WESTWING

ANNUAL REPORT

2020

Westwing at a glance

EUR

433m

of revenue in 2020

11.5 %

Adjusted EBITDA margin in 2020

Operate in a EUR

115 bn

market in our geographies

Founded in

2011

79 %

of orders come from our repeat customers

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

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

WESTWING

OWN LABEL & PRIVATE LABEL

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

WESTWING COLLECTION

PERMANENT ASSORTMENT

In our permanent assortment, WestwingNow, we provide the bestsellers and all of our Own & Private Label products with fast delivery and organized in fully shoppable looks

WESTWINGnow

Westwing Collection

Launched in 2018 our own Westwing Collection has evolved into a big success with our customers.

Our long-term goal is to grow our Own & 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 2020, we worked with the likes of Alex Riviere (800k followers on Instagram), Nico Santos (singer, songwriter), Anette Weber (journalist and fashion expert) and Sylvie Meis (1.4 m followers on Instagram).

Our content creation is done by a large team of creative talents such as art directors, interior designers, videographers and photographers. Some of them were previously magazine editors-in-chief and editors (from Home & 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 make 85 % of our sales with customers who visit our sites and apps on average more than a 100 times per year. We focus on home enthusiasts. 90 % of our customers are women.

Customer Service

Our customer service was ranked as one of the top 3 in the industry in a study by DGTV (German Society for Consumer Studies). The "Trustpilot" rating for Westwing's German services in 2020 was 4.6 out of 5 points based on almost 18,000 assessments.

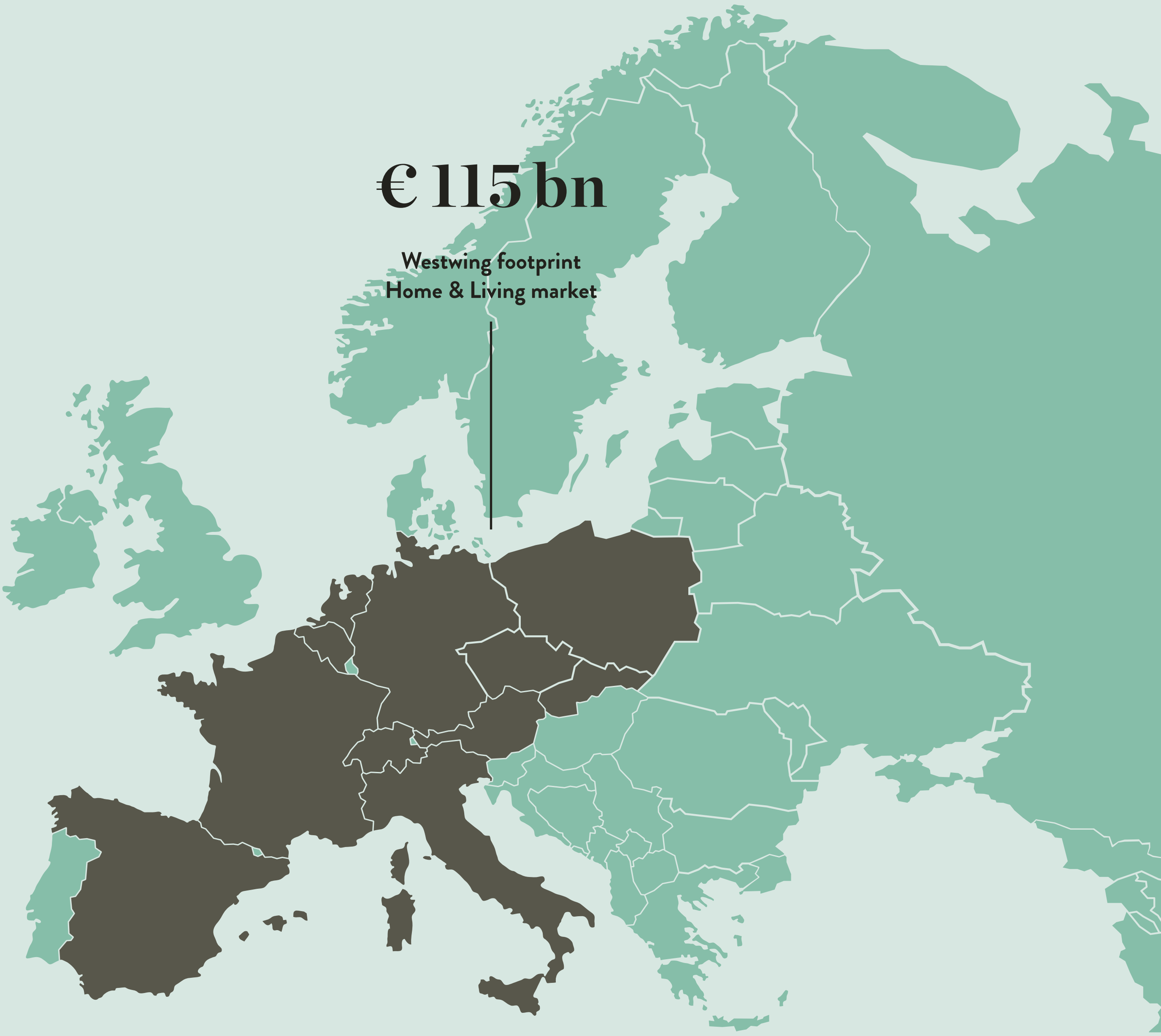
The "Parthenon Performance Ranking" by EY-Parthenon together with Innofact assesses – in addition to overall satisfaction with a retailer – both consumer satisfaction with the general elements of value proposition such as selection, value for money or service, as well as the in-store shopping experience and the digital capabilities of a retailer. Westwing was one of only 3 online retailers in the top 10 besided Amazon and Brands4Friends.

4.6 out of 5

Our rating on "Trustpilot" for our German operations in 2020 was 4.6 out of 5 points based on nearly 18,000 reviews.

Top 10

Westwing was one of only 3 online retailers in the Top 10 of the "Parthenon-Performance-Ranking" for 2020.



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 432.9m in revenue in 2020. The opportunity is massive as we are operating in a >EUR 115bn Home & Living market for countries in which Westwing is present, with only a small percentage of sales made online, that is at the tipping point of online acceleration.

Key figures

	2020	2019	Change
Performance indicators			
Private Label share (in %)	25 %	24 %	1pp
GMV (in EUR m)	502	310	61.9 %
Number of orders (in k)	4,074	2,428	67.8 %
Average basket size (in EUR)	123	128	– 3.5 %
Active customers (in k)	1,529	949	61.2 %
Average orders per active customer in the preceding 12 months	2.7	2.6	4.1 %
Average GMV per active customer in the preceding 12 months (in EUR)	328	327	0.4 %
Mobile visit share (in %)	79 %	76 %	3pp
Results of operations			
Revenue (in EUR m)	432.9	267.3	62.0 %
Adjusted EBITDA (in EUR m)	50.0	– 10.3	60.2
Adjusted EBITDA margin (in % of revenue)	11.5 %	– 3.8 %	15.4pp
Financial position			
Free cash flow (in EUR m)	39.5	– 22.1	61.6
Cash and cash equivalents (in EUR m)	104.9	73.2	31.7
Other			
Full-time equivalent employees (as of reporting date)	1,671	1,290	29.5 %

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SEBASTIAN SÄUBERLICH
CHIEF FINANCIAL
OFFICER

STEFAN SMALLA
FOUNDER AND
CHIEF EXECUTIVE OFFICER

LETTER TO SHAREHOLDERS

Dear shareholders.

When we started into 2020, we had prepared very well and were set up for a promising year with strong growth and more customers.

Then COVID-19 came, and health and safety rose to the top of our agenda. At the same time, we needed to ensure business continuity and warehouse processes while implementing more remote work and intensive hygiene measures.

In addition, our revenues have grown strongly, as consumers flocked to eCommerce and Home & Living while staying more at home and spending less on travel and entertainment, and offline stores became unattractive or temporarily closed.

During this time, a massive change in consumer behavior was accelerated, as many consumers suddenly learned how conveniently eCommerce works in Home & Living, leading to an incredibly fast and in our view largely sustainable shift from offline stores to eCommerce. Our team delivered this extraordinary growth amid all the changes and challenges with impressive dedication, discipline and high performance.

Our business model showed its beauty through this stress test: Daily themes and permanent assortment created the revenues and loyalty, organic marketing assets delivered new customers and our Westwing Collection contributed very good margins. Despite the strong increase in traffic, our technology team did a great job, as we had our websites and apps available at 99.99 %.

Our existing customers bought more, and we attracted a lot of new customers: We increased the number of Active Customers by 61 % to 1.5 million in 2020. The number of orders showed an even stronger development of 68 % growth year-over-year.

We proved that our platform works at scale, especially in terms of technology and logistics. Organic marketing investments into content and inspiration paid off at highest customer satisfaction.

We closed the year with EUR 502m GMV, an increase of 62 % compared to FY 2019. Revenue developed at 62 % growth to EUR 433m. Adjusted EBITDA improved massively by EUR 60m to EUR 50m, with a corresponding Adjusted EBITDA margin of 12 %. We generated free cash flow of EUR 40m. Overall, we grew significantly and did so very profitably with great cash generation.

We believe that we will further benefit from this momentum also going forward. We are still in the very early days of Home & Living eCommerce, and the recent year has put our market on a trajectory of strong growth and further eCommerce penetration, just as various other consumer sectors had seen in the past. We are active in a very large market that is approximately EUR 115bn in the European geographies in which we operate, the vast majority of that still offline. Our market share in this market is currently at only around 0.4 %, so the opportunity is huge for Westwing as Home & Living moves further online.

For 2021 we have two priorities. First, we will focus on continuing our strong operating performance based on the momentum our market and business model are experiencing. We will run our business at highest execution quality despite the volatility and choppy waters we expect throughout the year. Second, we will embark on an ambitious path towards the next level of our inspirational and creative core combined with a state-of-the-art order and post-order experience while maintaining a scalable business model and platform.

On the customer side, we aim to be perceived as the most desirable Home & Living brand for home enthusiasts, to further strengthen our loyal customer base and to maintain a high share of repeat customers. The loyalty of our customers is the basis to our success, with 79 % of orders placed by repeat customers.

The challenges and opportunities of the previous year and how our team have solved them have demonstrated again that we are a young and dynamic company that is able to adapt to new situations quickly. Our business model is immensely strong, and our flywheel of daily themes, permanent assortment, Private Label and organic marketing is delivering increasing momentum in a differentiated and highly profitable way.

Our long-term mission remains unchanged: to inspire and make every home a beautiful home.

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 Management Board

Munich, March 29, 2021

Stefan Smalla
Chief Executive Officer
Westwing Group AG

Sebastian Säuberlich
Chief Financial Officer
Westwing Group AG

SHARE AND INVESTOR RELATIONS

Development of the Westwing Share

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

Based on significantly improved results and a supportive market environment the Westwing share price recovered remarkably in 2020. Investors and analysts gained back trust into Westwing's long term prospective, which was eventually reflected in the share price and valuation of Westwing. As a result of this strong performance and the subsequent increase in market capitalization as well as trading volume, the Westwing share has been added to the German SDAX index at the end of 2020.

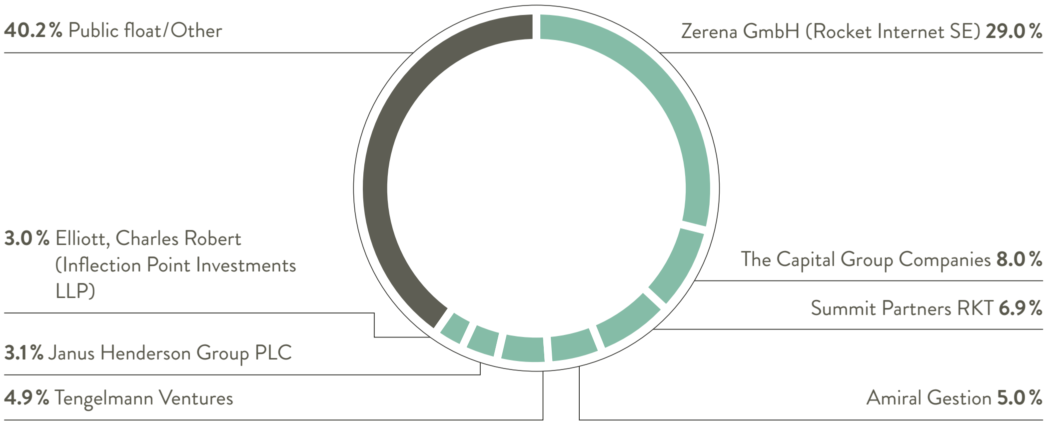
	Bearer shares without par value
Types of shares	
Share capital	EUR 20,844,351.00
Numbers of share issued	20,844,351
Total number of shares outstanding as of December 31, 2020 (net of treasury shares)	20,303,101
ISIN	DE000A2N4H07
WKN	A2N4H0
Share performance 2020*	
High 2020 (December 29, 2020, closing price)	EUR 33.22
Low 2020 (February 04, 2020, closing price)	EUR 2.88
Closing Price on December 31, 2020	EUR 33.12
Trading liquidity 2020*	
Average daily trading volume 2020 (shares)	86,320
Average daily trading volume 2020 (EUR)	1,604,265

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. In 2020, this was achieved through detailed quarterly presentations, numerous roadshows of the Management Board and attendances in several investor conferences.

* Based on Xetra stock exchange Frankfurt.

Shareholder Structure as of December 31, 2020



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, 2020. 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.

Analyst Coverage

As of December 31, 2020, there are four research institutions covering Westwing.

- Baader Bank
- Berenberg
- Citi Group
- Hauck & Aufhäuser

THE SUPERVISORY BOARD

CHRISTOPH BARCHEWITZ
CHAIRMAN

DR. ANTONELLA MEI-POCHTLER
DEPUTY CHAIRWOMAN

THOMAS HARDING

MICHAEL HOFFMANN
CHAIRMAN AUDIT COMMITTEE

SUPERVISORY BOARD REPORT

Dear Shareholders,

It will most certainly come as no surprise for you to read that the COVID-19 pandemic and its many effects had a significant impact on our Company in the 2020 fiscal year.

In an unprecedented way, the pandemic has been influencing all our lives and dominating the public debate over the last year. However, alongside the myriad challenges that this crisis has caused there are some great opportunities, not the least for companies which have a sustainable business model and which are able to adapt quickly to change.

The coronavirus also meant a change for Westwing. A large part of the Company's employees now work from their homes. Strict and comprehensive hygiene measures in our offices and logistics centers in Germany, Poland, Italy and Spain protect the safety of those who cannot work remotely. Our employees have adapted to this new reality with great confidence and even proved to be impressively productive in the process.

Achieving our mission "To inspire and make every home a beautiful home" was probably more pressing and relevant in 2020 than ever before. Westwing has succeeded time and time again in picking up on the zeitgeist of society and further strengthening the loyalty of our customers in these precarious times.

We are thus proud to look back on a year in which Westwing Group AG achieved its greatest operational successes so far. Both in terms of its growth targets and profitability, all of our forecasts for the fiscal year have been exceeded. We can now report strong results for the past fiscal year: EUR 433m revenue compared to EUR 267m in the 2019 fiscal year, representing growth of 62 %. The Adjusted EBITDA margin was at a remarkable 11.5 %, based on a 29.5 % contribution margin and further scale effects. An incredible 4.1 million orders were placed with us in the past fiscal year.

While it is recognized that such remarkable business figures are partly driven by the impact of the coronavirus pandemic and should therefore be viewed with due restraint, they nevertheless very clearly reveal the future potential of Westwing. However, the business development in the 2020 fiscal year, which was supported by existing customers with higher engagement and repeat purchases alongside very strong new customer acquisition, gives us great confidence that this development will be sustainable. We were convinced of the huge potential of our business model for the future even before 2020. The trend is moving further in the direction of eCommerce. The past fiscal year 2020 has further fueled this change, and this change will ensure an accelerated shift in sales from offline to online channels in the Home & Living category.

In addition to the economic development, Westwing has also made significant progress in 2020. Our focus on sustainability, which affects the entire supply chain from production to delivery, is particularly notable. This is a challenge that will have a fundamental impact on the Company in the coming years and in which the Supervisory Board will support the Management Board in its efforts. Westwing is also making a difference on the issues of diversity and inclusion. With regard to compliance and corporate governance standards, Westwing has made further structural progress, which the Supervisory Board has regularly reviewed in detail.

Advising and Overseeing the Management Board

The Supervisory Board was fully committed to its work in the 2020 fiscal year. Its legal bases are the German Stock Corporation Act, the Articles of Association of Westwing Group AG and the Rules of Procedure of the Supervisory Board. The Articles of Association of Westwing Group AG and the Rules of Procedure of the Supervisory Board have been made permanently available on the corporate website.

We have supervised and advised the Management Board in its management of the business on the basis of detailed and regular reports. In addition, a regular dialogue was maintained between the Chairman of the Supervisory Board and the Chairman of the Management Board. On an informal basis, all members of the Supervisory Board discussed individual management issues with both members of the Management Board quickly and efficiently. The Chairman of the Audit Committee additionally discussed audit-related topics with the auditor outside the meetings of the Supervisory Board and the Audit Committee and without the presence of the Management Board.

Accordingly, the Supervisory Board was always aware of all significant matters within the Company. Among these are individual management issues as well as corporate planning, including in particular financial, investment and personnel planning, the profitability of Westwing Group AG and the current business development, both at the level of the entire organization and with regard to individual company segments.

