be measured either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets (partial goodwill method).

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. As of December 31, 2019, there were no non-controlling interests in Westwing's operating entities. The small amount of remaining non-controlling interest relates to non-operating companies within the Group.

2.3.4 DISPOSAL OF SUBSIDIARIES

When the Group ceases to have control of a subsidiary, the gain or loss on disposal is calculated as the difference between the proceeds from the sale less the subsidiary's net assets and NCI. Any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss.

2.4 Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are recorded in the local functional currency using the exchange rates prevailing as of the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the revaluation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in other financial result in the consolidated income statement.

Group Companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities of foreign operations are translated at the closing rate as of the balance sheet date;

- income and expenses of foreign operations are translated at cumulative average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);

All resulting exchange differences are recognized in other comprehensive income in equity. On disposal of a foreign operation, the related component of OCI is recognized in the consolidated income statement.

The most significant currencies for the Group were translated at the following exchange rates:

	Assets and liabilities Spot rates		Income and expenses Cumulative average rates	
Value of EUR 1	**12/31/2019**	12/31/2018	**2019**	2018
US dollar	1.12	1.15	1.12	1.18
Polish zloty	4.26	4.30	4.30	4.26
Swiss franc	1.09	1.13	1.11	1.13

With the sale of the subsidiaries in Russia and Brazil in 2018, only the Polish entity has a different functional currency as of December 31, 2019.

2.5 Revenue Recognition and contract balances

Westwing generates revenue primarily from the sale of goods through its retail website. In most cases the customer pays upon placing their order online before the Group transfers goods to the customer. Contract liabilities are recognized when the payment is made, or the payment is due (whichever is earlier) before a related performance obligation is satisfied. Contract liabilities are recognized as revenue from contracts with customers when control of goods is transferred to the customer (generally on delivery) at an amount that reflects consideration to which the Group expects to be entitled in exchange for those goods and services. Contract liabilities are shown as a separate line on the balance sheet.

The period between an order and delivery to the customer is between two days and six weeks depending on the type of goods ordered.

In other cases when customers pay on delivery or per an invoice, trade receivables arise when control of goods is transferred to the customer until the time when receivables are collected. The Group has concluded that the Group is the principal in all its revenue arrangements.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). Shipping is an activity to fulfil the promise to transfer the product and is performed before the customer obtains control of the related product. Therefore, shipping and the related transfer of ownership to the product are considered to be one performance obligation. Consideration represents amounts receivable for goods supplied, stated net of promotional discounts, marketing vouchers, rebates and rights of return liability.

RIGHT TO RETURN

The company provides customers a right to return the goods within up to 100 days. The Group uses the expected value method based on past experience in respect of return rates and time lag to estimate an amount for the goods that will be returned. For goods that are expected to be returned, instead of revenue, the Group recognizes a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

VOUCHERS

Westwing offers three types of vouchers to their customers:

Customer Care Vouchers

In case of any delivery delays or quality issues, Westwing's customer care department offers cash vouchers to customers for future purchases that can be used within ten years. Offered cash vouchers to customers are a separate performance obligation for the Group. A stand-alone selling price is calculated and allocated for all performance obligations. For vouchers issued but not used in the same period an estimated usage is calculated based on historical knowledge that reduces Group's revenue of the current period and increases contract liabilities as of the end of the period.

Marketing Vouchers

These are vouchers that are posted on Instagram by our founders or influencers or that are included in newsletters. These vouchers are valid only for a limited period of time, usually as long as the marketing event is running, and only as a percentage discount. The simple issuance of these marketing vouchers does not create a binding contract with a customer. This only occurs once the customer places an order. No liabilities are recognized by the Group.

Gift Vouchers

These are vouchers the Group sells to customers in exchange for cash. These vouchers can be given to friends, for instance, who will then fully use them for an actual purchase at Westwing. No revenue is recognized by the Group when the vouchers are sold, but only when the vouchers are used. A contract liability is recognized when gift cards are sold.

CONTRACT BALANCES

EUR m	12/31/2019	12/31/2018
Trade receivables	5.0	4.5
Receivables against payment providers	3.1	3.7
Contract liabilities	8.9	7.9

Nearly all contract liabilities at the beginning of the year have been recognized as revenue during the fiscal year in both 2019 and 2018. Exemptions are only gift vouchers whose remaining amount not converted into revenue is immaterial.

2.6 Expenditure

Cost of sales primarily consists of the purchase price of consumer products and inbound shipping charges recognized when the goods are sold.

Fulfilment expenses include postage, freight, packaging and handling costs as well as fees in respect of payment services. In addition, fulfilment expenses include personnel expenses, depreciation of right-of-use assets regarding warehouses, depreciation and other expenses in respect of the logistics and customer care department.

Marketing expenses consist primarily of personnel costs. Also included are expenses for online and offline marketing or promotional activities, other operating expenses and depreciation in respect of the marketing function of the Group.

General and administrative expenses consist of personnel expenses, utilities and depreciation in respect of the right-of-use assets, technology and administrative functions of the Group. General and administrative expenses also include consulting and other professional and legal fees including external accounting, recruiting, tax consulting and audit fees. Expenses of the buying department and personnel expenses related to management functions for logistics in general form also part of general and administrative expenses.

Included within other operating income and expenses are primarily income for contributions as well as income from the release of provisions and the costs incurred when providing for bad debt on accounts receivable.

Included within the financial result are interest income, interest and other financial expenses, including the interest expenses for leasing liabilities in accordance with IFRS 16 and foreign exchange gains and losses within the other financial result.

When personnel expenses are described separately as part of expenditure it has to be considered that they include a material amount of share-based compensation expenses.

2.7 Property, Plant and Equipment

The main components of property, plant and equipment are right-of-use assets, furniture, fittings, equipment and leasehold improvements.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, where required. Historical costs include expenditure directly attributable to the acquisition.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment are capitalized, when leading to a major improvement or a longer useful life of the asset.

Gains and losses on disposals are determined by comparing the proceeds from the sale of property, plant and equipment with the carrying amount of the disposed asset. The gains and losses are recognized in the consolidated income statement of the year in which the disposal takes place.

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Asset	Useful Life in Years
Furniture, fittings and equipment	2 to 15
Computers and printers	2 to 5
Telecommunication (mobile phones, copy, fax)	2 to 5
Hardware (servers)	5 to 7
Office furniture	10 to 13
Warehouse equipment and fixtures	10 to 15
Cars and other vehicles	3 to 8
Leasehold improvements	Shorter of useful life or the term of the underlying lease
Right-of-use assets	Shorter of useful life or the term of the underlying lease

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The assets' residual values and useful lives are reviewed, and adjusted for impairment if appropriate, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Included within property, plant and equipment are amounts that have been prepaid for items of property, plant and equipment. Such amounts are not subject to depreciation.

2.8 Intangible Assets

2.8.1 PURCHASED TRADEMARKS, BRANDS, LICENSES AND SOFTWARE

Separately acquired trademarks, brands, software and licenses have a finite useful life and are shown at cost less accumulated amortization and impairment losses.

Acquired computer software licenses, domains, trademarks and brands are capitalized on the basis of the costs incurred to acquire them and bring them to use, including cost for further development of software for which licenses have been acquired.

Furthermore, intangible assets also include prepayments on items that are classified as intangible assets. Such amounts are not subject to amortization.

2.8.2 INTERNALLY GENERATED SOFTWARE

Research and development costs are expensed as incurred, except for development costs which have to be capitalized when certain conditions are met.

Development costs that are directly attributable to the design, testing and implementation of identifiable and unique software products controlled by the Company (such as warehouse and logistics applications, mobile app projects as well as the development of own software in the area of consumer apps, payment methods, among others) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of software products include employee-related expenses and costs incurred for external services needed to develop the software. Other development expenditures that do not meet these criteria are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

2.8.3 AMORTIZATION

Amortization is calculated using the straight-line method to allocate the cost of trademarks, brands, software and licenses over their estimated useful lives:

Asset	Useful Life in Years
Internally generated software	3 to 5
Acquired software and licenses	2 to 5
Trademarks (licenses)	15 years or the term of the trademark agreement (if shorter)

2.8.4 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

Whenever events or changes in market conditions indicate that the carrying amount of property, plant and equipment or intangibles may not be fully recoverable, the assets are tested for impairment. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Former impairments are reviewed for possible reversal at each reporting date.

2.9 Leases

Upon lease commencement date Westwing recognizes a right-of-use asset and a lease liability for lease agreements where the Group is the lessee. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar.

After lease commencement, the right-of-use asset is measured using a cost model. Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

The lease liability is subsequently remeasured to reflect changes in the lease term (using a revised discount rate); the assessment of a purchase option (using a revised discount rate); the amounts expected to be payable under residual value guarantees (using an unchanged discount rate); or future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate). Short-term leases which expire within twelve months are recognized as expenses when they incur. Income from subleasing is recognized within other operating income.

2.10 Inventories

Inventories are recorded at the lower of acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

The acquisition cost of inventory includes purchase costs and costs incurred to bring the inventories to their present location and condition. The Company's inventories are measured using the FIFO (first-in, first-out) method.

Inventory as shown in the statement of financial position consists of finished goods purchased from suppliers and prepayments made for future inventory deliveries.

2.11 Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group solely holds cash and cash equivalents as well as trade receivables as financial assets with the objective to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Thus, these financial assets are measured as amortized costs according to IFRS 9.

Financial assets measured at amortized costs are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for assets with maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's financial assets comprise "trade receivables and other financial assets" and "cash and cash equivalents" (notes 14 and 17).

Financial assets of the Group are initially recognized at their fair value including directly attributable transaction costs. Subsequently they are measured at amortized cost using the effective interest method.

Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

2.12 Fair Value Measurement

The Group measures all of its financial assets and financial liabilities at fair value at initial recognition. In addition, derivatives are measured at fair value through profit and loss at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

2.13 Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). If a loss event occurs (e.g. insolvency or bankruptcy), the asset is written down to the recoverable net amount.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.14 Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortized cost (loans and borrowings as well as payables). Westwing does not use derivatives designated as hedging instruments. The classification of financial liabilities depends on the nature and purpose of the liability and is determined by management at initial recognition.

Financial Liability at Fair Value Through Profit or Loss

A financial liability at fair value through profit or loss is initially recognized at fair value on the commencement date of the contract and is subsequently re-measured to its fair value. Any changes to the instrument´s fair value are recognized directly through the consolidated income statement.

The loan agreements entered into with Kreos Capital IV (Luxembourg) S.à r.l. (referred to as "Kreos") and GGC EUR S.À.R.L (referred to as "GGC") entailed warrant agreements whereby Kreos and GGC had the option to be provided with shares in Westwing upon execution of the warrants. The warrants were attached to the borrowings but are not closely related to these instruments. As a result, the Kreos warrants from 2013 and 2017 as well as the GGC warrant from 2018 have been classified as financial liabilities at fair value through profit or loss and were accounted for separately from the loans. The GGC loans were paid back in full in 2019, and the Kreos loans in 2018.

Given the connection to the moving share price and the variability of the value of the instruments, the definition of a derivative under IFRS 9 was met and the warrants were classified as financial liabilities measured at fair value through profit or loss. Consequently, they were revalued to fair value at each reporting date.

Financial Liabilities at Amortized Cost

All of the Group's other financial liabilities are classified as financial liabilities at amortized cost.

All these other financial liabilities are recognized initially at fair value net of directly attributable transaction costs. The fair value at initial recognition is the transaction price of the financial liabilities.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Any differences between the amount received and the amount repayable are recognized in the income statement over the term of the loan.

The Group's financial liabilities at amortized cost include trade payables and accruals as well as borrowings.

The financing round with the Westwing Group's investors in May 2016 was accounted for as a financial liability at amortized cost in accordance with IFRS. Upon initial recognition of such financing, any transaction costs incurred are either recognized in the consolidated income statement or recognized over the remaining term dependent on their contractual agreements.

In September 2018, the liability from the May 2016 financing round amounting to EUR 40.5m was converted into equity in accordance with IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments."

2.15 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and for which the risk of changes in value is considered to be insignificant.

Cash designated for a specific purpose and therefore not available for general use by the Group is classified as restricted cash and is reclassified to current or non-current assets where necessary.

2.16 Share Capital

The share capital is fully paid.

Incremental costs directly attributable to a capital increase are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as capital reserves in equity.