The Supervisory Board was directly involved in all fundamental decisions at an early stage. Such decisions were discussed in depth and in detail with the Management Board. In particular, the Management Board and the Supervisory Board discussed, and the Supervisory Board approved, the corporate strategy for the upcoming five years. Transactions requiring the approval of the Supervisory Board were explained by the Management Board and carefully reviewed prior to the adoption of the resolution.

According to the recommendation of the new German Corporate Governance Code 2020, the Report of the Supervisory Board shall report on the measures implemented by the Company to support the Supervisory Board members in their appointment as well as their training and continuing education. The members of the Supervisory Board of Westwing Group AG are themselves responsible for the training and continuing education measures required to fulfil their duties. In such a case, Westwing Group AG provides them with unqualified support, including financial support in particular. In the past 2020 fiscal year, there was no occasion for training and further education measures to be promoted by the Company.

In accordance with the Rules of Procedure of the Supervisory Board and the German Corporate Governance Code, the Supervisory Board regularly reviews the efficiency of its activities. In addition to qualitative criteria to be defined by the Supervisory Board, the subject of the efficiency review is in particular the procedures in the Supervisory Board as well as the timely and sufficient flow of information to the Supervisory Board. Further information on the Supervisory Board's self-assessment can be found in the corporate governance statement.

Among the Topics of the Supervisory Board 2020

In the 2020 fiscal year, the Supervisory Board discussed the following topics in particular:

- The impact of the coronavirus pandemic on the Company and the measures to be taken in this context
- Communication with investors on topics specific to the Supervisory Board as well as the development of the Westwing Group AG's share price
- The business planning and the business development during the year 2020, including the revenue and earnings planning for the fiscal year 2021, as well as the long-term business strategy and orientation of the Company
- The audit of the annual financial statements and consolidated financial statements as well as the management report for the 2019 fiscal year; in addition, the audit of financial information during the 2020 fiscal year
- The tender for the audit of the financial statements of the Westwing Group
- The consent to conduct a virtual (ordinary) Annual General Meeting 2020 as well as its agenda
- The review and further improvement of the Company's internal compliance & risk system
- The draft of a remuneration system for the members of the Management Board which complies with the latest requirements under the German Stock Corporation Act, as well as the further effects of the Act Implementing the Second Shareholders' Rights Directive (known as "ARUG II") on Westwing Group AG
- The merger of wLabels GmbH into Westwing GmbH
- The consent to capital increases in Westwing Group AG using authorized capital to settle agreements on the provision of subscription rights with former shareholders of Westwing Group AG or former equity holders or lenders

German Corporate Governance Code

In December 2020, the Management Board and Supervisory Board of Westwing Group AG resolved a declaration of conformity in accordance with Section 161 of the German Stock Corporation Act. The declaration of conformity has been made permanently available to shareholders on the Company's corporate website. The declaration of conformity is included in the Corporate Governance Statement.

For the sake of clarity it should be noted that all references in this report to the German Corporate Governance Code refer to both the German Corporate Governance Code in the version of February 7, 2017, and the German Corporate Governance Code in the version of December 16, 2019, which came into force upon publication in the Federal Gazette on March 20, 2020. Where reference is made solely to the new Corporate Governance Code as published on March 20, 2020, this will be explicitly indicated.

The Members of the Supervisory Board and the Audit Committee

In the 2020 fiscal year, the Supervisory Board consisted of four members in accordance with the Articles of Association: Christoph Barchewitz (Chairman), Dr. Antonella Mei-Pochtler (Deputy Chairwoman), Michael Hoffmann and Thomas Harding.

All members of the Supervisory Board were elected by the Annual General Meeting of Westwing Group AG. The Supervisory Board is not subject to codetermination by employees. The CVs of the members of the Supervisory Board are available and updated annually on the Company's corporate website.

According to the recommendation of the German Corporate Governance Code, the Supervisory Board shall inform the General Meeting in its report on any conflicts of interest which have arisen and how they have been addressed. No conflicts of interest arose in the Supervisory Board in the 2020 fiscal year. In particular, no conflict of interest was disclosed to the Chairman of the Supervisory Board by a member of the Supervisory Board or reported by a member of the Management Board or third parties. Furthermore, with regard to the independence of the members of the Supervisory Board, reference is made to the Corporate Governance Statement.

In the 2020 fiscal year, the Supervisory Board maintained one committee, the Audit Committee. The Audit Committee is comprised of three members of the Supervisory Board: Michael Hoffmann (Chairman of the Audit Committee), Christoph Barchewitz and Thomas Harding.

The Chairman of the Audit Committee, Michael Hoffmann, possesses a high level of expertise in the areas of accounting and auditing. All members of the Audit Committee are, in their entirety, very familiar with the industry in which Westwing Group AG operates. Therefore, every member of the Audit Committee meets the personal criteria set forth in the German Stock Corporation Act, the German Corporate Governance Code and the rules of procedure of the Supervisory Board.

As recommended by the German Corporate Governance Code, the Audit Committee deals in particular with the review of accounting, the monitoring of the accounting process, and the effectiveness of the Company's internal control system, risk management system and internal audit system, as well as the audit of the financial statements and compliance. The activities of the Audit Committee are governed by the Rules of Procedure of the Supervisory Board, which is available on the Company's corporate website.

Disclosure of Individual Attendance at Meetings

The attendance level of the members at the meetings of the Supervisory Board and the Audit Committee was at 100 %.

A total of eight meetings of the Supervisory Board were convened in the 2020 fiscal year. The Audit Committee convened a total of five times in the 2020 fiscal year, with the results of the Audit Committee meetings being announced at the following plenary meetings of the Supervisory Board.

Two meetings of the Supervisory Board at the beginning of the fiscal year took place as a telephone conference. In February, the Supervisory Board and the Audit Committee met in person.

Due to the special circumstances caused by the coronavirus pandemic, the meetings of both boards from March 2020 onwards were all convened via video conference. This was done in awareness of the suggestion of the German Corporate Governance Code, according to which telephone and video conferencing should not be the rule for attending meetings of the Supervisory Board and committee meetings. However, due to the circumstances, this has practically become the rule since last March. Nevertheless, it is worth noting that this has in no way affected the efficiency of the work of the Supervisory Board or of the Audit Committee.

In the past fiscal year, the Supervisory Board has passed six resolutions by way of a circular resolution (Umlaufbeschluss) outside of meetings.

The attendance of the members of the Supervisory Board at the meetings of the Supervisory Board as well as the Audit Committee is disclosed below in individualized form:

	Supervisory Board		Audit Committee	
No. of meetings / attendance in %	No.	%	No.	%
Christoph Barchewitz (Chairman)	8 / 8	100	5 / 5	100
Dr. Antonella Mei-Pochtler (Deputy Chairwoman)	8 / 8	100	not a member of the Audit Committee	
Michael Hoffmann (Chairman of the Audit Committee)	8 / 8	100	5 / 5	100
Thomas Harding	8 / 8	100	5 / 5	100
		100		**100**

Audit of the Annual and Consolidated Financial Statements of Westwing Group AG and the Westwing Group of Companies

At the 2020 Annual General Meeting, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Munich office, was elected as auditor and group auditor for the fiscal year 2020.

The audit covered the annual and consolidated financial statements and the combined management report for Westwing Group AG and the Westwing group for the 2020 fiscal year. In all cases, an unqualified audit opinion was granted.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Munich office, has been the auditor for Westwing Group AG (and previously Westwing Group GmbH) and the Westwing group of companies since the 2012 fiscal year.

Stefan Ehrnböck has been signing as the auditor since the 2019 fiscal year and Dirk Gallowsky has been signing as the auditor responsible for the audit since the 2019 fiscal year.

The annual financial statements of Westwing Group AG and the combined management report for Westwing Group AG and the Westwing group of companies were prepared in accordance with German statutory regulations.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the European Union as well as in accordance with the supplementary German statutory provisions applicable under Section 315e (1) of the German Commercial Code. The consolidated financial statements also comply with IFRS as published by the International Accounting Standards Board (IASB). The auditor conducted the audit in accordance with Section 317 of the German Commercial Code and the EU Regulation on Auditors, in compliance with the German generally accepted standards for the audit of financial statements issued by the Institute of Chartered Accountants (Institut der Wirtschaftsprüfer) and in supplementary consideration of the International Standards on Auditing (ISA).

The annual financial statements, the consolidated financial statements and the combined management report were dealt with in-depth and discussed in detail at the meeting of the audit committee on March 29, 2021. In particular, the Audit Committee dealt with the key audit matters outlined in the respective auditor's report (including the audit procedure). The Audit Committee's review also covered the non-financial disclosures for Westwing Group AG and the Westwing group included in the combined management report.

The auditor's reports were made available to all members of the Supervisory Board and were discussed in detail in the presence of the auditor at the Supervisory Board's meeting on March 29, 2021. The auditor reported on the scope, the key aspects and the main results of its audit and in particular on the key audit matters and the audit procedure. No significant weaknesses in the internal control and risk management system were reported. The Management Board explained the financial statements of Westwing Group AG and the Westwing group in detail during this meeting.

The Supervisory Board agrees with the results of the audit. Following the final review by the Audit Committee and our own review, no objections arise. The Management Board has prepared the annual financial statements and the consolidated financial statements. We have approved the annual financial statements and the consolidated financial statements. The annual financial statements are therefore adopted.

Tender for the Audit of the Westwing Group of Companies

The German Corporate Governance Code 2020 recommends that the Audit Committee shall regularly conduct an evaluation of the quality of the audit of the financial statements.

In light of the above and the many years of service provided by Ernst & Young GmbH as the auditor of Westwing Group AG, the Audit Committee, as the committee responsible under the Supervisory Board's rules of procedure, decided on October 30, 2020, to re-tender the audit of the Westwing group financial statements.

On November 5, 2020, Westwing Group AG published the tender for the audit of the separate and consolidated financial statements of Westwing Group AG and certain financial statements of its group companies included in the consolidated financial statements as well as the audit review of the interim financial information to be prepared for the fiscal year 2021, starting with the audit review of the condensed financial statements and the interim management report as of June 30, 2021, in the Federal Gazette (Bundesanzeiger).

Auditors and audit firms were able to submit their application to Westwing Group AG by November 24, 2020. By the deadline, eleven auditors and audit firms had submitted their application. Subsequently, the tender documents were sent to eleven auditors and audit firms.

On March 9, 2021, the Audit Committee resolved, after careful consideration and in-depth consultation, to propose PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and Dietmar Eglauer as the responsible auditor for the election. In accordance with the rules of procedure of the Supervisory Board, the Audit Committee obtained a declaration from the proposed auditor with regard to its independence. There are no doubts in this regard. Accordingly, at the upcoming Annual General Meeting of Westwing Group AG, the Supervisory Board, upon the recommendation of its Audit Committee, proposes to appoint PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, Munich office, as auditor of the financial statements and auditor of the consolidated financial statements for the fiscal year 2021. Furthermore, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, Munich office, shall be appointed as auditor for a review of the condensed financial statements and the interim management report for the first half of the fiscal year 2021 and as auditor for a review of additional interim financial information.

Changes on the Management Board

Delia Lachance resigned from the Management Board with effect of February 29, 2020. We are pleased to have welcomed Delia back to Westwing on a part-time basis as Chief Creative Officer beginning November 2020.

Dr. Dr. Florian Drabeck left the Management Board with effect as of April 1, 2020. The Supervisory Board appointed Sebastian Säuberlich as a member of the Management Board with effect as of April 1, 2020.

Acknowledgements

In light of the coronavirus pandemic, which has been and continues to be accompanied by a wide range of restrictions and personal hardships, the Westwing team has performed extraordinarily well. We would like to express our utmost appreciation for their unparalleled dedication and the great achievements they have accomplished in the 2020 fiscal year.

On behalf of the entire Supervisory Board, I would like to sincerely thank the members of the Management Board and all employees of Westwing Group AG and its group companies.

London, March 29, 2021

On behalf of the Supervisory Board

Christoph Barchewitz
Chairman of the Supervisory Board

CORPORATE GOVERNANCE STATEMENT

PURSUANT TO SECTIONS 289F AND 315D OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH) (ERKLÄRUNG ZUR UNTERNEHMENS-FÜHRUNG)

The following Group Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code (Handelsgesetzbuch) is to be included in the Group Management Report in accordance with Sections 289f (1) sentence 1, 315d sentence 1 of the German Commercial Code. The statement has also been made publicly available on the corporate website of Westwing Group AG (ir.westwing.com in the "Corporate Governance" section under "Corporate Governance Statement").

In accordance with the German Corporate Governance Code (in the version dated December 16, 2019, which came into force upon publication in the Federal Gazette (Bundesanzeiger) on March 20, 2020), the Management Board and the Supervisory Board hereinafter report on the Corporate Governance of Westwing Group AG. They are both responsible for the parts of the statement which relate to them.

For the sake of clarity: Whenever reference is made hereinafter to the German Corporate Governance Code, it is done so in most cases to both the German Corporate Governance Code as amended on February 7, 2017, and the German Corporate Governance Code as amended on December 16, 2019, which came into force upon publication in the Federal Gazette during the 2020 fiscal year, on March 20, 2020. Where explicit reference is made to the new Corporate Governance Code as published on March 20, 2020, such reference will be explicitly specified as the "**2020 Code.**" By contrast, the version dated February 7, 2017, will be referred to as the "**2017 Code.**"

Declaration of Conformity Pursuant to Section 161 of the German Stock Corporation Act

Pursuant to Sections 315d sentence 2, 289f (2) no. 1 of the German Commercial Code the declaration pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) shall be included in this statement:

DECLARATION OF CONFORMITY (ENTSPRECHENSERKLÄRUNG) BY THE MANAGING BOARD AND THE SUPERVISORY BOARD OF WESTWING GROUP AG WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTIENGESETZ)

The Management Board and Supervisory Board of Westwing Group AG (the "**Company**") state pursuant to Section 161 of the German Stock Corporation Act:

1. The last Declaration of Conformity was issued in December 2019. Since then, the Company has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version of February 7, 2017 (published in the Federal Gazette (Bundesanzeiger) on April 24, 2017, and in the corrected version published on May 19, 2017) (the "**2017 Code**"), subject to the following deviations:

   - **No. 3.8 para. 3 of the 2017 Code:** The 2017 Code recommended that, if a company takes out a D&O policy for the Supervisory 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 Supervisory Board member must be agreed. The Company's current D&O policy does not include a deductible for the members of the Supervisory Board. The Company considers a deductible for the members of the Supervisory Board not to 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. para 2 sentence 6 of the 2017 Code:** The 2017 Code recommended 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 from time-to-time 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 capped with maximum levels.

- **No. 4.2.5 para. 2, 3 and 4 of the 2017 Code:** The 2017 Code recommended that the remuneration report shall also include information on the nature of the fringe benefits provided by the Company. In addition it was recommended to present the following information for every Management Board member the remuneration report: The benefits granted for the reporting period, including fringe benefits, supplemented in the case of variable remuneration components by the maximum and minimum remuneration achievable; the benefits received for the reporting period, consisting of fixed remuneration, short- term variable remuneration and long-term variable remuneration, broken down by the relevant reference years; the service cost incurred in/for the reporting period for pension benefits and other commitments. The model tables provided as appendices to the Code 2017 were recommended to be used to disclose this information. On September 21, 2018, the Company's General 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 (at that time valid) Sections 286 para. 5 sentence 1, 285 no. 9, 315e para. 1 and 2 and 314 para. 3 sentence 1 German Commercial Code (Handelsgesetzbuch). Therefore, the Company has not complied with the aforementioned recommendation to the extent that a disclosure is required for each member of the Management Board individually. With respect to the model tables, the Company has refrained from using these tables in its remuneration report as it believes that it can disclose the relevant information in another suitable form in the notes or the management report.

- **No. 5.3.3. of the 2017 Code:** The 2017 Code recommended 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 General Meeting. The Supervisory Board has not formed a Nomination Committee, since the Supervisory Board is composed exclusively of shareholder representatives and a separate committee has not been necessary until now.

2. On December 16, 2019, the „Government Commission on the German Corporate Governance Code" submitted a new version of the German Corporate Governance Code, which came into effect with its publication in the Federal Gazette (Bundesanzeiger) on March 20, 2020 (the "**2020 Code**"). The Company complies with the recommendations of the 2020 Code and will continue to comply with them in the future, subject to the following deviations:

   - **Recommendation C.5 of the 2020 Code:** Pursuant to the 2020 Code, members of the Management Board of a listed company shall not have, in aggregate, more than two Supervisory Board mandates in non-group listed companies or comparable functions, and shall not accept the Chairmanship of a Supervisory Board in a non-group listed company. The Chairman of the Supervisory Board of the Company is at the same time, a member of the Management Board of a non-group listed company under the laws of Luxemburg. The appointment as Chairman to the Supervisory Board of the Company as well as a member of the Management Board were made before the Code came into effect on March 20, 2020, in line with the then valid 2017 Code. The appointment as both a chairman of the Company's Supervisory Board and a member of the Management Board of a non-group listed company has not given rise to any conflicts or work management issues to date. The Supervisory Board of the Company considers the case- by-case assessment of the compatibility of both roles to be more appropriate.

- **Recommendation D.5 of the 2020 Code:** The 2020 Code recommends that the Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the General Meeting. The Supervisory Board has not formed a Nomination Committee, since the Supervisory Board is composed exclusively of shareholder representatives and a separate committee has not been necessary until now.

- **Recommendations in Chapter G.I. of the 2020 Code:** Chapter G.I. of the 2020 Code contains new and in part modified recommendations on the remuneration of the Management Board. The Company's remuneration system for the members of the Management Board does not or not fully comply with the following of these recommendations: G.1 (Determination of the remuneration system), G.2 (Determination of the total remuneration), G.3 (Disclosure of the appropriate peer group), G.7 (Determination of the performance criteria of variable remuneration components). At the time of this Declaration of Conformity, the Supervisory Board has not yet adopted a remuneration system for the members of the Management Board which complies with the requirements of the Act Implementing the Second Shareholders' Rights Directive (ARUG II). According to Section 26j para. 1 sentence 1 of the Introductory Act to the German Stock Corporation Act (Einführungsgesetz zum Aktiengesetz), the first-time resolution on a remuneration system for the members of the Management Board has to be adopted by the end of the first ordinary General Shareholders' Meeting following December 31, 2020. The aforementioned recommendations of the 2020 Code for determining the remuneration system for the Management Board, which largely follow the requirements of the Act Implementing the Second Shareholders' Rights Directive (ARUG II), have not been complied with to date due to the fact that there is no legal obligation to do so to date. Moreover, this is also based on the fact that amendments due to the 2020 Code do not have to be taken into account in current Management Board contracts. The Supervisory Board will submit a revised compensation system for the members of the Management Board to the Company's Annual General Meeting on May 7, 2021, for approval.

Munich, in December 2020

Westwing Group AG

On behalf of the Management Board	On behalf of the Supervisory Board
Stefan Smalla	Christoph Barchewitz

Disclosures on Corporate Governance Practices Which Are Adopted Beyond Statutory Requirements

Pursuant to Sections 315d sentence 2, 289f (2) no. 2 of the German Commercial Code, relevant disclosures on corporate governance practices adopted beyond statutory requirements shall be included, as well as a reference to where such practices are publicly available.

CODE OF CONDUCT

Building trust of third parties in the integrity of the entire Company is an essential prerequisite for the success of Westwing Group AG. A comprehensive Code of Conduct therefore applies in all our companies. It sets out the principles of our corporate ethics and provides information on specific, recurring issues and matters.

The core of our corporate ethics is compliance with all applicable laws to ensure that the Company is governed in a lawful manner throughout its operations. For this purpose, the Code of Conduct includes, among other things, regulations on preventing corruption and dealing with conflicts of interest, as well as guidelines for business relationships with suppliers and business partners. Furthermore, the Code of Conduct addresses personal relationships among colleagues and the issue of harassment in our workplaces.

The Code of Conduct must be observed at all times by all employees of our organization as well as by the members of the Management Board and the Executive Board. In regular, mandatory training sessions, known as compliance trainings, specific issues of the code are discussed in depth. Due to the COVID-19 Pandemic, the compliance trainings in the fiscal year 2020 could no longer take place as planned from March 2020 onwards. Instead, they were hosted on the Company's proprietary intranet as a webinar. We also require our suppliers and business partners to comply with the Code of Conduct in order to achieve the objective of being compliant throughout the entire supply chain.

The Code of Conduct has been made publicly available on the corporate website of Westwing Group AG (ir.westwing.com in the "Corporate Governance" section under "Code of Conduct").

MEASURES FOR PREVENTING CORRUPTION

Here we would like to especially highlight our corruption prevention measures. We introduced an anti-corruption strategy early on, in 2014, and since then we have regularly reviewed and adapted it. We have developed mandatory guidelines for our employees, which are set out in our anti-corruption policy and are updated regularly (most recently in September 2019). In addition to the provisions of the Code of Conduct, this policy contains a detailed and explicit summary of prohibitions and restrictions on actions to prevent corruption.

Westwing has committed to a zero-tolerance policy on bribery. The aforementioned policies therefore require the acknowledgement and consideration of all applicable laws and legal acts, and in particular the prohibition of improper payments and the acceptance of improper gifts or incentives of any kind from third parties. In addition, this company-wide policy gives information, for example, on certain value limits for gifts or invitations which may be accepted under specific circumstances or for which a case-by-case examination by the Company's internal compliance team is required. It is intended to inform employees about common questions and problems and to raise awareness for the issue.

In addition, the Company has set up a dedicated email address through which employees can report any unlawful acts within the Company in a protected manner (as a whistleblower). In particular, we hereby comply with the recommendations of the German Corporate Governance Code. In the 2020 fiscal year, no matters were reported via the email address which, following their examination, actually gave rise to an unlawful incident within the Company.

The aforementioned anti-corruption policy is updated on a regular basis and is therefore currently not publicly accessible, but rather only available to our employees on the Company's proprietary intranet.

FURTHER COMPANY POLICIES

Throughout the Company, we have established among other policies the following additional policies for our employees:

A signature policy governing the scope of individuals who are authorized to represent the companies of the Westwing organization towards third parties. In particular, the policy stipulates that the four-eyes principle must be observed before contracts are concluded or orders are placed.

We maintain an IT security policy which informs our employees about issues such as data privacy and data security, as well as the secure use of the internet and the IT systems used in the Company.

Furthermore, a policy on company-wide risk management (known as the risk management manual) has been developed, which forms the basis for identifying and assessing risks throughout the organization and specifies responsible points of contact for this purpose.

Our capital markets guideline outlines responsibilities and obligations arising from capital market law. In particular, it introduces our employees to the prohibition of insider dealing and the unlawful disclosure of inside information. With regard to the integrity of the capital market, all employees are required to trade shares of Westwing Group AG only during certain predefined time windows.

The aforementioned policies are updated regularly and are therefore currently not publicly accessible, but rather available only to our employees on the Company's proprietary intranet.

DISCLOSURES IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

According to the recommendation B.2 of the 2020 Code, the Supervisory Board, together with the Management Board, shall ensure that there is long-term succession planning. The approach shall be described in the Corporate Governance Statement.

At the commencement of the 2020 fiscal year, two members of the Management Board had resigned from the Management Board. Thereafter, a new member was appointed to the Management Board. Stefan Smalla, the chairman of the Management Board, was appointed as a member of the Management Board until the end of August 7, 2023. Sebastian Säuberlich was appointed as a member of the Management Board until March 31, 2023. The Supervisory Board will discuss long-term succession planning with the Management Board in due course.

According to the recommendation C.1 of the 2020 Code, the Supervisory Board shall determine specific objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board while taking the principle of diversity into account. Proposals by the Supervisory Board to the General Meeting shall take these objectives into account, while simultaneously aiming at fulfilling the overall profile of required skills and expertise of the Supervisory Board. The implementation status shall be published in the Corporate Governance Statement. This statement shall also provide information about what the shareholder representatives on the Supervisory Board regard as the appropriate number of independent Supervisory Board members representing shareholders, and the names of these members.

In the 2019 fiscal year, the Supervisory Board defined concrete objectives for its composition and developed a competence profile. This allows diversity to be taken into account by the Supervisory Board.

The competence profile particularly focuses on the following criteria: first and foremost, competence in the field of eCommerce and as supervisor of a listed company – i.e., experience in the field of eCommerce, whether in an entrepreneurial or advisory capacity, experience as a manager or in a supervisory role – as well as competence in the field of accounting and/or auditing. In addition, the following must be considered: independence and absence of conflicts of interest, the number of other mandates in Supervisory Boards or similar bodies, sufficient time availability for the Supervisory Board duties and for further training as well as the defined age limit and the maximum duration of the mandate.

In the 2020 fiscal year, the Supervisory Board complied with the aforementioned competence profile in its entirety. All members of the Supervisory Board in the 2020 fiscal year qualified as independent in accordance with the requirements of the German Corporate Governance Code. The members who served on the Supervisory Board were Christoph Barchewitz (Chairman), Dr. Antonella Mei-Pochtler (Deputy Chairwoman), Michael Hoffmann and Thomas Harding.

According to the recommendation C.8 of the 2020 Code, if one or more of the indicators set out in recommendation C.7 are met and the Supervisory Board member concerned is still considered independent, the reasons for this shall be given in the Corporate Governance Statement.

According to the recommendation C.7 of the 2020 Code, more than half of the shareholder representatives shall be independent from the company and the Management Board. Supervisory Board members are to be considered independent from the company and its Management Board if they have no personal or business relationship with the company or its Management Board that may cause a substantial – and not merely temporary – conflict of interest. When assessing the independence of Supervisory Board members from the company and its Management Board, shareholder representatives shall particularly take into consideration the following aspects; whether the respective Supervisory Board member – or a close family member currently is maintaining (or has maintained) a material business relationship with the company or one of the entities dependent upon the company (e.g. as customer, supplier, lender or advisor) in the year up to his/her appointment, directly or as a shareholder, or in a leading position of a non-group entity.

Supervisory Board member Dr. Antonella Mei-Pochtler had a business relationship with Westwing Group AG in the past 2020 fiscal year. Within the framework of a consulting agreement, she provided consulting services for senior managers of Westwing Group AG and its subsidiaries. The Supervisory Board approved the conclusion of the consulting agreement and the billing for the services rendered. The consulting services went beyond her activities as a member of the Supervisory Board of Westwing Group AG. The consulting services were rendered specifically for the particular field of work of the senior managers, for example, for the marketing department or explicitly for the brand strategy of a foreign subsidiary of Westwing Group AG. The consulting services rendered by Dr. Mei-Pochtler were therefore not already inherent in her activities as a member of the Supervisory Board. In addition, Dr. Mei-Pochtler's remuneration was in line with the usual market scope and is not disproportionate both in comparison to the remuneration due as per the Articles of Association and in light of her other earnings. The Supervisory Board therefore considers the Supervisory Board member Dr. Antonella Mei-Pochtler to be independent.

According to the recommendation C.7 of the 2020 Code, the Supervisory Board shall report in the Corporate Governance Statement if (and how) the self-assessment was conducted.

The Supervisory Board conducted a self-assessment in the 2020 fiscal year. This was carried out in the last meeting of the Supervisory Board in December 2020. The members of the Supervisory Board discussed the effectiveness of their work. The self-assessment was carried out without any external support.

SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

Westwing Group AG complied with the following suggestions of the German Corporate Governance Code in the 2020 fiscal year. In particular, we hereby comment on the suggestions of the Code in accordance with No. 3.10 of the 2017 Code:

- Pursuant to suggestion A.3 of the 2020 Code (No. 5.2 Para. 2 of the 2017 Code), the Supervisory Board Chair should be available – within reasonable limits – to discuss Supervisory Board-related issues with investors. This was the case in the 2020 fiscal year.

- Pursuant to suggestion A.4 of the 2020 Code (No. 2.2.4 of the 2017 Code), the Chair should take into account that the General Meeting should be completed within four to six hours. In the 2020 fiscal year, the Annual General Meeting of Westwing Group AG was conducted by way of a virtual general meeting due to the COVID-19 pandemic. The time requirements of the German Corporate Governance Code, which are intended for an annual general meeting at which shareholders are physically present, cannot be transferred to a virtual annual general meeting without further consideration. At the same time, the chair of the meeting took the aforementioned suggestion into account by considering that the duration of the general meeting should be reasonable and not excessive.

- Pursuant to suggestion D.8 of the 2020 Code (No. 5.4.7 of the 2017 Code), the participation in meetings of the Supervisory Board or its committees by telephone or video conference also count as attendance but should not be the rule. Due to the COVID-19 pandemic, this has practically become the rule since March 2020. However, the efficiency of the work of the Supervisory Board as well as the Audit Committee has not been affected in any way.

- Pursuant to suggestion G.14 of the 2020 Code, change of control clauses that commit to benefits in the case of early termination of a Management Board member's contract due to a change of control should not be agreed upon. This was the case in the 2020 fiscal year.

- Pursuant to suggestion G.18 of the 2020 Code, Supervisory Board remuneration should be fixed remuneration. This was the case in the 2020 fiscal year.

- Pursuant to suggestion No. 2.3.2 of the 2017 Code, the proxy should also be reachable during the General Meeting. This was the case in the 2020 fiscal year. The proxy was reachable via the AGM portal on the internet during the virtual Annual General Meeting.

- Pursuant to suggestion No. 2.3.3 of the 2017 Code, the corporation should make arrangements to allow shareholders to follow the General Meeting using modern means of communication (e.g. via the Internet). This was the case in the 2020 fiscal year as the Annual General Meeting was conducted by way of a virtual Annual General Meeting.

- Pursuant to suggestion No. 3.10 of the 2017 Code, comments should be provided on the suggestions made in the Code. This is hereby accomplished for the 2020 fiscal year, provided that the suggestions have been complied with.

- Pursuant to suggestion No. 4.2.3 of the 2017 Code, early disbursements of multiple-year, variable remuneration components should not be permitted. This was the case in the 2020 fiscal year.

- Pursuant to suggestion No. 5.1.2 of the 2017 Code, for first-time appointments, the maximum permissible appointment period of five years should not be applied as a rule. This was the case in the 2020 fiscal year. Sebastian Säuberlich was appointed to the Management Board for a term of three years.

Information on the Working Practices of the Management Board and the Supervisory Board as Well as the Composition and the Working Practices of Their Committees

Pursuant to Sections 315d sentence 2, 289f (2) no. 3 of the German Commercial Code, a description of the working methods of the Management Board and Supervisory Board as well as the composition and working methods of their committees shall be included in the statement

As a stock corporation under the German Stock Corporation Act with its registered office in Berlin, Westwing Group AG maintains a two-tier management and supervisory structure with its Management Board and Supervisory Board. The two bodies work closely together in the best interest of the Company. The Management Board manages the Company, while the Supervisory Board advises and oversees the Management Board. The shareholders of Westwing Group AG exercise their rights in the General Meeting.

WORKING PRACTICES OF THE MANAGEMENT BOARD

The Management Board manages the affairs of Westwing Group AG on its own responsibility. In this regard, it is governed by the interests of the Company and committed to sustainably increase the value of the Company. It develops the Company's strategy, which is regularly discussed with the Supervisory Board, and is responsible for its implementation.

The Management Board conducts its business with the due care and diligence of a prudent and conscientious manager in accordance with the law, the Articles of Association of Westwing Group AG, the rules of procedure of the Management Board and the respective employment and service contracts. It works together with the other bodies of the Company in a cooperative and trusting manner in the best interests of the Company.

The Management Board is responsible to ensure that legal requirements and the Company's internal policies are observed and promotes their observation throughout the entire organization (referred to as "compliance"). It shall ensure appropriate risk management and risk controlling throughout the Company.

The responsibilities of the Management Board members are set out in the following schedule of responsibilities. Each member of the Management Board shall be responsible for the departments assigned to him/her within the framework of the resolutions of the Management Board. The assignment of departments is determined by the rules of procedure of the Management Board. This stipulates that the assignment of business areas can only be changed by a unanimous resolution of the Management Board with the prior consent of the Supervisory Board. According to the rules of procedure of the Management Board as of May 5, 2020, the members of the Management Board are each responsible for the following departments:

Chairman of the Management Board Stefan Smalla (CEO)

- Strategy (development and implementation)
- Organization
- Operations
- Marketing
- Technology & product management
- Product development
- Human resources

Sebastian Säuberlich (CFO)

- Finance
  - Accounting, tax, treasury
  - Controlling
  - Financial reporting to stock market
- Investor relations
- Legal, compliance & risk

The management of all departments shall be uniformly aligned with the objectives set out in the resolutions of the Management Board.

Notwithstanding the assignment of responsibilities, the members of the Management Board are jointly responsible for the entire management of the Company. They work together as colleagues and inform each other on an ongoing basis about important measures and events in their departments.

Measures and dealings which are of extraordinary significance for the Company or which involve an extraordinary economic risk require the approval of the entire Management Board. The Management Board as a whole also decides on all matters in which the law, the Articles of Association of Westwing Group AG or the rules of procedure of the Management Board require a decision by the Management Board. These include, among other things, the overall strategy of the Company, significant issues of its business policy, and all other matters, in particular national or international business relationships, that are of particular significance for Westwing Group AG and/or the entire organization.

In general, the Management Board shall pass resolutions in meetings. At the request of a member of the Management Board, meetings may as well be held in form of a telephone conference or by means of other electronic means of communication (in particular via video conference). In such cases, resolutions may be adopted via telephone conference or by other electronic means of communication (in particular via video conference).

Management Board meetings shall be held regularly, but at least once a month. They must occur whenever it is necessary for the Company's benefit.

In addition, resolutions may be passed outside meetings in writing, orally, by telephone, by fax, by email or by other customary means of communication (in particular via video conference). The Management Board shall use its best endeavors to adopt all of its resolutions unanimously. If unanimity cannot be reached, the resolution shall be adopted by a simple majority of the votes cast, unless other majorities are mandatory by law or the Articles of Association of Westwing Group AG or the rules of procedure of the Management Board. If the Management Board has only two members, any resolutions must be adopted unanimously.

The Management Board maintains regular contact with the chairman of the Supervisory Board, informs him/her about the conduct of business and the business situation of the Company and its group companies and discusses with him/her the business strategy, planning, business development and risk management. The Management Board informs the chairman of the Supervisory Board without undue delay about important events and about business matters that are essential for the assessment of the situation and development as well as the management of the Enterprise, in particular on any deficiencies being found by the monitoring system pursuant to Section 91 (2) German Stock Corporation Act.

At least once every calendar quarter, the Management Board shall inform the Supervisory Board of its proposed business policy in relation to the Company and of other fundamental questions related to business planning (especially financial, investment and human resources planning), unless changes in the Company's situation or new issues demand an immediate reporting. Furthermore, on a regular basis, at least once every quarter, the Management Board shall inform the Supervisory Board of the Company's business progress, especially its sales revenues, and the Company's situation.

The Management Board shall inform the chairman of the Supervisory Board of any important event according to Section 90 (1) sentence 3 German Stock Corporation Act and business matters which may have significant impact on the situation of the Company without undue delay. An important event shall be deemed to include business matters at an affiliated company of which the Management Board has become aware which may have a significant impact on the Company's situation.