2.17 Treasury Shares

Treasury shares are the shares which were bought back by Westwing, reducing the number of shares outstanding on the open market. Treasury shares do not have any voting rights. The possession of these shares does not give the Company the right to either receive any assets on company liquidation or to exercise pre-emptive rights as a shareholder. These shares reduce the ordinary share capital. They are presented in the balance sheet as a reduction of equity. Westwing can use treasury shares to provide participants of share-based compensation programs with shares when their options are vested, and they exercise them. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if re-issued, is recognized in capital reserves.

2.18 Provisions

Provisions are non-financial liabilities of uncertain timing or amount. They are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions for future operating losses are not recognized.

The amount recognized as a provision is the present value and best estimate of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. Short-term provisions are not discounted.

2.19 Share-Based Compensation

Certain eligible employees of the Group are entitled to receive remuneration in the form of share-based compensation, whereby employees render services as consideration for equity instruments (equity-settled transactions) of the Group. In addition, certain eligible employees were also granted share appreciation rights, which are settled in cash (cash-settled transactions). Besides a minor number of plans, these cash-settled plans were converted into equity-settled plans in 2018. This conversion was treated as modification. In addition, a minor part of the compensation contracts of the Management Board was modified by conversion from equity-settled plans to cash-settled plans. In 2019, a new virtual program was established, and cash settled options were issued to the Management Board and some key management employees.

Equity-Settled Transactions

The cost of equity-settled share-based transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. Since Westwing became listed, the listed share price is either used directly or as an input factor for the option pricing model used to determine the option fair value. The fair value determined at the grant date is expensed over the applicable vesting period of the arrangement, based on the Company's estimate of the number of equity instruments that will eventually vest subject to non-market-based vesting conditions, with a corresponding credit to equity. As a basic principle Westwing uses a graded vesting approach. For awards with graded-vesting features, each installment of the award is treated as a separate grant. This means that each instalment is separately expensed over the related vesting period. The cumulative expense recognized for equity-settled share-based transactions at each reporting date up to the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Estimated forfeitures are revised if the number of awards expected to vest differ from previous estimates. Differences between the estimated and actual forfeitures are accounted for in the period they occur.

The expense or credit for a period recognized in the income statement represents the movement in cumulative expense recognized as of the beginning and end of that period.

When options are exercised, there are two ways they can be served: either the Company issues new shares (case 1) or treasury shares are used to provide the option holders with shares (case 2). In both cases the amount that was previously recognized in the share-based payment reserve for the option holder is fully reclassed to other equity components. In case 1 the share capital is increased in the nominal amount of the exercised shares and the difference between the share-based payment reserve and the nominal amount is recognized in capital reserves. The cash received for the exercise price increases the capital reserve as well. In case 2, the amount of treasury shares representing the exercised value of shares is reduced in the value of the original payment for the treasury share on a pro rata basis, and the remaining difference is recognized in capital reserves.

Cash-Settled Transactions

The cost of cash-settled transactions is measured at fair value using an appropriate valuation model. The fair value is established initially at the grant date and at each reporting date thereafter until the awards are settled. During the vesting period, a liability is recognized representing the fair value of the award and the vesting period expired as of the reporting date. Changes in the carrying amount of the liability are recognized as an expense or income in the income statement over the period. When cash-settled options are exercised, the recorded liability is derecognized, and the difference is recognized in profit or loss.

2.20 Post-Employment Benefits

Westwing does not have any typical pension schemes. However, in Italy and France there are provisions required by local law to recognize costs for employees that are entitled to receive when they leave the company. The Group's net obligations are determined separately for each plan by estimating the present value of future benefits that employees have earned. The calculation for the present value of defined benefit obligations is measured using the corresponding government's guidelines.

2.21 Current and Deferred Income Taxes

Income tax comprises current and deferred tax. Income tax expense is recognized in the income statement, except to the extent it relates to items directly recognized in equity, in which case it is recognized in equity.

Current tax expense is calculated on the basis of the tax regulations applicable on the balance sheet date in those countries in which the subsidiaries are operating and generate taxable income.

Deferred taxes are recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, in accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Similarly, deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse, or the tax losses carried forward will be utilized.

Deferred tax assets for deductible temporary differences and tax losses carried forward are recorded only to the extent that it is probable that sufficient future taxable profits will be available against which the temporary difference can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Overview

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the corresponding assets or liabilities in future periods.

Estimates and judgements are continually evaluated and are based on management's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management also makes certain judgements in addition to those involving estimations in the process of applying accounting policies. Changes in accounting estimates are recognized in the period in which the change takes place provided that such change exclusively affects that period.

Judgements that have the most significant effect on the amounts recognized in the financial statements, as well as estimates that could potentially cause a significant adjustment to the carrying amount of assets and liabilities within the next fiscal year are disclosed below.

3.2 Allowance for Obsolete Inventories (Note 15)

Inventory is valuated at the lower of acquisition costs and net realizable value. To determine the net realizable value of certain stock an allowance of inventory is recognized based on management's estimate of losses resulting from the sale for an amount below cost less cost to sell or even from not being able to sell certain stock items at all. The amount is calculated on the basis of historical experience as well as past and anticipated market performance.

3.3 Capitalization and Impairment of development costs

Westwing capitalizes development costs for internally generated software. Initial capitalization is based on management's judgement that technological and economic feasibility is confirmed. Judgement also applies when requirements for impairment are identified, taken into considerations assumptions regarding the development costs or the future additional value or savings respectively. Due to the innovative nature of Westwing's development projects, they are subject to some uncertainty regarding the future benefit.

3.4 Income Taxes (Note 26)

Deferred Income Taxes

The Group recognizes deferred tax assets only to the extent that they can be offset against deferred tax liabilities.

The Group considers many factors when assessing the likelihood of future realization of its deferred tax assets, including its recent earnings experience by jurisdiction, expectations of future taxable income, and the carry forward periods available for tax reporting purposes, as well as other relevant factors. Due to inherent complexities arising from the nature of its businesses, future changes in income tax law or variances between our actual and anticipated operating results, the Group assesses the likelihood of future realization of its deferred tax assets based on judgements and estimates. Therefore, actual income taxes could materially vary from these judgements and estimates.

3.5 Share-Based Compensation (Note 19)

The Group measures the cost of equity- and cash-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Since Westwing is listed at the stock market, the fair value is determined by an option-pricing model with the share price at grant date as an input factor. Additional inputs are the expected life of the share option, volatility and yield and assumptions made about each.

At the end of each reporting period, the Group reviews its estimates of the number of awards expected to vest and recognizes the impact, in the income statement, of any revision to original estimates with a corresponding adjustment to equity.

3.6 Refund Liabilities (Note 22)

Customers ordering products online have the right to return these products within 100 days after the purchase. In its accounts, Westwing therefore records a refund liability for such returns to ensure revenue is not overstated. The amount recorded as refund liability is calculated based on past experience and current information on gross sales. The liability is calculated per country and adjusts revenue accordingly. According to IFRS 15, at the same time a right to return the product is recognized as an asset, adjusting cost of sales.

4. OPERATING SEGMENTS

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance of the segments. The function of the CODM is performed by the Management Board of Westwing Group AG.

According to this, Westwing divides its operating segments in DACH and International. These segments are defined as follows:

- The DACH segment is comprised of Germany, Switzerland and Austria.

- The International segment consists of Spain, Italy, France, Poland, the Czech Republic, the Slovak Republic, Belgium and the Netherlands.

- In general, expenses and income occurred in the headquarter are allocated to the operating segments. However, the column "HQ/Reconciliation" contains central elements of the holding such as depreciation and amortization and the parent company's cash and cash equivalents. In 2018, IPO costs and central costs allocated to discontinued operations were included as well. Westwing Group AG provides a range of IT, marketing and other services (in particular commercial and technical advisory services) to its subsidiaries and holds cash and cash equivalents for new investments and financing purposes.

The Group measures the performance of its operating segments based on revenue growth and adjusted operating result (Adjusted EBITDA) in combination with the Adjusted EBITDA margin.

The Adjusted EBITDA shows the operating result before interest, taxes, depreciation and amortization and income or expenses for share-based compensation. In 2019, Adjusted EBITDA was as well adjusted for restructuring expenses connected to the centralization of the French business in Munich and the transformation program in Italy. In 2018, IPO costs recognized in profit and loss and central costs allocated to discontinued operations were also adjusted (affiliates in Brazil and Russia were sold in October and in November 2018, central costs were allocated for full year due to e.g. on-going handover).

Revenues resulting from transactions between operating segments are eliminated for consolidation purposes and are not included in the overview of the operating segments, as the CODM controls the operating segments based on revenues from transactions with third parties. However, in order to manage the segments all central costs are allocated to the segments, even if this is applied differently in the IFRS income statement.

The measurement and valuation standards applied by the Group are consistent for all operating segments. The revenue information below is based on location of the customers.

The following table shows operating segment information for the financial year which ended on December 31, 2019 (all amounts are in EUR m unless stated otherwise):

2019	DACH	International	HQ/Reconciliation	Group
Result before Income Tax	**– 17.8**	**– 14.7**	**– 5.5**	**– 38.0**
Interest expenses *	3.8	0.4	–	4.1
Interest income *	– 0.7	– 0.0	–	– 0.7
Other financial result	0.2	0.1	–	0.3
Operating Result	**– 14.5**	**– 14.2**	**– 5.5**	**– 34.2**
Depreciation and amortization	1.4	2.3	4.8	8.5
Impairments	0.2	0.1	0.3	0.7
Share-based compensation *	12.3	–	–	12.3
Expenses for the centralization of the French Business and restructuring Italy	–	2.4	–	2.4
Adjusted EBITDA	– 0.5	– 9.4	– 0.4	– 10.3
Adjusted EBITDA margin	– 0.3 %	– 8.1 %	0.0 %	– 3.8 %
Revenue	151.4	115.9	–	267.3
Cash and cash equivalents	14.4	8.2	50.6	73.2

* Includes headquarter costs not broken down to segments, and thus reported in the DACH segment.

The following table shows operating segment information for the fiscal year which ended on December 31, 2018 (all amounts are in EUR m unless stated otherwise):

2018	DACH	International	HQ/Reconciliation	Group
Result Before Income Tax for Continuing Operations	**– 10.9**	**– 4.8**	**– 10.7**	**– 26.4**
Interest expenses *	8.0	0.4	–	8.4
Interest income *	– 1.8	–	–	– 1.8
Other financial result *	0.3	–	–	0.3
Operating Result	**– 4.4**	**– 4.5**	**– 10.7**	**– 19.5**
Depreciation and amortization	1.3	1.7	3.7	6.7
Impairments	0.5	–	–	0.5
IPO costs	–	–	4.4	4.4
Share based payments	8.2	0.1	–	8.4
Central costs allocated to discontinued operations	–	–	2.6	2.6
Adjusted EBITDA	5.7	– 2.7	–	3.1
Adjusted EBITDA margin	4.3 %	– 2.2 %	–	1.2 %
Revenue	133.2	120.7	–	253.9
Cash and cash equivalents	9.2	5.3	108.5	123.0

* Includes headquarter costs not broken down to segments, and thus reported in the DACH segment.

Within the DACH segment, revenue in Germany amounted to EUR 125.9m (2018: EUR 109.8m).

Germany reported long-term assets (not including financial instruments) on the balance sheet amounting to EUR 39.1m (December 31, 2018: EUR 23.0m), while entities outside Germany showed long-term assets of EUR 8.1m (December 31, 2018: EUR 7.0m).

The allocation of long-term assets and cash and cash equivalents is done on the legal entity level.

5. ANALYSIS OF REVENUE

Revenue from contracts with customers for the year is comprised of the following:

EUR m	2019	2018
Revenue from the sale of products	263.6	251.0
Other revenue	3.7	2.9
Total	**267.3**	**253.9**

Revenue from the sale of products is net of discounts and also includes revenue from shipping charges of EUR 9.7m (2018: EUR 10.4m) invoiced to customers separately. Other revenue results from the sale of return products and obsolete inventories to trading partners.