Apart from transactions which must be approved by the Supervisory Board under applicable law or the Articles of Association, the Management Board may undertake the transactions and measures only upon prior approval by the Supervisory Board or, if applicable, a Supervisory Board committee which has been appointed for these purposes by the Supervisory Board. Such transactions and measures are specified in the rules of procedure for the management board and refer, among other things, to the areas of strategy and investments as well as to certain employment contracts.

COMMITTEES OF THE MANAGEMENT BOARD

The Management Board did not form any committees in the 2020 fiscal year.

WORKING PRACTICES OF THE SUPERVISORY BOARD

The Supervisory Board advises and monitors the management board in its management of the Company. It shall be involved in decisions of fundamental importance for the Company.

The Supervisory Board conducts its business in accordance with the provisions of applicable law, the Articles of Association of Westwing Group AG and the rules of procedure of the Supervisory Board. It cooperates closely and in an atmosphere of trust with the other bodies of the Company, especially with the Management Board, in the best interest of the Company.

The Supervisory Board shall elect a chairman and a deputy chairman from among its members. The chairman coordinates the activities of the Supervisory Board and the cooperation with the Management Board. The chairman shall regularly maintain contact with the Management Board and consult with the Management Board on strategy, planning, business development and risk management of the Company as well as on important events which are essential for the assessment of the situation and development and for the management of the Company.

The Supervisory Board must hold at least one meeting in each calendar quarter. Additional meetings shall be convened if necessary. The meetings of the Supervisory Board are chaired by the Chairman of the Supervisory Board. He shall determine the order in which the items on the agenda are dealt with as well as the manner, order and form of the voting procedure.

In general, the Supervisory Board shall pass resolutions in meetings. By order of the Chairman or with the consent of all members of the Supervisory Board, meetings may be held in the form of a telephone conference or by other means of electronic communication (in particular via video conference). In such cases, resolutions may be adopted via telephone conference or by other electronic means of communication (in particular video conference).

In addition, resolutions may be passed outside meetings in writing, orally, by telephone, by fax, by email or by other customary means of communication. Resolutions of the Supervisory Board shall be passed by a simple majority of the votes cast, unless otherwise required by mandatory law. Abstentions in a vote shall not count as a vote cast in this case. If a voting in the Supervisory Board results in a tie, the vote of the Chairman of the Supervisory Board shall be decisive.

Further information on the working methods of the Supervisory Board can be found in the rules of procedure of the Supervisory Board. The rules of procedure of the Supervisory Board have been made publicly available on the corporate website of Westwing Group AG (ir.westwing.com in the "Corporate Governance" section under "Supervisory Board").

COMMITTEES OF THE MANAGEMENT BOARD

In the 2020 fiscal year, the Supervisory Board maintained one committee, the Audit Committee. The Audit Committee is composed of three members of the Supervisory Board: Michael Hoffmann (Chairman of the Audit Committee), Christoph Barchewitz and Thomas Harding.

The Chairman of the Audit Committee, Michael Hoffmann, possesses a high level of expertise in the areas of accounting and auditing. All members of the Audit Committee are, in their entirety, very familiar with the industry in which Westwing Group AG operates. Therefore, every member of the Audit Committee meets the personal criteria set forth in the German Stock Corporation Act, the German Corporate Governance Code and the rules of procedure of the Supervisory Board.

As recommended by the German Corporate Governance Code, the Audit Committee deals in particular with the review of accounting, the monitoring of the accounting process, the effectiveness of the internal control system, and the risk management system and the internal audit system, as well as the audit of the financial statements and compliance. The activities of the Audit Committee are governed by the rules of procedure of the Supervisory Board, which is available on the corporate website of Westwing Group AG.

Further information on the working practices of the Audit Committee can be found in the rules of procedure of the Supervisory Board. The rules of procedure of the Supervisory Board have been made publicly available on the corporate website of Westwing Group AG (ir.westwing.com in the “Corporate Governance” section under “Supervisory Board”).

Stipulations Pursuant to Section 76 (4) and Section 111 (5) of the German Stock Corporation Act

Pursuant to Sections 315d (2), 289f (2) no. 4 German Commercial Code, for listed companies the stipulations pursuant to Section 76 (4) and Section 111 (5) German Stock Corporation Act must be included in the statement, as well as information as to whether the stipulated target figures have been achieved during the reference period and, if not, the reasons for this.

The shares of Westwing Group AG have been admitted to the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the subsegment of the regulated market with additional post-admission obligations (Prime Standard) since October 8, 2018, and are thus listed within the meaning of Section 3 (2) German Stock Corporation Act.

PROPORTION OF WOMEN AT THE TWO MANAGEMENT LEVELS BELOW THE MANAGEMENT BOARD

Pursuant to Section 76 (4) German Stock Corporation Act, the Management Board of listed companies shall set targets for the proportion of women at the two management levels below the Management Board.

Accordingly, the Management Board has set a target of 0 % for the first management level in the 2019 fiscal year. It was therefore not necessary to set a term for achieving the target in accordance with Section 76 (4) sentence 3 of the German Stock Corporation Act.

The aforementioned stipulation of the target figure was made against the background that the reference point for determining the management levels is the legal entity and not the organization or the group as a whole (Resolution Recommendation and Report of the Committee for Family Affairs, Senior Citizens, Women and Youth, German Bundestag, Print 18/4227, p. 21). Therefore, by law, only the two management levels below the Management Board which belong to Westwing Group AG are to be considered. However, in determining the management levels in the Company, the Management Board of Westwing Group AG does not, in principle, differentiate between those belonging to Westwing Group AG and those belonging to other group companies. Solely to comply with Section 76 (4) of the German Stock Corporation Act a target of 0 % was set for the first management level. The reason for the aforementioned target figure was the number of employees at the first management level whose employment contract has been concluded with Westwing Group AG. At the time the resolution was adopted, this applied to two male employees. The stipulation of 0 % thus served the legitimate purpose of not having to reappoint these two positions within a period to be determined in accordance with Section 76 (4) sentence 3 of the German Stock Corporation Act.

In the 2020 fiscal year, the target figure of 0 % for the first management level below the Management Board was exceeded. It amounted to 57 % as of December 31, 2020.

For the second management level, the Management Board has set a target of 40 % in the 2019 fiscal year. The target is to be exceeded in each reporting period until March 25, 2023.

In the 2020 fiscal year, the target of 40 % for the second management level below the Management Board was exceeded. It amounted to 47 % as of December 31, 2020. As outlined above, only those employees whose employment contract exists with Westwing Group AG were taken into account here.

For the sake of clarification, it should be noted that the Management Board of Westwing Group AG does not differentiate between management levels in the Company based on their affiliation with Westwing Group AG or other group companies. Taking that into account, the proportion of women at the first management level below the Management Board (the "Executive Team") was 40 % as of December 31, 2020. Furthermore, the proportion of women at the second management level below the Management Board (the "Team Leads") was 56 % as of December 31, 2020.

Westwing Group AG is pushing for a high level of woman at all management levels. We are proud to have a high proportion of female managers and employees.

PROPORTION OF WOMEN ON THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Pursuant to Section 111 (5) of the German Stock Corporation Act, the Supervisory Board of listed companies shall set targets for the proportion of women on the Supervisory Board and the Management Board.

A target of 25 % was set for the proportion of women on the Supervisory Board in the 2019 fiscal year. This target figure was reached in the 2020 fiscal year. The Supervisory Board will review the target figure in the fiscal year 2023 at the latest.

A target of 25 % was set for the proportion of women on the Management Board in the 2019 fiscal year. This target figure was not reached in the 2020 fiscal year. After Delia Lachance left the Management Board on February 29, 2020, the number of Management Board members was decreased to two members. Both members of the Management Board are male. In the event of an increase in the number of Management Board members, the Supervisory Board shall take into account the defined target figure. The same applies in the event of a new Management Board member being appointed. The Supervisory Board will review the target figure in the fiscal year 2023 at the latest.

Diversity Concept

Pursuant to Sections 315d (2), 289f (2) no. 6 German Commercial Code, stock corporations within the meaning of Section 289f (1) German Commercial Code, which are large corporations pursuant to Section 267 (3) sentence 1 and (4) to (5) of the German Commercial Code, shall include in the statement a description of the diversity concept pursued in regard to the composition of the body authorized to represent the company and of the Supervisory Board with respect to factors such as age, gender, educational or professional background. Furthermore, the objectives of this diversity concept, the manner of its implementation as well as the results achieved in the fiscal year shall be included.

COMPOSITION OF THE MANAGEMENT BOARD

The Supervisory Board takes the principle of diversity into account for the composition of the Management Board and thus complies with the recommendation of the German Corporate Governance Code.

In principle, the Management Board is to be composed in a way that ensures the competent and professional management of Westwing Group AG.

With regard to the age of the members of the Management Board, the Supervisory Board takes into account an age limit of 75 years in its composition. Exceptions may be made in justified individual cases.

With regard to the gender of the members of the Management Board, it shall be taken into account that all genders are represented on the Management Board. With regard to the proportion of women on the Management Board, reference is made to the above statements on Sections 315d sentence 2, 289f (2) no. 4 of the German Commercial Code in conjunction with Section 76 (4) of the German Stock Corporation Act.

Furthermore, with regard to the educational and professional background of its members, the Management Board intends to build up as many different skills and experiences as possible in the competences relevant to the management of the Company. Entrepreneurial decisions and matters requiring discussion in the Management Board should be assessed from as many different perspectives as possible and be evaluated and justified in a correspondingly differentiated manner.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board has set concrete objectives for its composition and developed a competence profile. The Supervisory Board takes the principle of diversity into account and thus complies with the recommendation of the German Corporate Governance Code.

In principle, the Supervisory Board is to be composed in a way that ensures qualified control and advice of the Management Board of Westwing Group AG by the Supervisory Board. The members of the Supervisory Board shall have the necessary knowledge, skills and professional experience required to properly fulfil their role. For this purpose, the Supervisory Board has developed a competence profile, which requires, for example, relevant experience in the field of online retailing for the members of the Supervisory Board. The independence of the Supervisory Board members as well as the diverse composition of the Supervisory Board shall be taken into account as well.

With regard to the age of its members, the Supervisory Board takes into account an age limit of 75 years in its composition. Exceptions may be made in justified individual cases. The length of service on the Supervisory Board has been disclosed in the CVs of the Supervisory Board members. They are publicly available on the corporate website (ir.westwing.com in the “Corporate Governance” section under “Supervisory Board”).

With regard to the gender of the Supervisory Board members, it shall be ensured that all genders are represented on the Supervisory Board. With regard to the proportion of women on the Supervisory Board, reference is made to the statements made above regarding Sections 315d (2), 289f (2) no. 4 German Commercial Code in conjunction with Section 111 (5) of the German Stock Corporation Act.

Furthermore, with regard to the educational and professional background of its members, the Supervisory Board intends to combine as many different skills and experiences as possible in the competencies relevant to the Company. Accordingly, entrepreneurial decisions and issues requiring consultation should be assessed from different perspectives based on diversity and evaluated and justified in a correspondingly differentiated manner.

OBJECTIVES OF THE DIVERSITY CONCEPT

Diversity implies variety. In real life, we believe that this leads to an enrichment both for society and for our Company. Westwing Group AG is therefore committed throughout its organization to promoting diversity and fostering mutual acceptance. Above all, measures should be promoted which serve the inclusion of people with disabilities in an equal manner.

Variety, for example on the level of gender, culture, religion, sexual orientation, belief or other aspects of lifestyle, is a fundamental matter to us. The objective of the diversity concept is therefore to work towards perceiving differences without any judgement and to create correspondingly diverse structures throughout the organization.

In particular, discriminating views, xenophobia and all forms of sexual harassment are not acceptable in our Company. Westwing Group AG pursues a zero-tolerance policy in this regard and promotes the education and awareness of its employees throughout the entire organization.

Furthermore, it is worth noting that we do not regard issues of diversity as merely a relevant economic factor. Therefore, the diversity concept does not depend on achieving economically favorable effects.

MANNER OF IMPLEMENTATION OF THE DIVERSITY CONCEPT AND ACHIEVEMENTS IN THE 2020 FISCAL YEAR

The implementation of the aforementioned diversity objectives is subject to a long-term context. Particularly for the composition of the Management Board, the Supervisory Board is required to consider other criteria in the short term. Against this background, the Supervisory Board appointed Sebastian Säuberlich to the Management Board in the past fiscal year 2020, who has been with the Company for a long time in various management positions.

Currently, we are analyzing our business practices throughout the organization (for example in the areas of recruitment and employee retention, employer branding and communications) and are seeking to learn from other companies in the process. Our objective for the fiscal year 2021 is to create a diversity & inclusion roadmap to make Westwing an even more diverse and inclusive company.

Munich, March 29, 2021

Westwing Group AG

On behalf of the Management Board	On behalf of the Supervisory Board
Stefan Smalla	Christoph Barchewitz

02

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 & Living eCommerce in Europe.

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

1.1 Business Activities [1]

Westwing is a Home & Living eCommerce brand in Europe and aims to inspire its loyal 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 & Living pieces. This shopping experience distinguishes us from typical Home & Living eCommerce, which is usually search based. We offer our customers relevant Home & Living categories such as textiles, furniture, lighting, kitchen accessories, and decoration, and can thereby address all their Home & Living needs.

Through our daily themes, our customers can find new ideas from décor tips to home stylings with matching products. Additionally, they find a large variety of products on WestwingNow, our permanent assortment website. 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 art directors, interior designers, videographers and photographers, among others. The content creation teams work with the style and merchandizing teams to find the right combination of inspiration and merchandizing for our customers. Additionally, we work with over 4,000 global and local third-party suppliers.

Westwing is targeting a very attractive market that is approximately EUR 115bn [2] in the geographies in which we operate. Our business model is fueled by our high customer loyalty with 79 % of orders coming from repeat customers. Our business activities follow our company mission "To inspire and make every home a beautiful home".

In 2020, we moved a gross merchandise volume (GMV, see also chapter 1.3) of EUR 502m, of which we derived 20 % from textiles and rugs, 14 % from home décor and accessories, 12 % from kitchen and dining, 9 % from lighting, 29 % from large furniture, 6 % from small furniture and 11 % from other products.

The combination of our Own Label & Private Label with third-party products enables us to offer a broad and relevant assortment. Our Own & Private Label share increased to 25 % in 2020 (2019: 24 %), while in the fourth quarter we achieved 28 % (Q4 2019: 25 %) after two weaker quarters given lower product availabilty. Our long-term goal is to grow our Own & Private Label share to 50 % of GMV.

1 All explanations and numbers regarding quarterly developments are unaudited.

2 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 2020 fixed exchange rates) for countries in which Westwing is present. Euromonitor 01/2021.

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, 2020, 26 companies are consolidated in the accounts of the Westwing Group, of which 17 entities are non-operating. The most important affiliate with respect to revenue is German-based Westwing GmbH that also covers a part of our international business. Thus, revenue in the legal entities in other countries does not reflect the full Westwing sales in those countries, as they are responsible for revenue of Westwing's daily themes only.

To reduce complexity in our Group structure, former wLabels GmbH was merged with Westwing GmbH as of August 31, 2020, both 100 % subsidiaries of Westwing Group AG. Westwing GmbH showed third-party revenue of EUR 291.2m (2019: EUR 171.7m), while Italian Westwing S.r.l. had revenue of EUR 39.8m (2019: EUR 26.6m) and revenue at Spanish Westwing Iberia S.L. amounted to EUR 42.2m (2019: EUR 25.1m).

1.3 Performance Measurement System

Westwing manages the operating business via its 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 adjusting EBITDA for share-based compensation expenses to obtain a performance measure for the company's operating business development. In 2019, EBITDA was also adjusted for expenses relating to restructuring costs in Italy and France, which led to smaller reversal adjustments in 2020 as well. 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 financial and non-financial performance indicators are reported to corporate management and include the following:

- GMV (gross merchandise volume): Defined for the relevant period as the order value (excluding VAT) 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.

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

- 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 before 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 site visits via mobile devices as percent of total site 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 support its growing internal and external business requirements. To maintain its software architecture, Westwing has established a in-house technology team that provides central support to all countries. 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.

Development costs are capitalized in line with IAS 38. During the 2020 fiscal year, Westwing's net book value of intangible assets resulting from capitalization of internally developed software increased by EUR 2.2m to a total of EUR 13.8m. The share of capitalized development costs as percent of total technology costs was about 30 % in 2020 (2019: 43 %). Amortization of capitalized development costs amounted to EUR 2.8m in 2020 (2019: EUR 1.9m).

2. ECONOMIC DEVELOPMENTS

2.1 Macro-Economic and Sector-Specific Environment

Westwing operates in the Home & Living eCommerce market in eleven European countries. The Group's revenue and profitability depend on conditions and potential in their respective markets. These include macroeconomic developments, the conditions in the Home & Living market in general and the prospects for eCommerce including mobile channels.

The macroeconomic development in 2020 was dominated by the coronavirus pandemic (COVID-19) and the subsequent recession. 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, the pandemic spread across the whole world. Measures such as lockdowns and the limiting of contacts have been taken and guidelines established by all countries to contain COVID-19.

The global GDP growth is expected to have declined by 4.4 %[3] in 2020. In June 2020, as lockdown measures were eased, the global economy began to recover from the depths of the of the first great lockdown in April 2020. Yet, with the continuous spread of COVID-19, many countries slowed the reopening, and additional lockdowns were imposed in the fourth quarter of 2020. While recovery in China has been faster than expected, the global economy's long ascent back to pre-pandemic levels of activity remains prone to setbacks.

In the mid-term, the pandemic is expected to increase global poverty and inequality, and the global GDP growth is expected to gradually slow to 3.5 %[3] by 2025. Mid-term projections assume that social distancing will continue until 2021 but will fade away as vaccine coverage improves. There is still the risk that projections are unreliable because they are highly dependent on public health systems and other economic factors. The potential risk of further economic decline remains significant.

In macroeconomic terms, Europe experienced a sharp downturn in 2020, driven by COVID-19: According to IMF[3] estimates, real GDP declined by approximately 7.2 % in 2020, so real GDP development was 8.8 percentage points less than in 2019 (+1.6 %). In Germany, Westwing's largest market, real GDP was affected to a slightly lesser extent; however, the decline here is also estimated at – 6.0 %.

In Europe, growth of the Home & Living eCommerce market is mainly driven by the continuous shift from offline to online purchases. The COVID-19 pandemic required the population to limit social interactions and to avoid crowded places. The government-enforced temporary closure of most offline retail stores accelerated the shift from offline to online by several years.

Currently, the market for Home & Living products still has a lower online penetration compared to other retail categories. Thus, there is significant growth potential going forward by the market shifting to online.

2.2 Business Development[4]

2020 has been a tremendously successful year for Westwing with positive development in all countries and all our customer cohorts. We closed the year with revenue of EUR 433m (2019: EUR 267m) – a 62.0 % growth rate year-over-year – and an Adjusted EBITDA margin of +11.5 % (2019: – 3.8 %). This development was mainly driven by an accelerated shift towards online channels in all our markets, which we have profited from due to our attractive loyalty-based business model.

The number of Active Customers grew from 0.9m to 1.5m, and the number of orders increased by 68 % to 4.1m (2019: 2.4m). Free cash flow was EUR 39.5m (2019: EUR – 22.1m). For the first time since founding Westwing, we reached a net profit which amounted to EUR 29.8m (2019: net loss of EUR – 38.0m).

3 International Monetary Fund: World Economic Outlook Database December 2020.

4 All explanations and numbers regarding quarterly developments are unaudited.

Thus, we met our adjusted guidance to capital markets from October 2020 on revenue and Adjusted EBITDA. In the course of 2020, we updated our guidance several times; please see details in the table below:

Date	Revenue growth	Adjusted EBITDA	Adjusted EBITDA margin
March 28, 2020 (original)	5 % – 10 %	moderate improvement	moderate improvement
July 16, 2020	25 % – 35 %	–	3 % – 5 %
September 3, 2020	40 % – 50 %	–	6 % – 8 %
October 19, 2020	between 55 % – 65 %	between EUR 37m and EUR 48m	9 % – 11 %
March 29, 2021 Final result	**62.0 %**	**EUR 50.0m**	**11.5 %**

DACH segment results correspond to EUR 242.6m revenue (60.2 % growth) and EUR 41.0m Adjusted EBITDA (2019: EUR – 0.5m) while revenue in our International segment was EUR 190.3m (64.2 % growth) with an Adjusted EBITDA of EUR 9.2m (2019: EUR – 9.4m) (we refer to the results of segments for more details).

Major themes relevant for the business development in 2020 were the following:

Putting health and safety first

In the first quarter of 2020, the focus of the whole world shifted towards the basic needs of health and safety. Accordingly, the same has applied at Westwing. On February 26, 2020, we provided our employees with a comprehensive guide on how to deal with COVID-19 in offices and warehouses. Since mid-March 2020, and continuing through until the publication of this report in 2021, most office employees have worked mostly from home to avoid the spread of the virus. All employees who couldn't work from home, i.e. warehouse workers and photo studio employees, followed strict health procedures due to COVID-19.

Adapting our offering to the new situation

From March 2020 onwards, several lockdowns took place in Europe and in the whole world, people were forced to spend much more of their time at home, the number of contacts was reduced, social distancing became standard. Westwing coped with this new reality by offering its customers products and furniture which could improve the situation: ways to deal with small spaces, home office concepts, ideas on how to better use one's balcony, sports-at-home equipment, etc. Thanks to Westwing's business model, we were able to adapt quickly to the new challenges caused by COVID-19.

Dealing with very high double-digit growth

Due to the accelerated shift from offline to online channels, and the stronger focus on home, both probably caused by the circumstances related to the pandemic, we generated very strong revenue growth from the second quarter 2020 onwards. Westwing ramped up warehouses capacities and hired new employees in logistics and customer care to address this increased demand. At the same time, Westwing, like most other retailers, had to cope with issues in the supply chain resulting from regional lockdowns, affecting the availability especially of our Own & Private Label products.

Maintaining and Improving Customer Loyalty

In 2020, Westwing's customer loyalty remained very strong with 79 % of orders coming from repeat customers (2019: 82 %). We were able to increase the share of wallet as measured by last-twelve-months GMV per active customer from EUR 327 in 2019 to EUR 328 in the year 2020 despite having a record number of new customers who have lower values of this KPI as they have not been with us for a full twelve-months period. We saw the synergies in our flywheel of daily themes, permanent assortment and Own & Private Label as well as in our organic marketing.

2.2.1 RESULTS OF OPERATIONS

CONDENSED CONSOLIDATED INCOME STATEMENT

The condensed Consolidated Income Statement as reported under IFRS before adjustments looks as follows:

EUR m	2020	In % of revenue	2019*	In % of revenue	Change in EUR m	Change in %
Revenue	**432.9**	**100.0**	**267.3**	**100.0**	**165.6**	**62.0**
Cost of sales	– 218.9	– 50.6	– 148.1	– 55.4	– 70.8	47.8
Gross profit	**213.9**	**49.4**	**119.2**	**44.6**	**94.8**	**79.5**
Fulfilment expenses	– 86.1	– 19.9	– 62.7	– 23.4	– 23.5	37.5
Marketing expenses	– 31.0	– 7.2	– 23.2	– 8.7	– 7.8	33.4
General and administrative expenses*	– 64.9	– 15.0	– 65.4	– 24.5	0.5	– 0.7
Other operating expenses	– 3.6	– 0.8	– 2.1	– 0.8	– 1.5	73.9
Other operating income	3.0	0.7	1.0	0.4	2.0	207.2
Operating result*	**31.4**	**7.2**	**– 33.2**	**– 12.4**	**64.5**	–

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

The following table shows the reconciliation from operating result to Adjusted EBITDA:

EUR m	2020	2019*
Operating result*	**31.4**	**– 33.2**
Share-based compensation expenses*	8.4	11.3
Restructuring France and Italy	– 0.4	2.4
Depreciation, amortization and impairments	10.6	9.2
Adjusted EBITDA	**50.0**	**– 10.3**
Adjusted EBITDA margin	11.5 %	– 3.8 %

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

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, which also caused some additional adjustments in 2020. Finally, depreciation, amortization and impairments are excluded to arrive at Adjusted EBITDA. In 2020, share-based compensation expenses of EUR 2.4m that were recognized in previous years became cash-effective.

ADJUSTED CONDENSED CONSOLIDATED INCOME STATEMENT

EUR m	2020	In % of revenue	2019	In % of revenue	Change in EUR m	Change in %
Revenue	**432.9**	**100.0**	**267.3**	**100.0**	**165.6**	**62.0**
Cost of sales	– 218.9	– 50.6	– 148.1	– 55.4	– 70.8	47.8
Gross profit	**213.9**	**49.4**	**119.2**	**44.6**	**94.8**	**79.5**
Fulfilment expenses*	– 86.2	– 19.9	– 62.1	– 23.2	– 24.1	38.9
Contribution profit	**127.7**	**29.5**	**57.1**	**21.4**	**70.6**	**123.7**
Marketing expenses*	– 30.9	– 7.1	– 23.0	– 8.6	– 7.9	34.3
General and administrative expenses*	– 56.9	– 13.1	– 52.4	– 19.6	– 4.4	8.5
Other operating expenses	– 3.6	– 0.8	– 2.1	– 0.8	– 1.5	73.9
Other operating income	3.0	0.7	1.0	0.4	2.0	207.2
Depreciation, amortization and impairments	10.6	2.5	9.2	3.4	1.4	15.7
Adjusted EBITDA	**50.0**	**11.5**	**– 10.3**	**– 3.8**	**60.2**	–

* The following adjustments were made in the corresponding lines:

EUR m	Expense line	2020	2019*
Share-based compensation expenses (1)	Fulfilment	0.0	0.1
	Marketing	0.0	0.2
	General and administrative	8.4	11.0
Restructuring France and Italy	Fulfilment	– 0.1	0.5
	General and administrative	– 0.3	1.9
Total		**8.0**	**13.7**

(1) Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

Revenues for the year comprise the following:

EUR m	2020	In % of revenue	2019	In % of revenue
Revenue from the sale of products	428.3	99.0	263.6	98.6
Other revenue	4.5	1.0	3.7	1.4
Total	**432.9**	**100.0**	**267.3**	**100.0**

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

OTHER PERFORMANCE INDICATORS

	2020	2019	Change
Own & Private Label share (in % of GMV)	25 %	24 %	1pp
GMV (in EUR m)	502	310	61.9 %
Number of orders (in k)	4,074	2,428	67.8 %
Average basket size (in EUR)	123	128	– 3.5 %
Active Customers (in k)	1,529	949	61.2 %
Average orders per Active Customer (in EUR)	2.7	2.6	4.1 %
Average GMV per Active Customer in the preceding twelve months (in EUR)	328	327	0.4 %
Mobile visit share	79 %	76 %	3pp

Westwing grew its revenue from EUR 267.3m in 2019 to EUR 432.9m in 2020. This corresponds to a year-over-year revenue growth rate of 62.0 %. The increase in Group revenue was mainly driven by a higher number of Active Customers with a corresponding rise in the number of orders. This development was driven by an accelerated shift towards online channels in all our markets pushed by the circumstances of the pandemic and due to our business model.

The Own & Private Label share grew slightly by 1 percentage point from 24 % of GMV in 2019 to 25 % of GMV in 2020, which, however, is a huge increase by more than EUR 50m in absolute numbers. In the fourth quarter of 2020, the Own & Private Label share was slightly less affected by low product availability and amounted to 28 % (2019 Q4: 25 %).

Westwing's gross profit margin was at an all-time high of 49.4 %, thus on a clearly higher level than 2019 (44.6 %). Gross margin in the fourth quarter 2020 even reached 51.3 %. The additional increase in the fourth quarter was mostly influenced by higher margin discipline, increased Own & Private Label share and additional volume discounts from suppliers.

Fulfilment expenses[5] (before share-based compensation and restructuring expenses) as percent of revenue were reduced compared to the previous year, to 19.9 % (2019: 23.2 %). This development was primarily driven by fixed cost leverage within our fulfilment costs and improved processes in our warehouses. In absolute terms, fulfilment expenses amounted to EUR 86.2m (2019: EUR 62.1m).

Marketing expenses (before share-based compensation) in percentage of revenue were reduced to 7.1 % (2019: 8.6 %) which was also caused by higher operating leverage. We continue to invest in organic marketing to use the current market momentum. Marketing expenses in absolute terms rose to EUR 30.9m (2019: EUR 23.0m).

General and administrative expenses (before share-based compensation and restructuring expenses) in percent of revenue decreased strongly from 19.6 % in 2019 to 13.1 % in 2020, highlighting the scalability of Westwing's business model. In absolute terms this corresponds to a low rise by EUR 4.4m to EUR 56.9m (2019: EUR 52.4m).

The Adjusted EBITDA in 2020 was EUR 50.0m (2019: EUR – 10.3m) a EUR 60.2m increase year-over-year. The Adjusted EBITDA margin improved strongly by 15.4 percentage points, and thus turned from negative – 3.8 % to positive 11.5 %.

5 Fulfilment expenses include shipping costs.

Amortization and depreciation increased by EUR 1.4m to EUR 10.6m primarily due to the increase in software capitalization over the recent years.

The net financial result hardly changed compared to 2019 and amounted to EUR – 3.5m (2019: EUR – 3.8m). It particularly included interest for leasing liabilities and default interest in the context of tax corrections.

As a result of the positive development in 2020, and thus reaching a taxbable income for the first time, income tax expenses rose strongly to EUR 5.5m (2019: EUR 1.0m). At the same time, Westwing recognized a deferred tax asset on loss carryforwards amounting to EUR 7.4m, which led to a total tax income of EUR 1.9m (2019: tax expense of EUR 1.0m).

In the 2020 fiscal year the profit after tax amounted to EUR 29.8m, increasing the net result of the previous year by EUR 67.8m (2019: net loss of EUR – 38.0m).

GMV increased from EUR 310.0m in 2019 to EUR 501.9m in 2020 representing growth of 61.9 %, thus nearly the same as revenue growth at 62.0 %. This extraordinary development was based on a total of 4.1m orders (2019: 2.4m) placed by 1.5m (2019: 0.9m) Active Customers, increasing their average GMV to EUR 328 in 2020, compared to EUR 327 in 2019.

Mobile visit share in 2020 continued to increase to 79 % (2019: 76 %). 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	2020	In % of revenue	2019	In % of revenue	Change in EUR m	Change in %
DACH	242.6	56.0	151.4	56.6	91.2	60.2 %
International	190.3	44.0	115.9	43.4	74.4	64.2 %
Total	**432.9**	**100.0**	**267.3**	**100.0**	**165.6**	**62.0 %**

Adjusted EBITDA of the segments developed as follows:

EUR m	2020	Margin	2019	Margin	Change in EUR m
DACH	41.0	16.9 %	– 0.5	– 0.3 %	41.5
International	9.2	4.8 %	– 9.4	– 8.1 %	18.6
HQ/reconciliation	– 0.3	–	– 0.4	–	0.1
Total	**50.0**	**11.5 %**	**– 10.3**	**– 3.8 %**	**60.2**

Our DACH segment had a successful year and contributed EUR 242.6m in revenue, a growth of 60.2 % compared to 2019. Revenue in our International segment improved even stronger by 64.2 % to EUR 190.3m. The DACH segment reached an Adjusted EBITDA of EUR 41.0m and an Adjusted EBITDA margin of 16.9 % (2019: – 0.3 %). In the International segment, we improved Adjusted EBITDA to EUR 9.2m, corresponding to an Adjusted EBITDA margin of 4.8 % (2019: – 8.1 %).

2.2.2 FINANCIAL POSITION

CONDENSED STATEMENT OF CASH FLOWS

EUR m	2020	2019	Change in EUR m
Cash flows from operating activities	47.5	– 13.3	60.9
Cash flows from investing activities	– 8.0	– 8.8	0.7
Cash flows from financing activities	– 7.3	– 27.3	20.0
Change in cash and cash equivalents	**32.2**	**– 49.4**	**81.6**
Effect of exchange rate fluctuations on cash held	– 0.5	– 0.4	– 0.1
Cash and equivalents as of January 1	73.2	123.0	– 49.8
Cash and equivalents as of December 31	**104.9**	**73.2**	**31.7**

Westwing realized a positive cash flow from operating activities that totaled EUR 47.5m (2019 cash outflow of EUR – 13.3m), an increase of EUR 60.9m. This development is due to the very good operating profit. Cash and cash equivalents developed positively in 2020, resulting in an increase by EUR 31.7m compared to December 31, 2019. Net working capital – defined as inventory plus goods prepayments, current trade and other financial assets less trade payables, accrued liabilities and contract liabilities – has decreased slightly by EUR 0.7m to EUR – 4.0m in 2020 (2019: EUR – 3.4m).

Cash outflows from investing activities amounted to EUR – 8.0m (2019: EUR – 8.8m), which included investments in intangible assets of EUR 5.4m in 2020, especially in internally developed software.

As a result of the developments in the operating and investing cash flows described above, the free cash flow for the full year improved significantly to EUR 39.5m (2019: EUR – 22.1m).

The cash outflow from financing activities amounted to EUR – 7.3m (2019: EUR – 27.3m) and mainly included payments of lease liabilities. In 2019, it especially included the cash outflows connected to the repayment of the loans with GGC EUR S.À.R.L and the buyback program of shares in fall 2019.

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.

The Company has cash reserves to cover additional investments in growth as well as to support the ongoing business. Westwing has consistently ensured that enough liquid funds were available to fund operations. Westwing was always able to meet its payment obligations.

Details on financial risk management can be found in the notes to the consolidated financial statements (note 23).

2.2.3 ASSETS AND LIABILITIES

CONDENSED STATEMENT OF FINANCIAL POSITION

EUR m	2020	2020 in % of Total	2019	2019 in % of Total	Change in EUR m	Change in %
Total assets	**229.0**	**100.0%**	**165.4**	**100.0%**	**63.6**	**38.4%**
Non-current assets	60.0	26.2%	51.5	31.1%	8.5	16.4%
Current assets	169.0	73.8%	113.9	68.9%	55.1	48.4%
Total liabilities + equity	**229.0**	**100.0%**	**165.4**	**100.0%**	**63.6**	**38.4%**
Equity	108.7	47.5%	74.4	45.0%	34.3	46.1%
Non-current liabilities	27.8	12.2%	26.7	16.1%	1.1	4.3%
Current liabilities	92.5	40.4%	64.4	38.9%	28.1	43.7%

Current assets accounted for EUR 169.0m as of December 31, 2020 (December 31, 2019: EUR 113.9m). Cash and cash equivalents were up to EUR 104.9m (December 31, 2019: EUR 73.2m), especially caused by the very good cash flow from operating activities. Inventory increased to EUR 30.2m (December 31, 2019: EUR 23.4m) due to overall business growth. For the same reason, trade and other current financial receivables rose to EUR 17.4m (December 31, 2019: EUR 9.4m), including expected credit losses of EUR 3.0m (December 31, 2019: EUR 1.9m). For certain receivables factoring agreements exist.