6. ADDITIONAL INFORMATION ON INCOME AND EXPENSES

FULFILMENT EXPENSES

EUR m	2019	2018
Logistics costs	– 44.9	– 35.6
Personnel expenses	– 8.7	– 9.3
Depreciation and amortization	– 2.8	– 2.8
Other expenses	– 6.3	– 6.4
Total	**– 62.7**	**– 54.2**

In In 2019 fulfilment expenses rose by EUR 8,5m to EUR 62,7m. The increase in fulfilment expenses is mostly due to higher logistic costs that are partially attributable to the new logistic center in Poznan, Poland. Logistic costs include shipping costs of EUR 26.3m (2018: EUR 21.3m) as well as storage and handling costs amounting to EUR 14.3m (2018: EUR 10.3m).

MARKETING EXPENSES

EUR m	2019	2018
Personnel expenses	– 10.8	– 7.3
Depreciation and amortization	– 0.1	– 0.1
Other expenses	– 12.3	– 10.4
Total	**– 23.2**	**– 17.8**

Other expenses contain external marketing, consulting and travel expenses. The increase in marketing expenses results from investments in marketing starting from third quarter 2019.

GENERAL AND ADMINISTRATIVE EXPENSES

EUR m	2019	2018
Personnel expenses	– 47,3	– 37,7
Depreciation and amortization	– 6,3	– 4,3
Other expenses	– 12,7	– 13,9
Total	**– 66,4**	**– 55,9**

Other expenses contain mostly legal, consulting, maintenance, IT and travel expenses.

The following income and expenses are included in general and administrative expenses:

EUR m	2019	2018
Auditor's remuneration (recognized as expenses or within equity)		
Audit cost according to Sec. 314 para. 1 No. 9 a HGB		
Of which relates to previous periods TEUR 150 (2018: TEUR 17)	0.7	0.4
Other services according to Sec. 314 (1) No. 9 b HGB (previous year: rendered before September 28, 2018)	0.1	1.0
Other services according to Sec. 314 (1) No. 9 b HGB (previous year: rendered on or after September 28, 2018)	–	0.1
Tax services according to Sec. 314 (1) No. 9 c HGB (previous year: rendered before September 28, 2018)	–	0.0
Tax services according to Sec. 314 (1) No. 9 c HGB (previous year: rendered after September 28, 2018)	–	0.0
Other services according to Sec. 314 (1) No. 9 d HGB	0.0	–

The attestation service according to Sec. 314 (1) no 9 b HGB relate to the comfort letter required for the IPO in October 2018. They have been incurred in relation to the procedures of the IPO and the resulting review of interim financial information. The differentiation before and after September 28, 2018, results from the deviating requirements for listed and non-listed entities regarding auditor fees.

7. PERSONNEL EXPENSES

Employee benefits and expenses for the year are comprised of the following:

EUR m	2019	2018
Wages, salaries and other short-term employee benefits	– 44.8	– 37.5
Share-based compensation expenses	– 12.3	– 8.4
Social security and similar expenses	– 9.7	– 8.4
Total	**– 66.8**	**– 54.3**

The share-based compensation expenses of EUR 12.3m relate mainly to programs from recent years with a higher fair value for recognition. The increase in share-based compensation expenses mainly results from a positive effect in the previous year, when cash-settled programs were modified to equity settled programs.

In 2019, Westwing employed on average 1,250 employees (2018: 1,108 employees) in the following functional areas:

	2019	2018
Fulfilment	338	346
Marketing	187	136
Administration	724	626
Total	**1,250**	**1,108**

In addition to regular personnel expenses, there are post-employee benefits granted to Group employees in Italy and France. They comprise mainly the Italian employee severance indemnity (trattamento di fine rapporto, or "TFR") obligation, required under Italian Law, amounting to EUR 0.6m in 2019 (December 31, 2018: EUR 0.6m), and the French retirement scheme of EUR 0.1m (December 31, 2018: EUR 0.1m) included in current non-financial liabilities. In addition, the German Westwing entities paid EUR 3.0m for the contribution to the German pension insurance (2018: EUR 2.4m).

The numbers for 2018 only comprise employees in continuing operations, while the average number of employees at discontinued operations was 388.

8. OTHER OPERATING EXPENSES AND INCOME

Other operating expenses for the year include the following items:

EUR m	2019	2018
Expenses for expected credit losses (ECL)	– 1.5	– 0.3
Other operating expenses	– 0.6	– 0.4
Total	**– 2.1**	**– 0.7**

Other operating income for the year is comprised of the following:

EUR m	2019	2018
Lease income	0.1	0.0
Income from release of provisions	0.2	0.1
Other operating income	0.7	0.5
Total	**1.0**	**0.7**

Other operating income primarily includes EUR 0.3m income from products for influencers in return for marketing services (2018: EUR 0.1m) and EUR 0.2m contributions (2018: EUR 0.2m).

9. EXPENSES FOR LEASES

LEASES IN THE CONSOLIDATED INCOME STATEMENT

EUR m	2019	2018
General administrative expenses		
Expenses from variable and short-term leases	– 0.9	– 1.7
Other lease expenses (ancillary costs)	– 0.4	– 0.5
Other operating result		
Income from subleasing	0.1	–
Depreciation		
Depreciation/impairment on right-of-use assets	– 4.8	– 4.2
Financial result		
Interest expenses from lease liabilities	– 1.2	– 0.9

No variable lease payments were recognized under lease transactions. There were no sale and lease back transactions at Westwing Group.

10. FINANCIAL RESULT

The financial result for the year contains the following:

EUR m	2019	2018
Finance income:		
Valuation adjustment	0.7	1.8
Total finance income	**0.7**	**1.8**
Finance costs:		
Interest expenses	– 1.6	– 7.0
Lease interest	– 1.2	– 0.9
Other financial expenses	– 1.4	– 0.5
Total finance costs	**– 4.1**	**– 8.4**
Net finance result	**– 3.5**	**– 6.6**
Other Financial Result:		
Currency exchange gains	0.7	0.3
Currency exchange losses	– 1.0	– 0.6
Other Financial Result	**– 0.3**	**– 0.3**
Financial Result	**– 3.8**	**– 6.9**

The income from valuation adjustments relates to the revaluation of the GGC warrant (EUR 0.2m) and the Kreos warrants (EUR 0.5m).

Interest expenses decreased by EUR 5.4m compared to the previous year and amounted to EUR 1.6m. They relate completely to the loans entered into with GGC before the loan was fully paid back in August 2019. In the previous year, interest expenses comprised also interest for Kreos, CITI and the May 2016 warrant.

Other financial expenses primarily include EUR 1.0m expense for the accelerated amortization of the difference between amortized cost and repayment amount as a result of the early repayment of the GGC loans. The difference was a result of the separate accounting for the warrants issued in connection with the loans.

In 2018, the other financial expenses only resulted from several fees for finance transactions.

11. EARNINGS PER SHARE

Earnings per share are calculated as follows:

EUR m	2019	2018
Result of the continuing operations attributable to owners of the parent	– 39.0	– 27.4
Weighted average number of ordinary shares in issue (in pieces)	20,530,009	15,497,938
Earnings per share (in EUR) from continuing operations attributable to the owners of the Company; undiluted (= diluted)	– 1.90	– 1.77
Earnings per share (in EUR) from discontinued operations attributable to the owners of the Company; undiluted (= diluted)	-	1.62
Basic and Diluted Result per Share	**– 1.90**	**– 0.15**

For the weighted average number of ordinary shares in issue treasury shares are deducted. In accordance with IAS 33 “Earnings per Share”, the effects of anti-dilutive potential shares have not been included when calculating diluted earnings per share for the years ended December 31, 2019 and 2018. As a result, the diluted earnings per share is the same as the basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment employed by the business is set out below:

EUR m	Leasehold improvements	Furniture, fittings and equipment	Right-of-use assets	Prepayments on PPE	Total
Cost as of January 1, 2018	**3.2**	**10.0**	**–**	**0.0**	**13.3**
Additions	0.1	1.4	20.6	0.2	22.2
Transfers	–	0.0	0.0	–	0.0
Disposals	– 0.7	– 1.2	– 0.0	–	– 1.9
Exchange adjustment	– 0.0	– 0.1	–	– 0.0	– 0.1
Cost as of December 31, 2018	**2.5**	**10.1**	**20.7**	**0.2**	**33.5**
Accumulated depreciation as of January 1, 2018	**1.8**	**5.4**	**–**	**–**	**7.2**
Depreciation charge	0.3	1.1	3.7	0.0	5.1
Impairment	–	–	0.5	–	0.5
Disposals	– 0.6	– 0.6	– 0.0	–	– 1.1
Exchange adjustment	– 0.0	– 0.0	0.0	– 0.0	– 0.1
Accumulated depreciation as of December 31, 2018	**1.5**	**5.8**	**4.2**	**0.0**	**11.6**
Carrying amount as of December 31, 2018	**1.0**	**4.3**	**16.5**	**0.2**	**21.9**

EUR m	Leasehold improvements	Furniture, fittings and equipment	Right-of-use assets	Prepayments on PPE	Total
Cost as of January 1, 2019	**2.5**	**10.1**	**20.7**	**0.2**	**33.5**
Additions	1.7	2.2	17.7	–	21.5
Disposals	– 0.2	– 0.4	– 0.6	– 0.2	– 1.3
Exchange adjustment	0.0	0.0	0.0	0.0	0.0
Cost as of December 31, 2019	**3.9**	**11.9**	**37.8**	**0.0**	**53.7**
Accumulated depreciation as of January 1, 2019	**1.5**	**5.8**	**4.2**	**0.0**	**11.6**
Depreciation charge	0.3	1.4	4.8	0.0	6.5
Impairment	0.3	0.0	–	–	0.3
Disposals	– 0.0	– 0.1	– 0.0	–	– 0.1
Exchange adjustment	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation as of December 31, 2019	**2.0**	**7.2**	**9.0**	**0.0**	**18.2**
Carrying amount as of December 31, 2019	**1.9**	**4.7**	**28.8**	**0.0**	**35.4**

Acquisitions of furniture, fittings and equipment occurred across all entities and included servers and IT hardware as well as office and warehouse equipment. Additions to right-of-use assets relate to new warehouses in Poland and Spain as well as new office space in Germany, Italy and Spain. As of December 31, 2019, right-of-use assets related with EUR 28.2m to offices and warehouses (December 31, 2018: EUR 16.2m) and with EUR 0.6m to operating and office equipment (December 31, 2018: EUR 0.3m). The depreciation charges of right-of-use assets relates with EUR 4.5m to offices and warehouses (2018: EUR 3.4m) and with EUR 0.3m wo operating and office equipment (2018: EUR 0.3m). There was no material impairment of right-of-use assets recognized in 2019 (2018: EUR 0.5m). In 2018, right-of-use assets were impaired by EUR 0.5m because of the move of our warehouse from Berlin, Germany, to Poznan, Poland, which was completed in 2019. There is no lease not yet commenced to which Westwing was committed.

13. INTANGIBLE ASSETS

The intangible assets employed by the business are set out below:

EUR m	Software and licenses	Trademarks	Internally generated intangibles	Intangibles under development	Total
Cost as of January 1, 2018	**0.8**	**0.3**	**8.2**	**0.0**	**9.3**
Additions	0.1	0.0	5.6	–	5.7
Transfers	– 0.0	–	–	–	– 0.0
Disposals	– 0.1	–	– 0.0	– 0.0	– 0.2
Exchange adjustment	– 0.0	–	– 0.0	– 0.0	– 0.0
Cost as of December 31, 2018	**0.7**	**0.3**	**13.7**	**0.0**	**14.8**
Accumulated amortization as of January 1, 2018	**0.6**	**0.1**	**4.6**	**–**	**5.3**
Amortization charge	0.1	0.0	1.5	0.0	1.6
Disposals	– 0.1	–	– 0.0	– 0.0	– 0.1
Exchange adjustment	– 0.0	–	– 0.0	– 0.0	– 0.0
Accumulated amortization as of December 31, 2018	**0.6**	**0.1**	**6.1**	**0.0**	**6.7**
Carrying amount as of December 31, 2018	**0.2**	**0.1**	**7.7**	**0.0**	**8.0**

EUR m	Software and licenses	Trademarks	Internally generated intangibles	Intangibles under development	Total
Cost as of January 1, 2019	**0.7**	**0.3**	**13.7**	**0.0**	**14.8**
Additions	0.1	–	5.4	0.6	6.2
Disposals	–	–	–	–	–
Cost as of December 31, 2019	**0.9**	**0.3**	**19.2**	**0.6**	**21.0**
Accumulated amortization as of January 1, 2019	**0.6**	**0.1**	**6.1**	**0.0**	**6.7**
Amortization charge	0.1	0.0	1.9	–	2.0
Impairment charge	–	–	0.3	–	0.3
Disposals	–	–	–	–	–
Accumulated amortization as of December 31, 2019	**0.7**	**0.2**	**8.3**	**0.0**	**9.1**
Carrying amount as of December 31, 2019	**0.2**	**0.1**	**10.9**	**0.6**	**11.9**

Additions to internally generated intangibles and intangibles under development of EUR 6.1m (2018: EUR 5.6m) largely comprise of development costs in respect to warehouse and logistics applications, mobile app projects as well as the development of own software in the area of consumer apps, payment methods, significant improvement of stability, speed and security. The development projects have been separated into identifiable project phases, characterized by the development of new functionalities. Upon the completion of distinguished phases and roll-out of a functionality, the related costs are transferred from intangibles under development into internally generated intangibles, at which point amortization over the useful life of three to five years commences. The aggregate amount of research and development expenditure recognized as an expense during the year was EUR 7.7m (2018: EUR 4.7m).