Non-current assets mainly consist of property, plant and equipment as well as intangible assets. The reduction in property, plant, and equipment from EUR 35.4m end of 2019 to EUR 34.5m end of 2020 is basically a matter of depreciation. Intangible assets, primarily representing capitalization of software development, increased by EUR 2.2m. Capitalization of software development of EUR 5.3m was partially offset by amortization of EUR 3.0m and an impairment charge of EUR 0.2m in 2020.

Current liabilities were EUR 28.1m higher compared to the previous year, at EUR 92.5m (December 31, 2019: EUR 64.4m). Trade payables increased from EUR 17.1m at the end of 2019 to EUR 27.9m as of December 31, 2020, due to the strong performance during the year and especially in the fourth quarter. This development was also observed in contract liabilities which were up by EUR 8.9m to EUR 17.8m (December 31, 2019: EUR 8.9m).

Non-current liabilities amounted to EUR 27.8m (December 31, 2019: EUR 26.7m). While lease liabilities decreased by EUR 2.5m, liabilities from cash-settled share-based compensation increased by EUR 3.7m, mainly because of the good share price development.

The Company's equity improved to EUR 108.7m as of December 31, 2020, compared to EUR 74.4m at the end of 2019. This development was caused by the net profit for the year and higher share-based compensation reserves.

As of December 31, 2020, the Group did not have available credit lines (December 31, 2019: none).

Overall assessment of the Group's economic position

Beginning in March 2020, the year was driven by the extraordinary developments caused by COVID-19. On the one hand, the pandemic caused downturns of the global economy, on the other side lockdowns and cautious behavior due to the spread of COVID-19 led to people staying home more and boosted the shift from offline to online channels. While Westwing's priority has always been the health and safety of its customers, employees and business partners, we were able to adapt quickly to the new situation and to adjust our offering accordingly. Our business model and processes have proven to be flexible and scalable in an unprecedented pandemic environment. Our International segment is on track again and now consequently follows the successful DACH role model. We realized a strong increase in revenue and became profitable on full-year basis. We are debt-free and possess a strong cash position. Therefore, we see ourselves in a very good economic position, and are prepared for the back-to-normal environment.

3. EMPLOYEES

At the end of December 2020, Westwing Group employed 1,671 full time equivalents (hereinafter: FTEs[6]), which is a strong increase compared to 1,290 employees at the end of 2019.

In December 2020, most staff were employed by the Munich-based legal entities Westwing Group AG (418 FTEs) and Westwing GmbH (221 FTEs), as well as the Polish entity (714 FTEs) that also operates Westwing's shared service center and one shared warehouse.

Westwing employees are very international. At the end of 2020, the Company employed more than 60 different nationalities. Likewise, Westwing sees gender diversity as an important factor. 62 % of Westwing employees are female.

4. NON-FINANCIAL STATEMENT[7]

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

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 & 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.
- 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 & Living eCommerce.

6 According to Westwing definition, one FTE is equivalent to one employee working full-time.
7 This section of the Combined Management Report is unaudited.

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 requires attention. The results of the risk assessment is summarized in the risk and opportunity report. We did not identify any material 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.

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 60 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 & Living eCommerce. Likewise, Westwing sees gender diversity as an important factor: 62 % of employees of Westwing Group are female.

EMPLOYEES BY GENDER AND SEGMENT

	DACH		International		Group	
	Headcount	In %	Headcount	In %	Headcount	In %
Total	**718**	**100.0**	**1,057**	**100.0**	**1,775**	**100.0**
Female*	486	81.6	613	58.0	1,099	61.9
Male*	232	18.4	444	42.0	676	38.1

* As of December 31, 2020

This dynamic environment offers our nearly 1,800 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 contributions Westwing would not be able to grow and expand. Westwing therefore focuses on investing in its current workforce and extending its 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 followed by a Q&A session at the end.
- Insights Sessions: Presentations by our leaders to provide 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 once 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, 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 must 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. Usually, employees can participate in a variety of sports programs and consultations on ergonomics at the workplace, which has been interrupted since the measures taken as a result of COVID-19. During the year 2020, a major part of our employees has been working from home due to the situation caused by the pandemic. To support the working situation for our employees and to protect their health, various measures have been taken at Westwing. There has been a health week where employees were able participate in various workshops. In addition, online yoga sessions were offered and there are offers for individual coaching sessions to promote mental health. A virtual community was set up to enable regular cross-team exchanges and virtual events.

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 even before COVID-19. In May 2020, Westwing as a family-conscious company, opened its own day care for children aged 0 to 3 years to make it easier to balance work and family life. Employee satisfaction has improved greatly in recent years. The last Pulse Check in the fourth quarter of 2020 showed that employee satisfaction was higher than ever before. Westwing is continuously working to further strengthen employee satisfaction. This is to be further increased in the coming years through measures such as management development, personnel development, offers for individual coaching and initiatives for the compatibility of family and career.

As Westwing places value on environmental protection, public transportation is supported for all employees. Furthermore, no company cars are provided to employees. Our travel guidance states that we should avoid travel as much as possible and replace it with video conferencing, which is currently used even more frequently due to the extended work from home.

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 to avoid long routes of transport and to reduce environmental pollution. We have set up five logistics centers around Europe, and wherever possible 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 biodegradable. Westwing sees itself as responsible for addressing sustainability and decreasing our CO_2 footprint. Westwing will continue to work on eco-friendly packaging. This includes developing and introducing alternatives for mailing bags such as paper mailing bags and polybags made of recycled material. In addition, the plastic stickers on Westwing boxes will be replaced by paper stickers in the future and for the filling material, we will be using materials made from recycled plastic.

A decisive signpost for the future is the established option of order bundling in 2020. The customers 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 our Own & Private Label sofas and beds are produced in Europe.

Westwing plans to launch the first sustainable Westwing collection in 2021, which will include sustainable products such as textiles, furniture, and tableware.

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 & 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 & 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 subcontractors. So far, we have managed to have 100 % of our Own & Private Label suppliers sign 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 and are constantly improving and expanding 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 & 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 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.

The code of conduct framework is signed by all our Own & Private Label suppliers. To improve compliance in our supply chain, we have expanded our framework agreement to make the Code of Conduct even more effective and binding. The amended version of this framework agreement was already signed by suppliers who account for approximately 91 % of our Own & Private Label order volume.

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 more than 1.5 million Active Customers we have been able to establish a very loyal customer base with a steadily increasing share of wallet. 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 services, and a best-in-class customer service. We regularly 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 inventory inbound process in each warehouse to avoid products of low quality being sent to customers.

As an online shop for Home & 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 taking care of any issues 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 Westwing's possession. 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 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-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.

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 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 all employees and the Management Board to ensure reasonable and ethical behavior. The compliance session has now moved online and is mandatory for all employees who are joining Westwing. Existing employees must attend the compliance session regularly as well, at least once a year. Their knowledge and understanding are assessed in a test after the session.

Westwing has implemented a whistleblower email address, where all employees can report incidences they believe to be non-compliant. 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 2020 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 30).

6. RISK AND OPPORTUNITY REPORT

Regarding its business activities, the Westwing Group as an international group of companies is exposed to a multitude of risks. 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 fosters a risk-conscious corporate culture in all decision-making processes. We carefully weigh the risks and opportunities 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

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.

Risk assessment at Westwing is performed on a regular basis. During 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 continuously updated and summarized. On a half-yearly basis, a consolidated risk report is presented to the Management Board. The Management Board reports Westwing's current risk situation to the Supervisory Board.

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

6.2 System of Internal Controls over Financial Reporting

As part of its internal control system, Westwing has implemented internal controls over financial reporting. These consist of preventive and detective 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.

This year we focused on improving our internal control system within the key processes of Westwing. We reviewed relevant business processes and implemented additional or improved already existing controls. We will continue to review our business processes and improve our internal control environment.

Starting from 2021 a third-party internal audit function will assess our risk management system and control environment.

6.3 Risk Methodology

A detailed risk guidance was established and implemented within the Company to bring transparency in the process of risk identification and assessment. The risk guidance is reviewed and updated on a regular basis by Westwing's GRC function.

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 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 of the impact 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 flows
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

In addition to the risk categories described above, we added and separated a new category in 2020: COVID-19 related risks (pandemic risks). These are risks that arose as a result of the COVID-19 outbreak in 2020.

6.4 Risk Report

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

6.4.1 COVID-19 RELATED RISKS (PANDEMIC RISKS)

Mid-term recession (High)

Despite the impact of COVID-19 that accelerated the shift towards online channels, the risk of a significant economic recession in the foreseeable future is high. As a result, the risk of this economic downturn could affect eCommerce as well. It is hard to predict how our customers will react in case of recession and how they will change their shopping behavior.

The management team of Westwing continuously monitors and evaluates the economic situation in Europe and the possible impact on the Home & Living market, and is ready to react accordingly: whether to adjust our offering or to partially adapt the Westwing Group's strategy.

Supply chain disruptions (High)
The COVID-19 outbreak brought significant supply disruptions around the world where many supply processes needed to be changed or adjusted to the new conditions. Although Westwing managed to run business smoothly and avoided significant supply disruptions in 2020, there is a risk that the supply chain could be affected by the measures taken in many countries or in case of further worsening of the pandemic situation. Furthermore, there is a risk that some companies could go bankrupt and Westwing would be forced to look for new reliable suppliers.

To mitigate this risk, our supply team proactively diversifies our supply channels, strengthening our partnerships with reliable suppliers and having backup solutions in case of supply disruptions, especially for our bestseller products.

6.4.2 FINANCIAL RISKS

Financial planning and performance (High)
Properly predicting revenue growth as well as overall business development is one of Westwing's key challenges in the time of significant growth and unpredictable global developments. Failure to forecast, monitor and control our business plan could lead to wrong decisions and may harm Westwing's revenue growth and profitability.

We gained a comprehensive experience over the past years to improve our planning process significantly. On a monthly basis we analyze our performance results, discuss current trends and update our business plan in case of significant deviations.

6.4.3 OPERATIONAL RISKS

Employee fluctuation (High)
Westwing's success depends on the knowledge, experience, and motivation of its employees to implement its vision and reach its goals. Without their enthusiasm and contribution, Westwing would be unable to advance its business. A potential lack of career and personal development or insufficient compensation could encourage employees to leave the Company.

To ensure Westwing's attractiveness as an employer, the Company has developed 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 once 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

Cyber security and IT infrastructure threats (High)

In the past years we have invested significant funds and internal resources into building and updating our IT platform and IT infrastructure. To operate successfully, Westwing has developed an extensive infrastructure with various complex IT solutions and interfaces. This high degree of interconnectivity could bear a significant risk for the Company if data does not transfer due to system failure. Additionally, cyber security threats as unauthorized logical access internally or externally could disrupt our vital internal tools or customer-facing applications.

Due to technology limitations, there is a risk that we are required to use critical software solutions from third-party developers whose solutions might not be reliable or could be complicated to support.

Currently, Westwing employs a skilled IT team of about 150 full-time employees. This enables Westwing to constantly monitor, develop and improve our internal IT infrastructure and support solutions from our third-party suppliers. No limiting cases occurred in 2020. In order to remain competitive, we will continue with significant investments in IT.

6.4.5 POLITICAL AND REGULATORY RISKS

Tax compliance and tax planning (High)

Our business is subject to the general tax environment in the jurisdictions in which we operate. Our ability to use tax loss carryforwards and other favorable tax provisions depends on national tax laws and our ability to produce taxable income in these countries.

For the German Westwing entities, income tax and transfer price audits are currently ongoing with respect to all periods starting from 2011, with no final feedback yet. As a result, we may be required to pay additional taxes concerning previous periods. Furthermore, 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.

Late submission or non-completion of VAT declarations could also result in extraordinary VAT tax audits by the fiscal authorities. We cooperate with an external consulting company to assure that Westwing is compliant with tax rules and regulations in all countries.

eCommerce regulations (High)

Tax authorities in various jurisdictions are currently reviewing the appropriate treatment of eCommerce activities. Due to the international 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 or decrease our profit margins. 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.

6.4.6 OVERALL ASSESSMENT OF RISK BY THE MANAGEMENT BOARD

Management is satisfied that existence-threatening risks for the Company did not exist in 2020. No single risk or bundle of risks are 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 forward. Not only will they provide Westwing with the possibility of growth, but they will also facilitate improved profitability. Below you can find a summary of the most significant opportunities identified by the Company.

eCommerce growth with a focus on mobile eCommerce

The shift of growth from traditional street shopping to eCommerce in the Home & Living market is one of the key opportunities for Westwing. This year we observed an accelerated shift towards online channels. Many new customers had a chance to try and to experience eCommerce in Home & Living for the first time.

Currently the market for Home & Living products, compared to other retailing categories, does not show a high online penetration yet. Given that the total (i.e. offline and online) Home & Living market is of similar size compared to the fashion market, there is a huge opportunity for Westwing as Home & Living moves online.

At the same time, 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 past three years the mobile visit share increased from 70 % at the end of 2017 to 79 % at the end of 2020.

To meet or even exceed our customers' expectations, Westwing continuously invests in state-of-the-art apps as well as smartphone- and tablet-optimized web sites.

With its more than nine years on the market, strong brand recognition and customer loyalty, we believe Westwing is going to be a key player in the Home & Living market.

Brand awareness

Management sees Westwing's strong brand and brand recognition as an important factor for long-term success. Unlike other industries, e.g. fashion, where the customer focus is primarily on supplier brands, in the Home & Living industry the retailer brand is very important. This is driven by the fact that in Home & Living the supplier universe is very fragmented and the supplier brands as such are in many cases not the key driver for customers' purchasing decisions.

By focusing on organic marketing, such as a strong presence in social media and content creation 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.

Additionally, we constantly continue to increase the share of Own & Private Label in our offering. Our internally designed Own & Private Label products give us an opportunity to present a curated and well-rounded assortment on our website. This helps us to react quickly to changing market trends and drive the Home & Living market in Europe.

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

7. OUTLOOK

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

For the year 2021 we have two focus areas. First, we want to run our business well, independent of extrinsic factors such as an economic downturn, employees still forced to work from home and potential issues with product availability. The second focus area is to lay the foundations of our five-year strategy to create the next level of Westwing customer experience.

Broken down to key messages this will be:

- Placing utmost priority on business basics, health, and safety
- Dealing with extreme volatility depending on the respective COVID-19 measures
- Enhancing our creative and inspirational core
- Bringing order and post-order customer experience to the next level
- Pushing sustainability in all our processes and offering

In addition, we plan to further increase our share of Own & Private Label towards the strategic long-term target of 50 % with expansion into new product categories, new product and collection launches within existing categories as well as intensified marketing in our International segment.

Regarding Westwing's financials we aim to use the momentum and scale we reached in 2020 and show profitable growth also in 2021. We expect revenue between EUR 510m and EUR 550m, an Adjusted EBITDA in a range of EUR 42m to EUR 55m, at a corresponding Adjusted EBITDA margin of 8 – 10 %.

However, due to the ongoing COVID-19 situation, with the results of vaccination not predictable yet, there is a substantial degree of uncertainty that may affect our forecast. We are constantly reassessing the development of the situation and taking appropriate action. Westwing's supply chain could be affected again and these effects cannot yet be reliably estimated. At the same time, the risk of a significant economic recession could affect eCommerce as well. Additional risks arise from possible government restrictions on work in warehouses, or the availability of logistics service providers – both potentially causing a disruption of Westwing's operations. Therefore, there is a considerable risk that these factors could lead to an unfavorable development of the business in 2021. 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 30, 2021), Westwing's business development is in line with the outlook for 2021.

We have proven in 2020 that our business model works at scale. The Management Board is confident in the business model and the Westwing flywheel of daily themes, permanent assortment, Own & Private Label as well as organic marketing. While short-term risks exist, we are convinced that Westwing will 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. Key performance indicators for Westwing Group AG are revenue and the result before tax and impairments.

8.1 Results of Operations Westwing Group AG

EUR m	2020	2019
Revenue	**59.2**	**40.2**
Own work capitalized	4.5	5.9
Other operating income	0.3	1.9
Gross performance	**64.1**	**48.0**
Expenses for material and services	– 16.9	– 12.0
Personnel expenses	– 30.6	– 25.4
Depreciation and amortization of property plant and equipment and intangible assets	– 4.1	– 3.1
Other operating expenses	– 17.9	– 9.7
Operating result	**– 5.5**	**– 2.2**
Interest income	3.0	1.6
Appreciation / (write-down) on investments	7.2	– 23.3
Interest and other expenses	– 0.2	– 2.1
Financial result	**10.1**	**– 23.8**
Income tax	0.1	– 0.0
Result after tax	**4.5**	**– 26.1**

Westwing Group AG increased revenue from EUR 40.2m in 2019 to EUR 59.2m in 2020. This corresponds to a strong year-over-year revenue growth rate of 47.1 %. As the Westwing Group AG provides several services to its affiliates its revenue grows with their business expansion. Own work capitalized decreased by 22.4 % to EUR 4.5m (2019: EUR 5.9m). Other operating income was lower in 2020, as in 2019 income from other periods of EUR 1.2m was recognized which related to the appreciation in value for liabilities to affiliates that had formerly been written off.

Personnel expenses were up by EUR 5.2m, primarily resulting from share-based compensation expenses for cash-settled options which increased to EUR 2.3m based on the positively developing share price (2019: EUR 0.2m). In addition, EUR 0.8m related to expenses recognized for the cash settlement of options of an originally equity-settled commitment package, which was not recognized according to HGB in previous years.