Amortization of intangible assets is fully recorded in general and administration expenses. In 2019, some projects regarding internal tools had to be impaired by EUR 0.3m, as they have not been not as valuable as originally expected (2018: none).

14. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables and other financial assets are comprised of the following:

EUR m	12/31/2019	12/31/2018
Trade receivables	5.0	4.5
Receivables against payment service providers (PSP)	3.1	3.7
Rent deposits	4.1	3.1
Other financial assets	1.4	1.5
Trade and other receivables, net	**13.7**	**12.8**
Thereof:		
Non-current	4.2	2.9
Current	9.4	10.0

Trade receivables are shown net of an allowance for expected credit losses. Receivables against payment service providers of EUR 3.1m bear only limited credit risk as the service providers would cover the loss incurred by the customer itself. The allowance for expected credit losses in trade receivables amounted to EUR 1.9m (December 31, 2018: EUR 1.0m) and primarily relates to old receivables which show a higher credit risk. The other classes within trade and other receivables do not contain impaired assets.

The Company does not hold any collateral as security.

Disclosures in respect of financial assets and liabilities can be found in notes 24 and 25.

The movement in the allowance for expected credit losses in respect of trade receivables during the year was as follows:

EUR m	2019	2018
As of January 1	**1.0**	**0.7**
Provided in the year	1.1	0.3
Utilized in the year	– 0.2	–
As of December 31	**1.9**	**1.0**

15. INVENTORIES AND PREPAYMENTS ON INVENTORIES

Inventories and prepayments on inventories have developed as follows:

EUR m	12/31/2019	12/31/2018
Inventories	23.4	22.6
Prepayments on inventories	2.4	2.5
Total	**25.8**	**25.1**

Inventories available for sale representing products and merchandise are stated net of an allowance for inventory write-offs amounting to EUR 5.8m (December 31, 2018: EUR 6.0m). Write-offs of inventories recognized in profit and loss amounted to EUR 8.1m (2018: EUR 8.3m).

16. OTHER ASSETS

EUR m	12/31/2019	12/31/2018
Other advances	1.5	1.6
VAT receivables	1.2	0.8
Other tax receivables	0.2	0.6
Right of return assets	2.5	2.6
Other non-financial receivables	0.2	0.5
Total	**5.5**	**6.1**

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

EUR m	12/31/2019	12/31/2018
Cash at bank and on hand	43.2	67.9
Cash equivalents	30.0	55.1
Total	**73.2**	**123.0**

As of December 31, 2019, bank accounts of Westwing amounting to EUR 1.4m were pledged. The Company did not have available credit lines.

In the previous year bank accounts of Westwing Group AG and Westwing GmbH amounting to EUR 46.3m were pledged to GGC in the course of the loans issued and the warrant agreement entered into in 2018. As of December 31, 2018, the Group had available EUR 3.0m of undrawn committed borrowing facilities.

Cash equivalents amounting to EUR 30.0m (December 31, 2018: EUR 55.1m) represent short-term deposits with a maturity period up to three months.

18. SHARE CAPITAL AND RESERVES

Share Capital and Capital Reserves

Share capital developed as follows

In k	Number of shares	Number of treasury shares	Share capital (EUR k)	Treasury shares (EUR k)
January 1, 2018	92	– 29	92	– 998
Issue of ordinary shares in 2018	20,649	–	20,649	–
Settlement of stock options	–	6	–	204
As of December 31, 2018/January 1, 2019	**20,741**	**– 23**	**20,741**	**– 795**
Issue of ordinary shares in 2019	–	–		–
Purchase of treasury shares	–	– 819	–	– 3,037
Settlement of stock options	–	98	–	1,267
As of December 31, 2019	**20,741**	**743**	**20,741**	**– 2,565**

The total authorized number of ordinary no-par value shares as of December 31, 2019, is 20,740,809 shares (December 31, 2018: 20,740,809 shares) with a nominal value of EUR 1.00 per share. Each share entitles the bearer to one vote at the Westwing Group AG's Annual General Meeting. The nominal value of all ordinary shares is fully paid. The capital reserves of EUR 351.1m (December 31, 2018: EUR 349.1m) consists of the amounts of the capital increases from the past years which exceeded the nominal value.

In 2019 there were no capital increases. In April, Westwing Group AG bought back 18,900 own shares from some country founders amounting to EUR 0.3m as part of the commitment package 2019. On August 21, 2019, the Management Board of Westwing Group AG, with consent of the Supervisory Board, resolved to carry out a share buy-back program with a maximum volume of up to 800,000 shares for a total maximum purchase price of up to EUR 4m. The buy-back via Xetra trading of the Frankfurt Stock Exchange started August 14, 2019, and was finished October 30, 2019. Westwing paid a total amount of EUR 2.8m for 800,000 shares. The shares are used to settle stock options for the acquisition of shares in Westwing Group AG that were granted to current or former employees or to board members of Westwing Group AG or its affiliates in case such stock options are exercised. As of December 31, 2019, total amount of treasury shares recognized as a deduction of equity was EUR 2.6m, the nominal amount included was 743,450.

For disclosures regarding authorized capital we refer to chapter 9.4 in the combined management report.

In 2018, several equity transactions took place.

- The warrant liability from the May 2016 financing round was converted into equity in September 2018; EUR 11,912 were allocated to share capital, and the rest of EUR 40.5m was recognized in capital reserves.

- In addition, there was a capital increase from company funds in September 2018, amounting to EUR 15,438,486, which reduced the capital reserves. At the same time a share split took place with a ratio of 1:150.

- The form of the shares was changed to bearer shares with no par value at the end of September 2018.

- In October 2018, the Company issued 4,400,000 shares as part of the initial public offering. EUR 110.0m from the gross proceeds from the initial public offering exceeded the nominal value and was recognized in capital reserves. EUR 4.0m was recognized as costs directly attributable to the IPO and deducted from capital reserves.

- On October 18, 2018, a roll-up of shares from affiliates shares hold by founders to shares in Westwing Group AG took place, resulting in a capital increase of EUR 481,350. On the same date there was a cash capital increase of EUR 6,000.

- On November 13, 2018, the capital increase from the Greenshoe option was registered, amounting to EUR 311,359. EUR 7.8m were allocated to the capital reserves.

As of December 31, 2019, the retained earnings amount to EUR – 344.2m and result from the net losses from the fiscal years since formation (EUR – 305.2m as of December 31, 2018).

The other reserves include the IFRS adoption reserve of EUR – 6.2m (December 31, 2018: EUR – 6.2m) and the share-based compensation reserve of EUR 58.8m (December 31, 2018: EUR 51.7m). The IFRS adoption reserve includes the effect of the conversion from German GAAP to IFRS as of January 1, 2013. The share-based compensation reserve comprises the value of equity-settled share-based compensation.

The other comprehensive income reserve of EUR 0.3m (2018: EUR 0.3m) represents foreign currency differences arising from the translation of foreign operations into the presentational currency. The amounts recognized are reclassified to the profit and loss upon disposal of these foreign operations. As the Company sold the entities in Russia and Brazil in 2018, the foreign currency reserve was recognized as income within deconsolidation accordingly, amounting to EUR 8.2m. The remaining portion of EUR 0.3m is allocated to the Polish entity.

Within the course of the preparation of being a listed company in 2018, equity from operating entities and their holding companies that used to be held primarily by founders was rolled up to the Westwing Group AG, partially in replacement for shares. This resulted in the changes from non-controlling interests to owners from the Company in the equity statement in the previous year.

19. SHARE-BASED COMPENSATION

Since 2011 eligible employees of the Group have been entitled to participate in share-based compensation arrangements, whereby employees render services as consideration for equity instruments (equity-settled transactions) of the Group. In addition, certain eligible employees have also been granted share appreciation rights, which are to be settled in cash (cash-settled transactions).

In April 2019 the bonus that was granted to the three members of the Management Board in September 2018 and which was subject to a successful IPO was paid out to the Management Board, amounting to EUR 1.0m.

In the second half 2019, a new cash-settled program was set up for up to 890,000 options of which a total of 672,000 virtual options was granted to executives and other top managers of the Company incl. the Management Board. The options fully vest on December 31, 2022, and they are only exercisable starting August 2023. Expenses of EUR 0.2m were recognized for this program in 2019.

In order to incentivize long-term employees and especially several country founders, the Group settled some vested equity-settled options in cash amounting to EUR 1.0m in 2019 (2018: EUR 2.0m). The amounts were recognized in equity by reducing the amount within the share-based payment reserve and the difference to the payment amount recognized in capital reserves. In addition, the Company repurchased equity shares amounting to EUR 0.3m which were recognized as treasury shares.

In 2018, all share-based compensation plans within the Group were rolled up to the ultimate parent company, Westwing Group AG. For these options, the Company has a choice to either settle in equity or in cash. Since the clearly defined intention and policy of Westwing is to settle the resulting obligations in equity, the Group does not have an obligation to settle the awards in cash. Accordingly, all the new plans which were converted from cash-settled are accounted for as equity-settled share-based compensation plans. As part of this roll-up awards outstanding under the virtual stock option plan originally issued to employees in Germany were reclassified from cash-settled to equity-settled. Any cash-settled liability was last remeasured on the modification date and then reclassified to equity. This remeasurement resulted in income of EUR 5.9m in 2018. The remeasured value of EUR 9.7m was derecognized and replaced as of the modification date.

In addition, the Group issued anti-dilution shares to eligible employees to avoid a dilution after the May 2016 warrant conversion into equity in September 2018, based on the same terms and conditions as the original grants. As the distribution of further options due to dilution effects was not agreed within the original contracts, the anti-dilution agreements are accounted for as new equity-settled share-based compensation awards, measured at the grant date in 2018. This resulted in additional expense of EUR 4.6m, including an amount of EUR 0.3m for the cash-settled reimbursement of the tax effect on certain participants.

Share-based Compensation Expenses and Liabilities

In 2019, the total share-based compensation expense amounted to EUR 12.3m (2018: EUR 8.4m for continuing operations), thereof EUR 0.1m recorded in fulfilment expenses (2018: EUR 0.9m income), EUR 12.1m expense recorded in general and administration expenses (2018: EUR 9.3m) and EUR 0.2m marketing expenses (2018: EUR 0.0m). In 2018, expenses of EUR 0.3m were included in the result for the period from discontinued operations after taxes.

The share-based compensation expense includes expenses due to equity-settled share-based payment awards of EUR 12.6m (2018: EUR 24.3m). The majority of this amount relates to the Commitment Package 2019, that was issued in August 2018 und runs until end of 2022. Total income from cash-settled compensation was EUR 0.3m. There were some contrary effects: On the one hand, expenses for cash-settled share-based compensation were EUR 0.2m for the new virtual program, resulting in a liability in the same amount. On the other hand, the revaluation of the IPO bonus and the tax reimbursement for anti-dilution shares for some recipients resulted in an income of EUR 0.5m.

In the previous year, the cancellation and remeasurement of cash-settled options as of December 31, 2018 resulted in an income of EUR 16.0m, with EUR 15.6m are related to the conversion from cash-settled to equity-settled in June 2018. As a result of the modification to equity-settled, the liability recognized for the cash-settled options as of December 31, 2018 amounted to EUR 1.5m. In 2019 the liability of EUR 1.5 m was paid out in an amount of EUR 1.0 m. The remainder was recognized as income.

Share Awards
The Westwing Group operates different share-based payment plans. The most significant packages are described below:

- **Ongoing equity-settled programs 2014 – 2018 within normal course of business**
  In the years 2014 – 2018 there were several equity-settled programs granted to eligible employees within the normal course of business. They have a cliff of six or twelve months with 100 % of shares vesting after four years. Partially they have exit shares that vest at the later of an IPO or four years after grant date. Strike price is either EUR 1.00/150 or between EUR 12.20 to EUR 34.86.

- **Commitment Package 2016**
  A commitment package was granted in June 2016. It has a cliff of 36 months with 60 % of shares vesting after four years and 40 % of shares vesting the later of IPO or four years after grant date. Strike price is EUR 1.00/150. More than 60 % of the options are already vested.

- **Anti-Dilution Shares 2018**
  New shares were issued to avoid dilution of existing programs due to the warrant conversion into equity that took place in September 2018. The new options follow the same vesting schedule as the original options. However, as the grant date was August 2018, a different fair value of the options was applied.

- **Commitment Package 2019**
  A new commitment package was granted in August 2018. It has a cliff of between 12 and 48 months, depending on the management level of the employees concerned. 50 % of shares vest after four years and 50 % of shares vest the later of IPO or four years after grant date. Strike price is EUR 19.30.

- **New virtual program 2019**
  A new cash-settled program issuing up to 890,000 shares was set up August 2019. Thereof a total of 672,000 virtual was granted to executives and other top managers of the Company incl. the Management Board in 2019. The shares fully vest on December 31, 2022, and they are only exercisable starting August 2023. The options have a cap for the share price of EUR 19.00 and a strike price of EUR 1.00.

The tables below provide an overview of the movements in the equity-settled share-based compensation awards related to shares in the Company or the shares in the Company's subsidiaries. In 2018, a roll-up took place for all equity holders of affiliate equity where the subsidiary shares were converted to Company shares at a pre-defined ratio. The roll-up was only done for continuing operations.

All numbers relate to Company shares after they were converted from subsidiary shares and after the share split of 1:150 took place in 2018. The shares for Russia and Brazil are shown accumulated in one amount in each table for the previous year, as due to the discontinuation of the operational entities the plans have not been rolled up and therefore, are not comparable to the number shown for all other programs.

Development of issued shares in the Company:

	2019	2018
Number of unvested awards outstanding at the beginning of the period	–	–
Granted during the period	–	–
Vested during the period	–	–
Forfeited during the period	–	–
Number of unvested awards outstanding at the end of the period	**–**	**–**
Number of vested awards outstanding at the beginning of the period	1,354,350	2,625,846
Settled during the period	– 18,900	–
Disposed discontinued operations	–	1,271,550
Total number of vested awards outstanding at the end of the period	**1,335,450**	**1,354,296**

Development of equity-settled share options:

	2019	2018
Number of unvested awards outstanding at the beginning of the period	3,253,118	798,799
Granted during the period	–	3,101,550
Forfeited during the period	– 42,900	– 5,400
Vested during the period	– 261,900	– 362,681
Cancelled during the period	–	– 68,550
Settled during the period	– 17,550	– 48,900
Disposed discontinued operations	–	– 161,700
Number of unvested awards outstanding at the end of the period	**2,930,768**	**3,253,118**
Number of vested awards outstanding at the beginning of the period	883,365	710,435
Vested during the period	261,900	362,681
Settled during the period	– 37,950	– 28,950
Exercised during the period	– 121,050	– 5,850
Disposed discontinued operations	–	– 154,950
Total number of vested awards outstanding at the end of the period	**986,285**	**883,365**

Development of cash-settled share options:

	2019	2018
Number of unvested awards outstanding at the beginning of the period	150	7,350
Granted during the period	672,000	–
Forfeited during the period	–	–
Vested during the period	– 150	– 7,200
Cancelled during the period	–	–
Number of unvested awards outstanding at the end of the period	**672,000**	**150**
Number of vested awards outstanding at the beginning of the period	4,950	368,850
Vested during the period	150	7,200
Cancelled during the period	–	– 371,100
Total number of vested awards outstanding at the end of the period	**5,100**	**4,950**

Equity-settled and cash-settled options

Share options and cash-settled options relating to the Company's shares or to subsidiaries' shares have been granted to eligible employees. These share options are classified as equity-settled. The virtual options were accounted for as cash-settled, since the Company has a legal or constructive obligation to settle these options in cash upon the occurrence of an exit event. In 2018, nearly all cash-settled options were cancelled and replaced by equity-settled programs.

In 2019, a new cash-settled program was issued to the Management Board and some additional top management members. The exercise price is EUR 1.00 but is subject to a cap for the share price of EUR 19.00. They fully vest on December 31, 2022 with no intermediate vesting. They are not exercisable before August 2023. These cash-settled options were recognized as liability as of December 31, 2019, amounting to EUR 0.2m.

Cash-settled options in place as of December 31, 2018, primarily related to the management board IPO bonus, which was paid out in April 2019.

Movements in the number of share options and cash-settled options outstanding and their related weighted average exercise prices are as follows:

Share options	Weighted Average Exercise Price 2019	2018	Number of Options 2019	2018
Outstanding as of January 1	13.91	5.46	4,136,483	1,509,233
Granted during the year	–	16.02	–	3,101,550
Forfeited during the year	19.17	5.25	– 42,900	– 5,400
Exercised during the year	0.47	0.01	– 121,050	– 5,850
Settled during the year	1.34	0.30	– 55,500	– 77,850
Cancelled during the year	–	0.01	–	– 68,550
Disposed discontinued operations	–	0.95	–	– 316,650
Outstanding as of December 31	**14.45**	**13.91**	**3,917,033**	**4,136,483**
Thereof vested	5.67	6.44	986,265	883,365

As of December 31, 2019, 677,100 cash-settled options were outstanding, 5,100 of them vested (December 31, 2018: 5,100 options, 4,950 of them vested).

Share options and cash-settled options outstanding at the end of the year have the following vesting dates and exercise prices:

Share options		Weighted Average Exercise price per share options		Share Options	
Grant Date	Vesting Date	2019	2018	2019	2018
2011	2015	0.01	0.01	3,300	4,950
2012	2016	0.01	0.01	24,300	79,500
2013	2017	0.94	0.63	38,700	57,600
2014	2018	15.73	14.97	513,383	544,583
2015	2019	23.58	23.58	9,750	9,750
2016	2020	0.10	0.10	339,000	362,100
2017	2021	0.15	0.13	51,300	58,800
2018	2022	16.42	16.26	2,937,300	3,019,200
		14.45	**13.91**	**3,917,100**	**4,136,550**

Cash-settled options		Weighted Average Exercise price per share options		Share Options	
Grant Date	Vesting Date	**2019**	2018	**2019**	2018
2014	2018	29.01	29.01	2,400	2,400
2015	2019	33.23	33.23	2,700	2,700
2019	2022	1.00	–	672,000	–
		1.23	**31.25**	**677,100**	**5,100**

Fair Value of Equity-Settled Share Options and Cash-Settled Options

The fair values of the share options and cash-settled options granted to employees is measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historical average share price volatility of comparable companies. Since Westwing's listing, the fair value of the options is determined by the underlying option pricing model with the share price at grant date and expected volatility as input factors.

In 2019, there were no equity-settled share options granted. The weighted average fair value for the share options granted in the 2018 fiscal year to be settled in equity instruments amounted EUR 17.43 – 28.94 at grant date. The inputs used in the measurement of the fair values of these share options at the date of grant are summarized below:

Grant Date	2018 (Company Shares)
Share price (EUR)	20.42 – 28.95
Option exercise price (EUR)	1.00 – 34.86
Volatility based on expected life	42.3 %
Expected life	4.0
Dividend yield	–
Risk-free rate	0 %
Fair value per option (EUR)	17.43 – 28.94

For cash-settled options, the fair value of the underlying shares and the fair value of the cash-settled options have to be determined at each reporting date.

The weighted average fair value for the cash-settled options outstanding as of December 31, 2019, was EUR 2.57 (December 31, 2018: EUR 0.00).

The inputs used in the measurement of the fair values of the cash-settled options at the reporting dates are summarized below:

Balance-sheet date	2019 (Company shares)	2018 (Company Shares)
Share price (EUR)	3.56	17.43
Weighted Average Option exercise price (EUR)	1.00	1.00
Volatility based on expected life	34.1 %	57.9 %
Expected life	3.75	0.25
Dividend yield	–	–
Risk-free rate	0 %	0 %
Fair value per option (EUR)	2.57	17.43

20. BORROWINGS

On March 23, 2018, Westwing Group GmbH (now: Westwing Group AG) and GGC EUR S.À.R.L, an affiliate of Rocket Internet SE, again Westwing's largest shareholder, entered into a credit facility agreement amounting to EUR 15.0m and signed an option agreement. The option is accounted for separately, as it is independent from the credit line granted, and described in note 21. All tranches were drawn in 2018 and fully paid back in August 2019. The total payback amount comprised EUR 15.0m principal as well as EUR 2.7m interest expenses and exit fee. Rocket Internet SE had sold all its Westwing shares beginning of 2019 and then invested again into more the 25 % again in November 2019.

The loans had a term of three years and were originally due at maturity including accumulated interest.

On September 11, 2018, Westwing and Citicorp North America Inc. entered into a new loan agreement with a total amount of EUR 12.0m, which was allowed to be drawn in tranches of at least EUR 6.0m for the agreed term facility and EUR 6.0m for the revolving facility. The term of the facility was 18 months after the first drawn-down date. The nominal interest rate was 5.0 %. The term facility and a part of the revolving facility were made available to the Company for the repayment of the remaining loan from Kreos. In total EUR 10.0m were drawn and fully paid back in November 2018.

There were no non-current loans as of December 31, 2019 (December 31, 2018: EUR 14.9m). The previous year's amount only comprised loans and interests related to GGC.

There were no current borrowings as of December 31, 2019 and 2018.

21. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL LIABILITIES AT AMORTIZED COST

In addition to the loan agreement described above, on March 23, 2018, Westwing Group GmbH (now: Westwing Group AG) and GGC signed a warrant agreement pursuant to which the lender was granted warrant rights enabling the lender to acquire a certain number of new shares in the Company against contribution in cash. The equity option is accounted for separately, as it is independent from the credit line granted.

The fair value of the warrant rights was recognized in March 2018 as an asset with a corresponding financial liability at EUR 1.0m based on the same method as explained in the notes for the fiscal year 2017 regarding the Kreos warrants that originated in the years 2013 and 2017. The asset amount was reduced when the loan tranches were drawn by a third each time and was zero after the third tranche. As of December 31, 2019, the warrant liability amounted to EUR 0.0m (December 31, 2018: EUR 0.2m).

In April 2013, Westwing entered into a warrant agreement with Kreos in addition to a loan agreement. Upon execution, Kreos will receive equity for a price per share to be determined by Kreos, providing the nominated price is in line with the price agreed in any financing round since issue of the warrant. The warrant is recorded as a derivative financial instrument at fair value through profit or loss. The value as of December 31, 2019 amounted to EUR 0.0m (December 31, 2018: EUR 0.2m).

In parallel with the loan agreement with Kreos, Westwing entered into a warrant agreement in January 2017. Upon execution of the warrant, Kreos will receive equity from Westwing. Due to Kreos's admission, Kreos would receive equity for Westwing for a price per share to be determined by Kreos, providing the nominated price is in line with the price agreed in any financing round since issue of the warrant. The number of shares depends on the amounts of the tranches drawn from the loan agreement. This number of shares increased accordingly in April and June 2017, when the tranches were drawn. The warrant is recorded as a derivative financial instrument at fair value through profit or loss.

The warrant was recognized in January 2017 at a value of EUR 0.2m and expanded in different points of time in 2017. As of December 31, 2019, the value was EUR 0.0m (December 31, 2018: EUR 0.2m).

In May 2016 Westwing entered into a financing contract granting investors options in exchange for a cash payment of EUR 24.0m. The options should be converted to Westwing shares at the time of a predefined event. The price was measured according to the entity valuation at the expected time of conversion. After initial recognition, the warrant liability was measured at amortized cost using the effective interest rate method. When using the effective interest rate method, the financial liability's amortized costs are calculated, and the interest expense is allocated over the related period. The subsequent measurement is at amortized cost considering the entity valuation updated each year.