The cost of purchased services was EUR 16.9m (2019: EUR 12.0m) 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 2020. Such investments constitute the basis for adaptable and sustainable business operations. An increase of EUR 5.8m was caused by higher investments in marketing, due to Westwing's strategy to increase investments in organic marketing to use the current market momentum. The increase in other operating expenses correlates to the rise in revenue.

In total, an operating loss of EUR 1.3m before interest, amortization/depreciation, appreciation/write-offs on financial assets, and taxes was incurred in 2020, as higher revenues were compensated by increased personnel and other operating expenses, compared to a respective operating profit of EUR 0.9m in 2019.

The financial result of EUR 10.1m (2019: EUR – 23.8m) is primarily impacted by an appreciation in value on loans to and shares in affiliates of EUR 12.8m, which was due to the very positive business development in some countries, partially offset by an impairment of loans to affiliates amounting to EUR 5.6m. In addition, it includes interest income of EUR 3.0m (2019: EUR 1.6m) as well as interest and other expenses of EUR 0.2m (2019: EUR 2.1m). The increase of interest income is mainly due to newly issued loans to affiliates in 2020.

8.2 Financial Position of Westwing Group AG

Westwing Group AG had cash and cash equivalents of EUR 45.7m as of December 31, 2020 (December 31, 2019: EUR 46.4m). Cash and cash equivalents developed as follows:

- In 2020, the Company financed operations of its subsidiaries with loans of EUR 9.8m (2019: EUR 22.4m), which are deemed to be long-term in economic terms but are short-term in legal terms.
- Loan receivables to affiliates and interest were paid back in 2020 amounting to EUR 22.8m.
- Investments in tangible and intangible assets amounted to EUR 7.1m in the 2020 fiscal year (2019: EUR 7.7m).
- The Company settled share-based compensation options in cash amounting to EUR 2.4m (thereof EUR 0.8m for own employees).
- In the fourth quarter warrants were exercised leading to a cash capital increase of EUR 1.6m.
- The remaining EUR – 6.1m can be allocated to the financing of operations.

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 subsidiary Westwing GmbH in which it undertakes to be liable for the obligations arising up to December 31, 2022. Westwing Group AG always met its payment obligations.

8.3 Total Assets of Westwing Group AG

EUR m	12/31/2020	12/31/2019
Assets		
Non-current assets		
Intangible assets	14.0	11.8
Property, plant and equipment	3.0	2.3
Investment in subsidiaries and loans thereto	162.5	165.3
Total non-current assets	**179.5**	**179.4**
Current assets		
Trade and other receivables	20.5	7.4
Cash and cash equivalents	45.7	46.4
Total current assets	**66.2**	**53.8**
Prepaid expenses	1.4	0.7
Total assets	**247.2**	**234.0**
Equity/(deficit)		
Share capital	20.8	20.7
Treasury shares	– 0.5	– 0.7
Issued capital	20.3	20.0
Share premium	348.7	347.2
Accumulated losses	– 138.5	– 143.0
Total equity	**230.5**	**224.2**
Provisions	9.1	3.8
Trade and other liabilities	7.5	5.9
Deferred items	0.1	0.1
Total equity and liabilities	**247.2**	**234.0**

As of December 31, 2020, total assets amounted to EUR 247.2m, an increase by EUR 13.2m compared to the previous year (December 31, 2019: EUR 234.0m). This development is mainly driven by an increase of trade and other receivables, which was partly offset by lower intercompany loan receivables. The financial assets development was impacted by the repayments for intercompany loans and the appreciation on investments described above.

Current assets amounted to EUR 66.2m (2019: EUR 53.8m) as of the end of 2020. The accounts receivable from affiliated companies being part of trade and other receivables were up to EUR 17.7m (December 31, 2019: EUR 4.2m). Cash and cash equivalents were nearly on the same level as in the previous year at EUR 45.7m (December 31, 2019: EUR 46.4m).

In fiscal year 2020, intangible assets consisted of both purchased and internally developed software. In 2020, the net book value increased by EUR 2.2m to EUR 14.0m (December 31, 2019: EUR 11.8m) due to the capitalization of software development of EUR 5.3m that was partially offset by amortization of EUR 2.8m and an impairment charge of EUR 0.2m. Fixed tangible assets increased to EUR 3.0m (December 31, 2019: EUR 2.3m), mainly because of purchased office equipment.

Investments into subsidiaries increased by EUR 0.2m to EUR 15.4m in 2020 due to the appreciation in value. The loans provided to subsidiaries disclosed as long-term financial assets decreased by EUR 3.1m to EUR 147.1m. This development primarily results from the repayment of loan and interest receivables of EUR 22.8m, partially offset by new loans and interests to affiliates of EUR 12.7m. An appreciation of loans of EUR 12.6m was partly offset by an impairment of loans of EUR 5.6m.

As of the balance sheet date, the Company's equity increased by EUR 6.3m from EUR 224.2m in December 2019 to EUR 230.5m in December 2020, with the main driver being the profit of the year and the capital increase of EUR 1.6m.

The equity ratio decreased from 95.8 % as of December 31, 2019 to 93.2 % as of December 31, 2020.

Provisions increased from EUR 3.8m in December 2019 to EUR 9.1m in December 2020. This strong rise particularly resulted from the increase in cash-settled share-based compensation by EUR 3.7m, mainly because of the good share price development as a relevant factor for valuation.

Liabilities increased from EUR 5.9m at the end of 2019 to EUR 7.5m as of December 31, 2020, mainly caused by higher VAT payables due to the business expansion during the year.

8.4 Employees of Westwing Group AG

At the end of December 2020, Westwing Group AG employed 466 employees including interns, temporary staff, and management (2019: 372). Of these, 234 employees work in the areas of administration/IT and 232 in marketing. The software development is nearly completely done by employees in the technology department of Westwing Group AG.

At Westwing Group AG, 59 % of employees at the end of 2020 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 higher share of female employees.

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

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 additional impairment need for loans to affiliates or the requirement to provide liquidity to them both of which are 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 relating to economic environment and expectations for the operating business. We refer to chapter 7.

For fiscal year 2021, Westwing Group AG expects a similar revenue level compared to the previous year, reflecting the more stable 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 slightly increase due to a higher expected operating profit.

Westwing Group AG's 2020 revenue was up by 47.1 % to EUR 59.2m, and thus strongly exceeded the projected slight extension, primarily due to higher service revenue from Westwing GmbH. The result before tax and before impairments did not reach the forecast to improve moderately, which is especially due to higher expenses for cash-settled share-based compensation which were not charged to other Group companies.

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 with equity/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 total remuneration (before share-based compensation) is 80 % (2019: 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. In the first quarter of 2020, the Management Board consisted of Stefan Smalla, Dr. Dr. Florian Drabeck and Delia Lachance. Delia Lachance stepped down from her role as Board member effective March 1, 2020, subsequently went into maternity leave and has been back and working for the Company (but not in the Management Board) since Q4 2020. Dr. Dr. Florian Drabeck stepped down from his role as board member with effective date as of April 1, 2020, while at the same time, Sebastian Säuberlich assumed his role in the Management Board.

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 520k in the 2020 fiscal year (2019: EUR 625k). The decrease is largely due to the lower number of Board members during most of 2020.

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 and pension.

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"). The annual insurance fee is EUR 8k. These insurance policies cover financial losses that may occur from Management Board members' breaches of duty during their terms of office. In addition, legal protection insurances were taken out for Stefan Smalla and Sebastian Säuberlich with annual expenses of EUR 2k each.

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 2020 fiscal year of EUR 88k (2019: EUR 110k), if 100 % of the agreed individual targets are met. The targets and the weighing of targets for bonus calculation are determined between the Company and the Management Board member for each fiscal year, at the latest by March 31, and usually consist of business development targets such as the achievement of planned growth and profitability. Due to the very good business performance in 2020 the performance-related compensation will be paid out at the performance cap of 150 % and hence EUR 131k. In 2019, there was no performance-related compensation achieved by the Management Board. However, there was a total of EUR 100k one-time bonus for Dr. Dr. Florian Drabeck granted in 2019 and paid out in April 2020.

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 between six and twelve months, while the remaining awards vest in equal instalments on a quarterly basis over the remainder of the vesting period. Generally, the awards may only be exercised once vested.

In the third quarter of 2019, a new cash-settled stock option program was established and issued to executives and other top managers of the Company incl. the Management Board. For the Management Board, it comprises a total number of 342,000 virtual options, thereof all 84,000 options issued to Dr. Dr. Florian Drabeck were forfeited due to his leave as CFO in the second quarter of 2020. In 2020 additional 65,000 options were granted to Sebastian Säuberlich. The virtual shares fully vest on December 31, 2022, without intermediate vesting and they are only exercisable four years after the corresponding grant date, starting August 2023. In 2020, expenses of EUR 2.9m were recognized for this program (2019: EUR 0.1m).

The table below provides an overview of the options granted to the members of the Management Board during the 2020 reporting period:

	2020	2019
Options granted during the period	65,000	342,000
Weighted average exercise price (in EUR):	1.00	1.00
Weighted average fair value (in EUR):	2.32	2.57

TOTAL REMUNERATION OF THE MANAGEMENT BOARD

EUR k	**2020**	2019
Salaries (short-term employee benefits)	520	625
Bonus	131	100
Share-based compensation expenses	3,545	4,333
Total	**4,196**	**5,058**

In 2020 and 2019 only cash-settled options were issued. The weighted average fair value for these share-based compensation expenses reflects the average fair value in the year under review. It is dependent from the stock price and other factors as of each reporting date.

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, and the Management Board contract for Sebastian Säuberlich until March 31, 2023.

An additional employment contract between Delia Lachance and the Westwing GmbH existed for PR services rendered. During her function as Board member until March 1, 2020, remuneration from this was EUR 27k in the 2020 fiscal year (2019: EUR 160k). As an exception, Stefan Smalla's remaining vacation days of 2019 were paid out in 2020, amounting to EUR 23k, which was approved by the Supervisory Board accordingly. In December 2020, Sebastian Säuberlich exercised 15,000 of his originally equity-settled options against cash amounting to EUR 397k. For Dr. Dr. Florian Drabeck an additional bonus of EUR 100k was granted in 2019 and paid out in 2020.

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.

Furthermore, 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 2020, the Supervisory Board had one committee: the Audit Committee. Additional committees may be established as required.

The composition of the Company's Supervisory Board and its remuneration is shown in the following table:

Name	Function(s) remunerated	Remuneration (in EUR k)
Christoph Barchewitz	Chairman of the Supervisory Board and member of the Audit Committee	50
Dr. Antonella Mei-Pochtler	Deputy Chairwoman of the Supervisory Board	30
Michael Hoffmann	Member of the Supervisory Board and Chairman of the Audit Committee	45
Thomas Harding	Member of the Supervisory Board and the Audit Committee	35

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/WW_2020_Corporate_Governance_ENG_170321_MQ20210322.pdf and https://ir.westwing.com/websites/westwing/English/5100/declaration-of-conformity.html in the section Investor Relations - Corporate Governance. It is also included in the corporate governance statement in the annual report.

9.4 Take-over law

The Management Board of Westwing Group AG (the "Company") has prepared the following explanatory report on the disclosures pursuant to Sections 289a and 315a of the German Commercial Code (*Handelsgesetzbuch*) in accordance with Section 176 Para. 1 Sentence 1 of the German Stock Corporation Act (*Aktiengesetz*):

COMPOSITION OF SUBSCRIBED CAPITAL (SEC. 289A SENTENCE 1 NO. 1 GERMAN COMMERCIAL CODE)

As of December 31, 2020, the paid-up share capital totalled EUR 20,844,351.00. The share capital is divided into 20,844,351 bearer shares of no-par value, with a pro rata amount of EUR 1.00 per share. The shares are fully paid up. All shares confer the same rights and obligations. Each share entitles the bearer to one vote.

RESTRICTIONS ON VOTING RIGHTS OR TRANSFER OF SHARES (SEC. 289A SENTENCE 1 NO. 2 GERMAN COMMERCIAL CODE)

As of December 31, 2020, the Company owns treasury shares totalling a nominal value of EUR 541,250, which do not entitle the Company to any rights pursuant to Section 71b of the German Stock Corporation Act.

DIRECT OR INDIRECT SHAREHOLDINGS EXCEEDING 10 % OF THE VOTING RIGHTS (SEC. 289A SENTENCE 1 NO. 3 GERMAN COMMERCIAL CODE)

As of December 31, 2020, the following shareholding exceeded the threshold of 10 % of the voting rights in the Company's share capital:

- Zerena GmbH, Grünwald, Germany, to which the voting rights of Rocket Internet SE, Berlin, Germany, are attributed pursuant to Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*)

SHARES WITH SPECIAL RIGHTS WHICH CONFER CONTROL RIGHTS (SEC. 289A SENTENCE 1 NO. 4 GERMAN COMMERCIAL CODE)

The shareholders of the Company are not entitled to any special rights conferring control rights.

NATURE OF CONTROL OVER VOTING RIGHTS WHEN EMPLOYEES PARTICIPATE IN THE COMPANY'S CAPITAL (SEC. 289A SENTENCE 1 NO. 5 GERMAN COMMERCIAL CODE)

Employees with a participation in the share capital of the Company may exercise their control rights directly themselves.

STATUTORY REGULATIONS AND ARTICLES OF ASSOCIATION PROVISIONS GOVERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION (SEC. 289A SENTENCE 1 NO. 6 GERMAN COMMERCIAL CODE)

Statutory regulations (Sections 84 and 85 of the German Stock Corporation Act) apply for the appointment and dismissal of the members of the Management Board of the Company.

The Annual General Meeting has authorized the Supervisory Board of the Company to make amendments to the Articles of Association which affect only the wording (Sec. 179 Para. 1 Sentence 2 German Stock Corporation Act in conjunction with Sec. 11 Para. 4 of the Articles of Association). In particular, the Supervisory Board has been authorized to amend the wording of the Articles of Association accordingly after the exercise of authorized capital or after the expiry of the period for the exercise of authorized capital (Sec. 4 Para. 3 to Para. 8 of the Articles of Association). The same authorization shall apply in the event of the utilization of conditional capital and after the expiry of all option and conversion periods (Section 4 Para. 9 of the Articles of Association). Statutory regulations continue to apply with regard to any amendments of the Articles of Association of the Company (Sections 119 Para. 1 No. 6, 133, 179 Para. 1 and 2 of the German Stock Corporation Act).

POWERS OF THE MANAGEMENT BOARD, IN PARTICULAR WITH RESPECT TO THE ISSUING OR BUYING BACK OF SHARES (SEC. 289A SENTENCE 1 NO. 7 GERMAN COMMERCIAL CODE)

AUTHORIZATION TO ACQUIRE TREASURY SHARES

On September 21, 2018, the Extraordinary General Meeting of the Company has resolved to authorize the Management Board, with the approval of the Supervisory Board, to acquire treasury shares up to a total of 10 % of the Company's share capital at the time of the resolution or - if this amount is lower - at the time of the authorization being exercised until September 20, 2023, in compliance with the Principle of Equal Treatment (Section 53a of the German Stock Corporation Act).

Together with other treasury shares which the Company has already acquired and still holds or which are attributable to the Company pursuant to Sections 71a et seq. of the German Stock Corporation Act, the shares acquired on the basis of this authorization may at no point in time exceed 10 % of the Company's registered share capital. The authorization may be used once or several times, in whole or in part, in pursuit of one or more of the Company's objectives, but also by group companies or by third parties for the account of the Company or the group companies. The authorization may not be used for the purpose of trading treasury shares.

In addition to a sale through the stock exchange or by means of an offer to all shareholders, the treasury shares may also be used in the following manner:

- They may be redeemed and reduce the Company's registered share capital by that part of the registered share capital allotted to the redeemed shares. The Management Board may also redeem the shares in a simplified procedure without reducing the registered capital, so that by the redemption the proportion of the other shares in the registered share capital is increased.

- They can be offered for purchase and transferred to persons employed or who were employed by the Company or one of its affiliates and board members of the Company or its affiliates or their investment vehicles or other holders of acquisition rights especially under options.

- They can be offered for purchase and transferred to holders of virtual option rights to satisfy virtual option rights; in particular to satisfy virtual option rights granted by the Company prior to the conversion of the Company into a stock corporation to managing directors, employees and/or supporters of the Company and/or its direct and/or indirect subsidiaries, if and to the extent the Management Board of the Company decides in its sole discretion to settle claims resulting from virtual option rights by issuing treasury shares.

- They can with the approval of the Supervisory Board 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 contributions in kind. The shares described above may also be used for ending or, respectively, for the settlement of valuation proceedings under company law of companies affiliated with the Company.

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

- They can with the approval of the Supervisory Board be sold to third parties for cash if the price at which the shares of the Company are sold is not significantly below the stock exchange price of one share of the Company at the time sale (Sections 71 Para. 1 No. 8 Sentence 5, 186 Para. 3 Sentence 4 German Stock Corporation Act).

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

No use was made of this authorization in the 2020 fiscal year. For the share buyback program 2019, please refer to the disclosures on Takeover-Relevant Information in the Annual Report 2019.

From January 1, 2020 to December 31, 2020, the Company has sold 202,200 treasury shares to current or former employees or board members. Thus, a total of 202,200 share options were exercised in the 2020 financial year, corresponding to 0.97 % of the registered share capital as of December 31, 2020 and EUR 202,200.00 (amount of share capital attributable to the shares sold). The average exercise price was EUR 0.81. In individual cases, the exercise price was EUR 0.01, EUR 1.23, EUR 1.71, EUR 4.47, EUR 9.17 and EUR 19.30, depending on the individual agreement with the option holder. As a result, the Company has earned EUR 164,521.00 in proceeds which were not used for a specific purpose, but rather served the Company's general business operations.