In September 2018, the warrant liability was converted into equity. Before conversion the liability's value was EUR 40.5m.

22. CURRENT AND NON-CURRENT LIABILITIES

Financial Liabilities

As of December 31, financial liabilities comprise of the following:

EUR m	12/31/2019	12/31/2018
Borrowings	–	14.9
Trade payables	17.1	24.9
Accruals	12.6	7.1
Other financial liabilities	0.0	0.7
Leasing liabilities	30.6	18.0
Total	**60.4**	**65.6**
Thereof current	34.8	34.9
Thereof non-current	25.6	30.6

Further disclosures in respect of financial assets and liabilities can be found in note 25.

Non-financial Liabilities

As of December 31, the non-financial liabilities comprise as follows:

EUR m	12/31/2019	12/31/2018
Contract liabilities	8.9	7.9
Refund liabilities	7.0	6.2
Liabilities related to employees	5.9	7.2
VAT liabilities	5.0	4.1
Tax liabilities	0.6	0.1
Other non-financial liabilities	0.7	0.5
Total	**28.0**	**26.0**
Thereof current	27.9	24.5
Thereof non-current	0.2	1.5

The refund liabilities of EUR 7.0m (December 31, 2018: EUR 6.2m) are recorded in order to capture the risk of products being returned within 100 days. The liability is calculated per country at an estimated return rate.

Liabilities related to employees of EUR 5.9m (December 31, 2018: EUR 7.2m) include liabilities for cash settled share-based compensation of EUR 0.2m (December 31, 2018: EUR 1.5m) as well as accruals for vacation, bonuses and severances. We refer to note 19 for further information.

23. PROVISIONS

Movements in provisions for liabilities and charges are as the following:

EUR m	Legal claims	Restoration	Other	Total
As of January 1, 2019	**0.1**	**0.2**	**0.6**	**0.9**
Provided in the year	0.0	0.9	2.7	3.6
Released during the year	– 0.0	–	– 0.5	– 0.5
Utilized during the year	–	–	– 1.4	– 1.4
As of December 31, 2019	**0.1**	**1.1**	**1.5**	**2.7**
Thereof:				
Current liabilities	0.1	0.1	1.5	1.7
Non-current liabilities	–	1.0	–	1.0
As of December 31, 2019	**0.1**	**1.1**	**1.5**	**2.7**

The restoration provision relates to the obligation to reinstate the leasehold property to its former condition at the end of the lease term. The timing of the cash outflow depends on the timing of vacating the leased property, in respect of which the provision was recorded. The addition to the restoration provision relates primarily to the new warehouse in Poland and additional office space at the headquarter in Munich. The beginning balance of the restoration mainly refers to the office at Moosacher Str. 88 in Munich. The timing of payment is uncertain.

The provision for legal claims represents the best estimate of the obligation in connection with claims against the Group. The timing of any cash outflow relating to the legal claims provision is uncertain but likely to be within one year.

Other provisions mainly contain the restructuring provision accrued for the French and Italian business units. As of December 2019, EUR 1.4m are still recorded in our books.

24. FINANCIAL RISK MANAGEMENT

24.1 Financial Risk Factors

24.1.1 OVERVIEW

The Group actively manages its financial risks, operational risks and legal risks. The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The primary objectives of the financial risk management function are to establish risk limits and ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational and legal risks. The Group's risk management is carried out centrally and covers all consolidated entities.

24.1.2 MARKET RISK

The Group is exposed to market risks. Market risks arise from open positions in foreign currencies (currency risk), and interest-bearing assets and liabilities (interest rate risk), which are sensitive to general and specific market movements. Management monitors such risks on an ongoing basis to ensure that exposure stays within certain limits. However, this approach does not prevent losses in the event of more significant market movements. Sensitivities to market risks included below are based on a change in one factor while keeping all other factors constant. In practice, this is unlikely to occur as changes in certain factors may be correlated.

Currency Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Polish zloty, and Swiss francs. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group's business model minimizes foreign exchange risk. A significant portion of local revenue as well as local costs is generated in the respective local currencies. Foreign exchange gains and losses shown in consolidated profit and loss arise mainly from intercompany funding activities with the Polish affiliate.

The following table demonstrates the sensitivity of profit and loss to a reasonably possible change in foreign exchange rates at the reporting date, with all other variables held constant.

EUR m	**12/31/2019**	12/31/2018
Polish zloty strengthening/(weakening) by 10 %	+ 0.3 / – 0.3	+ 0.1 / – 0.1
Swiss franc strengthening/(weakening) by 10 %	+ 0.3 / – 0.3	+ 0.1 / – 0.1
US dollar strengthening/(weakening) by 10 %	– 1.1 / + 1.1	– 0.8 / + 0.8
Total	**– 0.5 / + 0.5**	**– 0.6 / + 0.6**

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency. There is no effect on other comprehensive income as the Group does not make use of hedges.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If the Group has borrowings, they are mainly on fixed rate terms. Hence, a reasonably possible change in interest rates at the reporting date would have no impact on profit or loss or equity.

24.1.3 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation by being unable or unwilling to meet its commitments. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. Exposure to credit risk arises as a result of the sale of products on credit terms and other transactions with counterparties giving rise to financial assets. Credit exposures to customers are recorded systematically, analyzed and managed in the respective subsidiaries, using both internal and external sources of information.

The Group’s maximum exposure to credit risk considering risk provisions is represented by the carrying amount of each class of financial assets in the statement of financial position, as shown below:

EUR m	Notes	12/31/2019	12/31/2018
Trade receivables and other financial assets	14		
Trade and PSP receivables (net)		8.1	8.2
Other financial receivables		5.6	4.7
Cash and cash equivalents	17		
Cash in hand		0.0	0.0
Bank balances		43.2	67.9
Short-term bank deposits		30.0	55.1
Total on-balance sheet exposure		**86.9**	**135.8**

Trade Receivables and Other Financial Assets

Due to the nature of the Group’s activities, exposure to credit risk with counterparties is limited due to cash being received at the time of sale, or upon delivery of the product in the case of cash on delivery sales, in the majority of transactions. Trade receivables and other financial assets are therefore mainly limited to receivables from payment service providers and credit card companies.

The Group manages its exposure to credit risk by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Such risks are monitored on a regular basis and are subject at minimum to annual review.

The Group regularly reviews the ageing analysis of outstanding trade receivables and follows up on past due balances.

Cash and Cash Equivalents

The credit quality of the financial institutions with which accounts are held have been analyzed below using Standard and Poor’s ratings:

EUR m	12/31/2019	12/31/2018
AAA	–	–
AA- to AA+	1.7	0.3
A- to A+	–	–
BBB- to BBB+	71.5	122.3
Lower than BBB- rated	–	–
Unrated	0.0	0.4
Total	**73.2**	**123.0**

Concentration of Credit Risks

Considering the structure of the Group and the market in which it operates, the Group´s credit risk is with many diverse counterparties and therefore there is no assessed concentration of credit risk in the operating business. However, as a high share of cash and cash equivalents are placed at Deutsche Bank, this can be considered as a concentration of risk. However, Westwing works with additional large banks to spread the risk.

24.1.4 LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities without affecting the daily operations or the financial condition of the Group. Liquidity facilitates the ability to meet expected and unexpected requirements for cash.

Westwing manages liquidity to enhance shareholder value and to make sure that the Group uses capital efficiently. Westwing has invested in cash equivalents as well to ensure high flexibility regarding cash without the disadvantage of cash at banks including the usual penalty interest.

The table below shows the Group's non-derivative financial liabilities as of December 31, 2019, by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Debtors with credit balances are not considered.

The undiscounted cash flows differ from the amount included in the statement of financial position due to the carrying amount disclosed in the statement of financial position being based on discounted cash flows.

The maturity analysis of financial liabilities as of December 31, 2019, is as follows:

EUR m	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total
Liabilities					
Lease liabilities	1.0	5.2	22.1	6.2	34.5
Trade payables	17.1	–	–	–	17.1
Accruals	12.6	–	–	–	12.6
Total future payments, including future principal and interest payments	**30.7**	**5.2**	**22.1**	**6.2**	**64.2**

The financial liabilities described in note 21 are not shown in the table above as they are not cash effective.

The maturity analysis of financial liabilities as of December 31, 2018, is as follows:

EUR m	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total
Liabilities					
Borrowings	–	–	19.5	–	19.5
Lease liabilities	0.8	3.4	11.4	7.4	22.9
Trade payables	24.9	–	–	–	24.9
Accruals	7.1	–	–	–	7.1
Total future payments, including future principal and interest payments	**32.8**	**3.4**	**30.9**	**7.4**	**74.4**

24.2 Capital Management

The Group manages its capital structure in order to finance the Group's activities and continued growth. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. As of December 31, 2019, the equity ratio was 45.0 % (December 31, 2018: 53.1 %).

24.3 Fair Value Estimation

In accordance with IFRS 13, fair values of financial assets and financial liabilities have to be allocated to one of the three levels of the fair value hierarchy. The individual levels of the fair value hierarchy are defined as follows:

- **Level 1:**
  Quoted (unadjusted) prices in an active market for identical assets and liabilities that the entity can access at the measurement date

- **Level 2:**
  Inputs other than quoted market prices included within Level 1 that are observable for the asset and liability, either directly or indirectly

- **Level 3:**
  Inputs for the assets and liabilities not based on observable market data

The table below presents the carrying values of the Group's financial assets and liabilities measured at fair value and discloses their fair value by hierarchy level:

	12/31/2019				12/31/2018			
EUR m	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Liabilities								
Other financial liabilities:				–	–	–	–	–
Derivative financial instrument	–	0.0	–	0.0	–	0.7	–	0.7
Total liabilities	**–**	**0.0**	**–**	**0.0**	**–**	**0.7**	**–**	**0.7**

The three outstanding warrants under which the loan providers have the right to be provided with shares in Westwing upon the execution are included in the derivative financial instrument category. The fair value of the warrant is calculated using the stock price as of reporting date, considering the expected volatility for the remaining term.

For liabilities recognized at fair value Westwing determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization the end of the reporting period. Categorization is based on the lowest level input that is significant to the fair value measurement as a whole.

Cash and cash equivalents, trade receivables, and other financial assets, trade and other payables and other financial liabilities have short-term maturities. Therefore, their carrying amount at the end of the reporting period approximates to their fair value.

25. FINANCIAL INSTRUMENTS BY CATEGORY

The tables below present the analysis of the balance sheet items and their classification into subsequent measurement at amortized cost and at fair value through profit or loss.

The amounts shown reflect carrying values, which given the short-term nature of all balances involved, reflect the items' fair values.

Financial Assets – At Amortized Cost

EUR m	Notes	12/31/2019	12/31/2018
Cash and cash equivalents	17	73.2	123.0
Trade receivables and other financial assets	14	13.7	12.8
Total		**86.9**	**135.8**

Financial Liabilities

		12/31/2019		
EUR m	Notes	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss – held-for-trading	Total
Trade payables	22	17.1	–	17.1
Accruals	22	12.6	–	12.6
Other financial liabilities				
Derivative financial instruments	21	–	0.0	0.0
Lease liabilities		30.6	–	30.6
Total		**60.4**	**0.0**	**60.4**

		12/31/2018		
EUR m	Notes	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss – held-for-trading	Total
Borrowings	20	14.9	–	14.9
Trade payables	22	24.9	–	24.9
Accruals	22	7.1	–	7.1
Other financial liabilities				
Derivative financial instruments	21	–	0.7	0.7
Lease liabilities		18.0	–	18.0
Total		**64.9**	**0.7**	**65.6**

Changes in liabilities arising from financing activities

EUR m	12/31/2018	Cash flows	Foreign exchange movement	Changes in fair value	Other	12/31/2019
Borrowings (non-current)	14.9	–	–	–	– 14.9	–
Lease liabilities (non-current)	15.8	–	0.0	–	9.8	25.6
Borrowings (current)	–	– 15.0	–	–	15.0	–
Lease liabilities (current)	2.3	– 4.3	0.0	–	7.1	5.1
Other	0.7	– 4.0	–	– 0.7	4.0	–
Total liabilities from financing activities	**33.6**	**– 23.3**	**0.0**	**– 0.7**	**21.1**	**30.6**

EUR m	31.12.2017	Cash flows	Foreign exchange movement	Changes in fair value	Other	12/31/2018
Borrowings (non-current)	4.4	–	–	–	10.5	14.9
Lease liabilities (non-current)	16.9	–	0.0	–	– 1.1	15.8
Borrowings (current)	7.1	3.4	–	–	– 10.5	–
Lease liabilities (current)	3.2	– 3.4	0.0	–	2.5	2.3
Other	1.6	– 2.4	–	–	1.5	0.7
Total liabilities from financing activities	**33.1**	**– 2.4**	**0.0**	**–**	**2.9**	**33.7**

The "Other" column includes the effect of reclassification of non-current portion of borrowing, including lease liabilities to current due to the passage of time, additions to lease liabilities, the accrual of interest, penalty fees for early loan re-payment and one-time termination expense related to the warrant. Leases do not contain any credit conditions and no guarantees were provided in regard to it. However, leased assets may not be used as security for taking out loans.

Income and Expenses from Financial Instruments

The total impact on profit and loss as a result of financial instruments for the year ended December 31, 2019, was a loss of EUR 2.3m (2018: EUR 5.5m).

Income and expenses from financial instruments can be split as follows:

EUR m	Category	2019	2018
Interest income	Financial assets at amortized cost	0.0	0.0
Interest expense	Liabilities at amortized cost	– 1.5	– 1.9
Interest expense of Investor option	Liabilities at amortized cost	–	– 5.0
Valuation of warrant	Liabilities held for trading	0.7	1.8
Impairment of financial assets	Financial assets at amortized cost	– 1.5	– 0.3
Total		**– 2.3**	**– 5.5**

26. INCOME TAXES

Income Taxes

Income tax benefit/(expense) for the years ended December 31, 2019 and 2018 consists of:

EUR m	2019	2018
Current income tax:		
Current income tax charge	– 0.3	– 0.1
Effective income tax, prior year	– 0.2	0.0
Deferred tax (expense)/benefit	– 0.5	0.5
Income tax expense/(benefit) reported in the income statement	**– 1.0**	**0.4**

Reconciliation of the expected tax income/(expense) as the result before income tax multiplied by Germany's domestic corporate and trade tax rate for 2019 (2018) is compared to the tax expenses recognized in income statement:

EUR m	2019	2018
Result before income tax	**– 38.0**	**– 26.4**
Applicable tax rate	33 %	33 %
At domicile applicable tax rate expected tax income	12.5	8.8
Unrecognized deferred tax assets on tax losses	– 10.0	– 13.1
Effect from the use of unrecognized tax losses	1.1	6.2
Unrecognized deferred tax assets on temporary differences	– 1.9	– 0.8
Permanent differences and non-deductible expenses	– 1.1	– 0.5
Effect on different tax rate within a range of 19 % to 33,32 % for foreign operations	– 0.8	– 0.1
Effective income tax, prior year	– 0.2	0.0
Other effects	– 0.6	– 0.1
Income tax expense/(benefit) reported in the income statement	**– 1.0**	**0.4**

The effective tax rate is – 2.6 % due to the loss situation at Group level and deferred tax assets being recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the tax losses carried forward can be utilized.

There are no retained earnings at Group companies thus no distributions are planned or possible for 2020 or subsequent years.

Deferred Taxes

The Group's deferred taxes relate to the following:

Negative figures relate to deferred tax liabilities, whereas positive figures relate to deferred tax assets.

	Consolidated statement of financial position		Consolidated income statement	
EUR m	12/31/2019	12/31/2018	2019	2018
Software	– 4.2	– 2.9	– 1.3	– 1.4
Inventories	– 0.4	0.0	– 0.4	0.0
Provisions/(liabilities)	0.0	– 0.3	0.3	– 0.5
Stock options	0.0	0.0	0.0	– 1.3
Tax loss carry-forwards	4.6	3.7	0.9	3.7
Deferred taxes expense (income)	–	–	**– 0.5**	**0.5**
Net deferred tax assets / (liabilities)	**0.0**	**0.5**		
Reflected in the statement of financial position as follows:				
Deferred tax liabilities	– 4.6	– 3.2		
Deferred tax assets	4.6	3.7		
Deferred tax assets, net	**0.0**	**0.5**		

The Group offsets tax assets and liabilities if they relate to income taxes levied by the same tax authority on the same taxable entity and if the entity has a legally enforceable right to offset.

Deferred tax assets on temporary differences in the amount of EUR 1.9m (2018: EUR 2.7m) and on tax loss carry forwards in the amount of EUR 269m (2018: EUR 248m) have not been recognized as they may not be used with sufficient probability to offset future taxable profits. They have arisen in companies that have been loss making for some time, and there are no tax planning opportunities or other evidence of recoverability in the near future.

Generally, the valuation of the deferred taxes is carried out using the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled.

The Group has tax losses which arose in different jurisdictions of EUR 284m (2018: EUR 259m) that are available for offsetting against future taxable profits of the companies in which the losses arose as follows:

EUR m	2019	2018	Restrictions on Tax Losses Carried Forward
Germany	177	161	No
France	37	32	No
Italy	22	18	No
Netherlands	24	22	Yes
Poland	6	9	Yes
Spain	18	17	No
Total	**284**	**259**	

The following tax losses expire as indicated:

EUR m	2019	2018	Restrictions on Tax Losses Carried Forward
Poland	6	9	Exp 2020 – 2021
Netherlands	24	22	Exp 2020 – 2027
Total	**30**	**31**	

27. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Rocket Internet SE, Berlin, Germany is again the largest shareholder of Westwing. Rocket Internet SE had sold all its Westwing shares beginning of 2019 and then invested again into more the 25 % again in November 2019. With a share of over 25 %, Rocket Internet SE has significant influence, but it does not control Westwing, and Westwing is not fully consolidated in their group financial statements. All ventures that are controlled or jointly controlled by Rocket Internet SE and upon which Rocket Internet SE is controlling or has significant influence, are classified as related parties of the Group.

In addition, related parties comprise the Management Board and Supervisory Board members and their holdings, their children and domestic partners, as well as their relatives when living in the same household.

There were transactions to be disclosed with the following related parties: in 2018 Rocket Internet SE for consulting services and CATERWINGS Germany GmbH for catering services, in 2018 and 2019 GGC EUR S.Á.R.L regarding loan contracts. The loans of EUR 15.0m were paid back in full in 2019.

In addition, there were transactions with Stefan Smalla, Delia Fischer and Dr. Dr. Florian Drabeck as part of the Management Board (especially them being active, paying customers at our sites and apps).

As of December 31, 2019, and 2018, the outstanding balances with such related parties were as follows:

EUR k	12/31/2019	12/31/2018
Gross amount of trade receivables	–	3
Trade and other payables	30	30

The income and expense items with related parties were as follows:

EUR k	2019	2018
Sales of goods and services	7	– 11
Purchases of goods and services	–	181

The sales of goods and services relates solely to purchases on Westwing websites done by the Management Board. In 2018 the purchases of goods and services relates to consulting services from Rocket Internet related to the IPO and some catering services from CATERWINGS.

In addition, one board member paid services purchased by Westwing with his private credit card leading to miles & loyalty points worth an immaterial amount.

There were no material transactions that were not at arms' length.

Management Board Compensation

Management Board includes the Chief Executive Officer, the Chief Creative Officer and Chief Financial Officer.

Compensation paid to the Management Board of the Group for their services consists of contractual salary (short-term employee benefits), a performance-related compensation (short-term incentive) and equity participation in the form of shares or options (share-based payments, long-term incentive).

EUR k	2019	2018
Salaries (short-term employee benefits)	625	615
Bonus	–	110
Share-based compensation expenses	4,333	4,207
Social contribution	23	31
Payment support German pension fund	26	–
Total	**5,007**	**4,963**

An additional employment contract between Delia Fischer and the Westwing GmbH exists for PR services rendered. Remuneration from this was EUR 160k in the 2019 fiscal year (2018: EUR 130k). Furthermore, a separate one-time contract with Delia Fischer for a total remuneration of EUR 55k was paid out in 2019. For Dr. Dr. Florian Drabeck an additional bonus of EUR 100k was granted in 2019 and payable in 2020.

The weighted average fair value for equity-settled share-based compensation expenses reflects the value as of the issue dates in the past. Therefore, it is independent from the current stock price and will remain unchanged until settlement.

The share-based compensation expenses of EUR 4.3m relate mainly to programs from recent years. The majority of these expenses relates to the commitment package initiated in 2018 that has an exercise price of EUR 19.30; thus the corresponding options are significantly out of money considering the share price of March 2020.

The previous-year amount of share-based compensation expenses included a bonus that was granted to the three members of the Management Board in September 2018 and which was subject to a successful IPO. The final value was based on the average share price 30 trading days before March 31 and paid out in April 2019 amounting to EUR 1.0m, while the value as of as of December 31, 2018 was EUR 1.2m. Related income recognized in 2019 was accordingly EUR 0.2m.

Supervisory Board Compensation

Total remuneration and out of pocket expenses incurred for the Supervisory Board in 2019 amounted to EUR 0.2m (2018: EUR 0.1m).

28. DIVESTMENTS

In the first half of 2018 it was decided by management and approved by the Advisory Board of Westwing Group GmbH (now Westwing Group AG) to divest the Brazilian operating company as well as the operations in Russia covering also Kazakhstan. These operations were reclassified as discontinued operations.

On October 29, 2018, Westwing signed a contract with Longwalk Holdings Limited and Elbrus Capital Fund II, L.P. to sell the Russian company for an immaterial amount. The sale became effective on November 6, 2018. The total gain from selling and deconsolidation amounted to EUR 7.7m.

Furthermore, on October 16, 2018, Westwing received approval from the Administrative Council for Economic Defense, CADE Brazil, to conclude the sale of our Brazilian business, becoming effective October 29, 2018. The Group received majority of the selling price of BRL 61.2m in 2018, the last tranche in 2019. The total gain from selling and deconsolidating the company was EUR 15.9m in 2018.

With the sales becoming effective, the assets and liabilities in connection with Brazil and Russia were no longer part of the Group. However, the result of discontinued operations in the income statement of 2018 is shown separately and includes income and expenses for both companies from January 1 to October 31, 2018, as operations in Brazil were sold by the end of October 2018 and in Russia by the beginning of November 2018.

Both transactions were finalized in 2019: Westwing received the last tranche of the payment from the buyer of the Brazilian entity in June 2019, EUR 1.3 million. For the Russian entity, Westwing received the last payment of EUR 0.3m in May 2019. The transition of the sale consideration and the deconsolidation result was as follows:

EUR m	2018
Net liabilities	1.1
Other comprehensive income	8.2
Sales consideration	15.5
Expenses on disposal	– 1.2
Total Gain	**23.6**

29. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

In December 2019, the Supervisory Board and Management Board issued a declaration of compliance for Westwing Group AG in accordance with Sec. 161 AktG (“Aktiengesetz”: German Stock Corporation Act) for fiscal year 2019. This is published in the Investor Relations section on Westwing Group AG’s website, https://ir.westwing.com/download/companies/westwing/CorporateGovernance/Corporate_Governance_Report_16032020.pdf.

30. ELECTION TO BE EXEMPT FROM SEC. 264 (3) OF THE GERMAN COMMERCIAL CODE

According to the approval of the shareholders, the domestic subsidiaries in the legal form of limited liability Westwing GmbH and wLabels GmbH will use the exemption provisions according to Sec. 264 (3) of the German Commercial Code and will thus refrain from preparing their annual financial statements for 2019 as well as mostly from preparing their notes and management report (according to the German Commercial Code).

31. SUBSIDIARIES

The Westwing Group AG is the ultimate parent of the Group without being a pure holding company. The following direct subsidiaries as of December 31, 2019 are consolidated:

Name	Country of incorporation and place of business	Registered office	Proportion of ownership interests held 12/31/2019	Proportion of ownership interests held 12/31/2018
Westwing GmbH	GER	Munich	100.00	100.00
Westwing Commercial GmbH	GER	Berlin	100.00	100.00
Westwing Spain Holding UG	GER	Berlin	100.00	100.00
Westwing France Holding UG	GER	Berlin	100.00	100.00
Westwing Italy Holding UG	GER	Berlin	100.00	100.00
Westwing Netherlands Holding UG	GER	Munich	100.00	100.00
Tekcor 1. V V UG	GER	Bonn	100.00	100.00
Brillant 1256. GmbH & Co. Dritte Verwaltungs KG	GER	Berlin	88.80	88.80
Brillant 1256. GmbH	GER	Berlin	100.00	100.00
Bambino 65. V V UG	GER	Berlin	100.00	100.00
Bambino 68. V V UG	GER	Berlin	100.00	100.00
Bambino 66. V V UG	GER	Berlin	94.20	94.20
wLabels GmbH	GER	Berlin	100.00	100.00
VRB GmbH & Co. B– 156 KG	GER	Berlin	90.00	90.00
VRB GmbH & Co. B– 157 KG	GER	Berlin	77.30	77.30
VRB GmbH & Co. B– 160 KG	GER	Berlin	97.50	97.50
VRB GmbH & Co. B– 165 KG	GER	Berlin	90.00	90.00
VRB GmbH & Co. B– 166 KG	GER	Berlin	90.00	90.00
VRB GmbH & Co. B– 167 KG	GER	Berlin	90.00	90.00

In addition, the Group consolidated the following indirect subsidiaries as of December 31, 2019:

Name	Country of incorporation and place of business	Registered office	Proportion of ownership interests held 12/31/2019	Proportion of ownership interests held 12/31/2018
WW E-Services Iberia S.L.	ES	Barcelona	100.00	100.00
Westwing S.r.l.	IT	Milan	100.00	100.00
WW E-Services France SAS	FR	Paris	100.00	100.00
Westwing Home and Living Poland S.P.Z.O.O.	PL	Warsaw	100.00	100.00
Westwing B.V.	NL	Amsterdam	100.00	100.00
wLabels Hong Kong Ltd.*	HKG	Hong Kong	100.00	–

* Established on October 1, 2019

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company does not have any further shareholdings in the preference shares of subsidiary undertakings included in the Company. There are several intercompany loans, most of which are from Westwing Group AG to affiliates. For Westwing GmbH and wLabels GmbH Westwing Group AG has signed letters of comfort valid until end of 2021.

32. EVENTS AFTER THE BALANCE SHEET DATE

The following subsequent events occurred after the end of the 2019 fiscal year, that could have a significant impact on Westwing's future results of operations, financial position and net assets.

In late 2019, a cluster of cases displaying the symptoms of a “pneumonia of unknown cause” were identified in Wuhan, the capital of China's Hubei province. On December 31, 2019, China alerted the World Health Organization (WHO) of this new virus. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a “Public Health Emergency of International Concern”. Since then, more cases have been diagnosed in China, Iran and also Europe, especially Italy, Spain and Germany.

Measures have been taken and guidelines imposed by all countries to contain Covid– 19. Gradually, more information about the new virus became available. Therefore, Westwing provided comprehensive guidance on February 26, 2020 on how to deal with the corona virus for all employees, including a new travel policy. This policy will be updated daily based on ongoing developments. Westwing's supply chain is expected to be affected by the measures taken in China and other affected countries, including Germany. The effects cannot yet be reliably estimated. At the same time, further spread of the virus could affect or disrupt Westwing's operations. Additional risks arise from possible government restrictions on work in warehouses, the work of logistics service providers or even work in offices when not needed for basic supplies, as well as a possible severe recession.

On February 3, 2020, Westwing Group AG announced changes to its Management Board. As of April 1, 2020, Sebastian Säuberlich will succeed Dr. Dr. Florian Drabeck as CFO of Westwing, who is leaving the entity by the end of June 2020 to pursue other interests. Moreover, Delia Fischer starts her maternity leave in March 2020. As the current legal framework in Germany does not provide the opportunity of maternity leave to board members of stock corporations, she has stepped down from her role as Board Member effective March 1, 2020. Her maternity leave is expected to last six months.

Munich, March 26, 2020

Stefan Smalla	**Dr. Dr. Florian Drabeck**
Chief Executive Officer	Chief Financial Officer
Westwing Group AG	Westwing Group AG

04

FURTHER INFORMATION

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the financial position, cash flows and profit or loss of the Group, and the Group management report, which has been combined with the management report for Westwing Group AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, March 26, 2020

Stefan Smalla
Chief Executive Officer

Dr. Dr. Florian Drabeck
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To Westwing Group AG

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

OPINIONS

We have audited the consolidated financial statements of Westwing Group AG, Berlin, and its subsidiaries (the Group), which comprise the consolidated income statement, the statement of comprehensive income for the fiscal year from 1 January 2019 to 31 December 2019, the consolidated statement of financial position as at 31 December 2019, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January 2019 to 31 December 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Westwing Group AG, which has been combined with the management report of the Company, for the fiscal year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the group non-financial report included in section 4 of the group management report or of the declaration on corporate governance, which is published on a website cited in the group management report and is a component of the management report. We have also not audited the content of the quarterly figures and the accompanying statements on the development of the quarterly figures contained in section 2.2 "Business development" of the group management report, which are disclosures not typical of management reports. Information not typical of management reports in the group management report relates to information that is not required by Secs. 315, 315a or Secs. 315b to 315d HGB ["Handelsgesetzbuch": German Commercial Code].

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its results of operations for the fiscal year from 1 January 2019 to 31 December 2019, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group non-financial report and the declaration on corporate governance referred to above or the quarterly figures and the accompanying statements on the development of the quarterly figures contained in section 2.2 "Business development" of the group management report.

Pursuant to Sec. 322 (3) Sentence 1 HGB we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Revenue recognition taking into account expected returns

REASONS WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER

Westwing Group AG's business model is based on the sale of furniture and home accessories (combined "merchandise") to private end consumers through the Group's country-specific websites. In principle, the Westwing Group therefore does not provide its services until merchandise is delivered, i.e., when ownership is transferred to the customer. The transaction volume is particularly high towards the end of the year and revenue generated in this period has a significant influence on the Group's profit or loss for the period. As revenue is not generated until merchandise has been handed over to the end consumer, merchandise that has already been dispatched but not yet delivered to the customer does not constitute revenue.

Westwing customers also have the option to return merchandise free of charge within the revocation periods stipulated by law and, in addition to that period, the return periods granted by Westwing. The Company's executive directors calculate expected returns. These are based on past assumptions and judgments, in particular month-specific and country-specific return rates.

Due to the high transaction volume of the sale of merchandise, the risk of fictitious revenue, the uncertainty surrounding the estimate of delivery times, especially towards the end of the year, and the expected returns, we consider the recognition of revenue from the delivery of merchandise to be a key audit matter.

AUDITOR'S RESPONSE

During our audit, we examined the processes implemented by the executive directors of Westwing Group AG for revenue recognition from the order and proof of delivery through to presentation in the consolidated financial statements based on the documentation provided to us by reviewing individual transactions. We also examined the country-specific calculations for revenue recognition, both in terms of clerical accuracy and methods used. We obtained substantial audit evidence for the most significant countries to verify the average delivery times. In order to identify anomalies regarding revenue development and revenue recognition, we developed a forecast of country-specific revenue recognition from the sale of merchandise based on historical daily, weekly and monthly revenue and compared it with the revenue recognized in the current fiscal year. Furthermore, we examined the posting ledger for any additional revenue entries that were entered manually.

Moreover, as part of the substantive audit procedures, we obtained documentation (delivery slips, invoices, payment receipts) for a spot test of sales regarding the existence of revenue in order to determine whether the revenue recognized was based on a corresponding delivery of merchandise and whether the delivery times used for revenue recognition are valid for the entire year.

We also verified the clerical accuracy of the expected returns as determined by the executive directors of the Company. We compared the assumed month-specific and country-specific return rates with actual historical month-specific and country-specific return rates, among other things, and analyzed them. In order to evaluate the assumed return rates, we also compared this with the merchandise actually returned by the time we concluded our audit.

Our procedures did not lead to any reservations relating to the recognition of revenue from the sale of merchandise, taking expected returns into account.

REFERENCE TO RELATED DISCLOSURES

With regard to the accounting policies applied for revenue recognition, please refer to the disclosures in section 2 “Summary of significant accounting policies: 2.5 Revenue recognition” and section 5 “Analysis of revenue” of the notes to the consolidated financial statements.

2. Capitalized development costs for internally generated software

REASONS WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER

The Group’s software solutions are key components of its operational business processes and are developed internally due to the individualization required. The capitalization and measurement of the development costs incurred for this software are based on the estimates and assumptions by the executive directors of Westwing Group AG, which mainly pertain to the differentiation from refinements to existing software, the technical and economic feasibility as well as the amount and the period of the expected economic benefit generated from the development projects. Impairments are also recognized if the software does not meet certain expectations regarding the feasibility of the projects or if the future flow of benefits has to be reassessed.

We consider the recognition and measurement of capitalized development costs for internally generated software a key audit matter due to the many software projects and products in development and use, the volume of capitalized development costs as well as the high degree of judgment involved in the executive directors’ estimates and assumptions.

AUDITOR’S RESPONSE

During our audit of the recognition and measurement of the development costs incurred for software, we verified the process implemented by the executive directors to capitalize development costs for internally generated software based on the documentation provided to us by reviewing individual capitalized projects.

We also assessed compliance with the recognition criteria defined in IAS 38 for the capitalization of development costs. In addition, we verified the Company’s analyses for capitalizing the development costs of internally generated software and performed substantive audit procedures.

The substantive audit procedures included an analytical review of the list of all capitalized software development projects as well as spot tests of individual software development projects capitalized in the fiscal year in terms of the ability to recognize development costs, the existence of substantial developments compared to existing software solutions, the executive directors’ assumptions in determining useful lives and in deciding when to commence amortization. We verified and assessed the differentiation from existing refinements and corrections of faulty functions using documentation of the individual activities. We discussed the evaluation of the economic benefit with the executive directors and examined the supporting documentation. For estimating the useful lives, we obtained an overview of all projects and discussed with the executive directors which estimates and considerations were used as a basis for the values. We then compared these with projects recognized in the past. We also compared the amount of capitalized development costs for significant projects with personnel expenses incurred and performed a reconciliation with the supporting documentation for the hours worked on a sample basis. To identify indications of a potential impairment requirement pertaining to existing development projects, we interviewed the executive directors and employees responsible and analyzed the age structure of projects in development as well as project-related progress reports.

Our audit procedures did not lead to any reservations regarding the recognition and measurement of capitalized development projects for internally generated software.

REFERENCE TO RELATED DISCLOSURES

With regard to the accounting policies applied for the capitalization of development costs for internally generated software, we refer to the disclosures of the Company in section 2 “Summary of significant accounting policies: 2.8.2 Internally generated software” and section 13 “Intangible assets” of the notes to the consolidated financial statements.

OTHER INFORMATION

The Supervisory Board is responsible for the Supervisory Board Report. In all other respects, the executive directors are responsible for the other information. The other information comprises the group non-financial report and the declaration on corporate governance referred to above as well as the quarterly figures and the accompanying statements on the development of the quarterly figures contained in section 2.2 “Business development” of the group management report and other components of the annual report, of which we received a copy of by the time this auditor’s report was issued, in particular:

- D&O insurance;
- the Supervisory Board Report;
- the Corporate Governance Report;

but not the consolidated financial statements, nor the disclosures in the group management report included in our audit or our associated auditor’s report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and results of operations of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

FURTHER INFORMATION PURSUANT TO ART. 10 OF THE EU AUDIT REGULATION

We were elected as auditor of the consolidated financial statements by the annual general meeting on 23 May 2019. We were engaged by the Supervisory Board on 29 July 2019. We have been the group auditor of the Company without interruption since fiscal year 2012.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dirk Gallowsky.

Munich, 26 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gallowsky
Wirtschaftsprüfer
[German Public Auditor]

Ehrnböck
Wirtschaftsprüfer
[German Public Auditor]

FINANCIAL CALENDAR

MAY 12, 2020
Publication of first quarter results 2020

AUGUST 13, 2020
Publication of half-year report 2020

NOVEMBER 10, 2020
Publication of third quarter results 2020

IMPRINT

Contact
Westwing Group AG
Moosacher Strasse 88
80809 Munich
Germany

Investor Relations
ir@westwing.de

Press
Hannah Neumann
presse@westwing.de

Design and Realization
3st kommunikation,
Mainz, Germany

DISCLAIMER