ACQUISITION OF TREASURY SHARES THROUGH THE USE OF EQUITY CAPITAL DERIVATIVES

The Management Board has been 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.

No use was made of this authorization in the 2020 fiscal year.

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

The Management Board has been authorized until September 20, 2023, with the approval of the Supervisory Board, to exercise call options for the acquisition of own shares under existing agreements, in particular the so-called Angel Agreements and the Call Option Agreements, which were concluded between the Company 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 the Company and/or its subsidiaries, and to acquire own shares up to a total amount of 10 % of the share capital of the Company at the time of the resolution. The treasury shares acquired and owned by the Company are to be credited against this 10 % limitation.

No use was made of this authorization in the 2020 fiscal year.

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. After being partially exercised, the authorized capital remains EUR 57,708. 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. After being partially exercised, the authorized capital remains EUR 7,500. 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 2,847,853 new 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 Section 53 Para. 1 Sentence 1 or Section 53b Para. 1 Sentence 1 or Para 7. of the German Banking Act (*Gesetz über das Kreditwesen*) with the obligation to offer the shares to the shareholders of the Company pursuant to Section 186 Para. 5 German Stock Corporation Act (so-called indirect subscription right). This authorized capital is listed in the commercial register as Authorized Capital 2018/VI.

CONDITIONAL CAPITAL 2018/I

The Company'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 fulfil 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 the Company, dependent companies or by companies in which the Company 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 the Company grants shares in the Company 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 THAT ARE SUBJECT TO THE CONDITION OF A CHANGE OF CONTROL AS A RESULT OF A TAKEOVER BID (SEC. 289A SENTENCE 1 NO. 8 GERMAN COMMERCIAL CODE)

There are no significant agreements in this regard.

COMPENSATION AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID (SEC. 289A SENTENCE 1 NO. 9 GERMAN COMMERCIAL CODE)

There are no significant agreements in this regard.

Munich, March 29, 2021

Stefan Smalla
Chief Executive Officer
Westwing Group AG

Sebastian Säuberlich
Chief Financial Officer
Westwing Group AG

03

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

For the period from January 1 to December 31, 2020 and 2019

EUR m	Notes	2020	2019*
Revenue	5	432.9	267.3
Cost of sales		– 218.9	– 148.1
Gross profit		**213.9**	**119.2**
Fulfilment expenses	6	– 86.1	– 62.7
Marketing expenses	6	– 31.0	– 23.2
General and administrative expenses*	6	– 64.9	– 65.4
Other operating expenses	8	– 3.6	– 2.1
Other operating income	8	3.0	1.0
Operating result*		**31.4**	**– 33.2**
Finance costs	10	– 3.0	– 4.1
Finance income	10	–	0.7
Other financial result	10	– 0.5	– 0.3
Financial result		**– 3.5**	**– 3.8**
Result before income tax*		**27.8**	**– 37.0**
Income tax expense/(benefit)	25	1.9	– 1.0
Result for the year*		**29.8**	**– 38.0**
Thereof attributable to:			
Owners of the Company		29.8	– 38.0
Non-controlling interests		– 0.1	– 0.0
Result for the year		**29.8**	**– 38.0**
Undiluted average number of shares in circulation	11	20,051,432	20,530,009
Diluted average number of shares in circulation		21,661,337	20,530,009
Undiluted earnings per share (in EUR) attributable to the owners of the Company*	**11**	**1.49**	**– 1.85**
Diluted earnings per share (in EUR) attributable to the owners of the Company*	**11**	**1.38**	**– 1.85**

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period January 1 to December 31, 2020 and 2019

EUR m	2020	2019*
Result for the year*	**29.8**	**– 38.0**
Other comprehensive income:		
Items that subsequently will be reclassified to the income statement:		
Exchange translation differences of foreign operations	0.1	– 0.0
Other comprehensive income for the year, net of tax	**0.1**	**– 0.0**
Attributable to:		
Owners of the Company	0.1	– 0.0
Non-controlling interests	–	–
Total comprehensive result for the year*	**29.8**	**– 38.0**
Attributable to:		
Owners of the Company	29.9	– 38.0
Non-controlling interests	– 0.1	– 0.0
Total comprehensive result for the year*	**29.8**	**– 38.0**

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR m	Notes	12/31/2020	12/31/2019*
Assets			
Non-current assets			
Property, plant and equipment	12	34.5	35.4
Intangible assets	13	14.1	11.9
Trade receivables and other financial assets	14	4.0	4.2
Deferred tax assets	25	7.4	–
Total non-current assets		**60.0**	**51.5**
Current assets			
Inventories	15	30.2	23.4
Prepayments on inventories	15	7.8	2.4
Trade receivables and other financial assets	14	17.4	9.4
Other assets	16	8.7	5.5
Cash and cash equivalents	17	104.9	73.2
Total current assets		**169.0**	**113.9**
Total assets		**229.0**	**165.4**

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

EUR m	Notes	12/31/2020	12/31/2019*
Equity			
Share capital	18	20.8	20.7
Capital reserves		357.8	351.1
Treasury shares	18	– 1.9	– 2.6
Other reserves*	18	47.1	50.0
Retained earnings*		– 312.7	– 342.5
Foreign exchange reserve	18	0.4	0.3
Equity attributable to the owners of the Company		**111.5**	**77.2**
Non-controlling interests		**– 2.8**	**– 2.8**
Total equity		**108.7**	**74.4**
Non-current liabilities			
Lease liabilities	21	23.0	25.6
Other financial liabilities	21	3.7	–
Other non-financial liabilities		–	0.2
Provisions	22	1.1	1.0
Total non-current liabilities		**27.8**	**26.7**
Current liabilities			
Lease liabilities		5.9	5.1
Trade payables and accruals	21	41.7	29.7
Contract liabilities	21	17.8	8.9
Refund liabilities	21	9.8	7.0
Other financial liabilities	21	0.8	0.0
Other non-financial liabilities	21	9.2	11.4
Tax liabilities	25	5.4	0.6
Provisions	22	2.0	1.7
Total current liabilities		**92.5**	**64.4**
Total liabilities		**120.3**	**91.1**
Total equity and liabilities		**229.0**	**165.4**

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

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, 2018		**20.7**	**349.1**	**– 0.8**
Retrospective IAS 8 restatement		–	–	–
As of 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 / January 1, 2020*		**20.7**	**351.1**	**– 2.6**
Result for the year		–	–	–
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		–	–	–
Issue of share capital	18	0.1	1.8	–
Issue of treasury shares		–	4.9	0.7
Share-based compensation	19	–	–	–
As of December 31, 2020		**20.8**	**357.8**	**– 1.9**

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

Attributable to the owners of the Company					
Other reserves	Retained earnings	Other comprehensive income (OCI) reserve	Total	Non-controlling interests	Total equity
43.6	**– 305.2**	**0.3**	**107.7**	**– 2.7**	**104.9**
– 0.7	0.7	–	–	–	–
42.8	**– 304.5**	**0.3**	**107.7**	**– 2.7**	**104.9**
–	– 38.0	–	– 38.0	– 0.0	– 38.0
–	–	– 0.0	– 0.0	–	– 0.0
–	**– 38.0**	**– 0.0**	**– 38.0**	**– 0.0**	**– 38.0**
–	–	–	– 3.0	–	– 3.0
–	–	–	1.3	–	1.3
7.2	–	–	9.3	–	9.3
50.0	**– 342.5**	**0.3**	**77.2**	**– 2.8**	**74.4**
–	29.8	–	29.8	– 0.1	29.8
–	0.0	0.1	0.1	–	0.1
–	**29.8**	**0.1**	**29.9**	**– 0.1**	**29.8**
–	–	–	1.9	–	1.9
– 7.8	–	–	– 2.2	–	– 2.2
4.8	–	–	4.8	–	4.8
47.1	**– 312.7**	**0.4**	**111.5**	**– 2.8**	**108.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR m	Notes	2020	2019*
Cash flows from operating activities:			
Result before income tax*		27.8	– 37.0
Adjustments for:			
Depreciation and impairment of property, plant and equipment	12	7.4	6.8
Amortization and impairment of intangible assets	13	3.2	2.4
Loss / (gain) on disposal of property, plant and equipment		0.0	0.0
Share-based compensation expenses*	19	8.4	11.3
Fair value (gain) / loss on financial liabilities		1.1	– 0.7
Finance income	10	–	0.0
Finance costs	10	1.9	4.1
Foreign currency effects		0.5	0.3
Other non-cash related adjustments		0.7	1.1
Changes in provisions		2.6	1.8
Cash effective operating loss before changes in working capital		**53.7**	**– 9.8**
Adjustments for changes in working capital:			
Changes in trade receivables and other financial assets		– 12.5	– 2.4
Changes in inventories		– 12.2	– 0.3
Changes in trade and other payables		18.9	– 1.1
Cash used in operations		**47.8**	**– 13.5**
Tax paid / (received)		– 0.3	0.2
Net cash flows used in operating activities		**47.5**	**– 13.3**
Investing activities:			
Proceeds from sale of property, plant and equipment		0.0	0.1
Purchase of property, plant and equipment		– 2.8	– 3.1
Purchase and investments in intangible assets		– 5.4	– 6.2
Rent deposits		0.2	– 1.1
Security deposits paid		–	0.0
Other investing activities		–	0.0
Disposal of a subsidiary, net of cash disposed		–	1.6
Net cash flows used in investing activities		**– 8.0**	**– 8.8**
Financing activities:			
Proceeds from capital increase / sale of equity instruments		1.8	–
Transaction costs on issue of shares		– 0.0	–
Interest and other finance charges paid		– 1.4	– 4.0
Repayment of borrowings		–	– 15.0
Payments of lease liabilities		– 5.4	– 4.3
Purchase of own equity instruments		– 2.4	– 1.0
Purchase of treasury shares		–	– 3.0
Net cash flows from financing activities		**– 7.3**	**– 27.3**
Net change in cash and cash equivalents		**32.2**	**– 49.4**
Effect of exchange rate fluctuations on cash held		– 0.5	– 0.4
Cash and cash equivalents as of January 1	17	73.2	123.0
Cash and cash equivalents as of December 31		**104.9**	**73.2**

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2020

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 & Living sector. Westwing is an integrated Home & Living company that offers its customers a broad and diverse range of beautiful Home & Living products.

The Company has been listed 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, 2020 were authorized for issuance by the Supervisory Board on March 29, 2021.

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, 2020, 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, 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 numbers in the consolidated financial statements have been rounded according to commercial principles. Therefore, the sum of a table may not exactly match the addition of the individual numbers and differences could 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 presented 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 sheet 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 an asset or as a 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 relevant for the Group and were first time applied in the consolidated Financial Statements of the Group for the year ended December 31, 2020.

		IASB Mandatory application	Adoption by the EU by 12/31/2020
Amendment to IFRS 3	Definition of a Business	01/01/2020	Yes
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	01/01/2020	Yes
Amendments to IAS 1 and IAS 8	Definition of Material	01/01/2020	Yes
Amendments to IFRS 16	Covid-19-Related Rent Concessions	06/01/2020	Yes
Conceptual Framework in IFRS Standards	Amendments to References	01/01/2020	Yes

The application of the new or amended standards in fiscal year 2020 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 or results of operations. The Group did not early apply standards, interpretations or amendments that are published but not yet effective.

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 12/31/2020
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	01/01/2023	No
Amendments to IAS 1	Disclosure of Accounting policies	01/01/2023	No
Amendments to IAS 8	Definition of accounting estimates	01/01/2023	No
Amendments to IAS 37	Onerous Contracts: Cost of Fulfilling a Contract	01/01/2022	No
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	01/01/2022	No
AIP (2018 – 2020 cycle)	IFRS 9 Financial Instruments – Fees in the "10 per cent" Test for Derecognition of Financial Liabilities, IFRS 1 'Subsidiary as a first-time adopter, IFRS 16 "Lease incentives"	01/01/2022	No
Amendments to IFRS 3	Reference to the Conceptual Framework	01/01/2022	No
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	01/01/2021	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 Adjustments of Previous-Year Errors According to IAS 8

Share-based compensation

In the second quarter of 2020 it became apparent that the effect from equity-settled options which were forfeited due to employees having left Westwing in 2018 and 2019 were not properly accounted for. The reversal of share-based compensation expenses resulting from the forfeiture was not properly recognized in the published consolidated financial statements for the years ended December 31, 2018 and December 31, 2019. In 2018, the mistakes were related to the sale of the entities in Russia and Brazil, and in 2019 they were related to the termination of two managers.

As a result, the opening balance of related accounts and comparable figures of the years 2019 and 2018, as disclosed in the financial statements for these years, had to be adjusted by reversing expense for equity-settled options. Major KPIs of the Company, such as revenue and Adjusted EBITDA, were not affected.

The correction of the comparative amounts needs to be adjusted in the first set of financial statements published after the detection of the errors (IAS 8.42). As a result, Westwing adjusted the opening balance in the statement of changes of equity as of January 1, 2019, and 2020, as well as other previous-year figures included in the consolidated statement of changes in equity, consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows in these consolidated financial statements for the year ended December 31, 2020.

The previous-year changes in equity, non-financial liabilities and share-based compensation expense within administrative expenses are as follows:

IAS 8 impact on equity and income statement positions previous years

In EUR m if not otherwise stated

Statement of changes in equity	**January 1, 2020**	**January 1, 2019**
Other reserves (IFRS 2)	– 1.8	– 0.7
Retained earnings	1.8	0.7
Income statement	**2019**	**2018**
General and administrative expenses	– 1.0	– 0.7
Result for the period	1.0	0.7
Earnings per share (in EUR)	0.05	0.05
Statement of cash flows	**2019**	**2018**
Result before income tax	1.0	0.7
Share-based compensation (income)/expenses	– 1.0	– 0.7

Disclosure of tax loss carryforwards

Due to a review of the tax returns for some German Group companies for the years up to and including 2019, the income tax returns and income tax calculations had to be revised. These revised income tax returns and income tax calculations resulted in a reduction of the tax loss carryforwards in total. Accordingly, the notes disclosure of the amount of unused tax losses for which no deferred tax asset was recognized in the balance sheet in 2019 had to be reduced from EUR 269m to EUR 204m.

In accordance with IAS 8.42, the identified instances were reported retrospectively in these financial statements but not in any published consolidated financial statements for 2019 and 2018.

2.4 Consolidation

2.4.1 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, 2020, the Company controls 18 domestic subsidiaries (2019: 20), as well as maintaining indirect control of seven foreign subsidiaries (2019: 6). The composition of and changes to the Group are detailed in note 29.

The annual financial statements of the Company and its subsidiaries are prepared under uniform accounting policies. 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 2020, from January 1, 2020, to December 31, 2020, 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.

2.4.2 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 can 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.

2.4.3 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, 2020, 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.

2.4.4 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.

2.5 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	**12/31/2020**	12/31/2019	**2020**	2019
Polish zloty	4.56	4.26	4.44	4.30
Hong Kong dollar	9.51	8.75	8.85	8.77

Only the Polish and Hong Kong entities had a different functional currency as of December 31, 2020 and 2019.

2.6 Revenue Recognition and Contract Balances

Westwing generates revenue primarily from the sale of goods through its retail websites. 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. The outstanding performance obligations are based on contracts with an original term of less than one year, so Westwing does not disclose the transaction price allocated to these outstanding performance obligations. 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, basically within 30 days, only Poland and Italy have a return period of 100 days. The Group uses the expected value method based on 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, the Group recognizes a refund liability by reducing revenue. 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. Cash vouchers offered 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 experience that reduces the 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 Westwing founders or influencers or that are included in newsletters. These vouchers are valid only for a limited period, 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. The offered cash vouchers represent a separate performance obligation. 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	12/31/2020	12/31/2019
Trade receivables	6.3	5.0
Receivables against payment service providers	8.8	3.1
Contract liabilities	17.8	8.9

Receivables against payment service providers include the customer payments transferred by "purchase on account" and "direct debit" transactions. If a customer uses these payment alternatives, the Company shows a respective receivable against payment service providers until cash is transferred to Westwing's bank accounts, which is usually within ten days.

Nearly all contract liabilities at the beginning of the year have been recognized as revenue during the fiscal year in both 2020 and 2019. The only exemptions are gift vouchers whose remaining amount not converted into revenue is immaterial.

2.7 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 creating allowance for expected credit losses 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 must be considered that they include a material amount of share-based compensation expenses.

2.8 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 as of year-end of each fiscal year.

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.

2.9 Intangible Assets

2.9.1 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 based on 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.

2.9.2 INTERNALLY GENERATED SOFTWARE

Research and development costs are expensed as incurred, except for development costs which must 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 and 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.

2.9.3 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)

2.9.4 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 in 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.

2.10 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. Additionally, the present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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 and leases based on a low-valued asset (acquisition cost of less than EUR 5,000) are recognized as expenses when they incur. Income from subleasing is recognized within other operating income.

2.11 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. Slow-moving products are written off depending on their age; damaged goods are written off completely.

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

2.12 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.

2.13 Fair Value Measurement

The Group measures its financial assets and financial liabilities at fair value at initial recognition. In addition, existing warrants 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.

2.14 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 twelve months (a twelve-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.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 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 remeasured 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 in April 2013 with Kreos Capital IV (Luxembourg) S.à r.l. (referred to as “Kreos”) and in March 2018 with 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 Kreos 2017 warrant and the 2018 GGC warrant were exercised in September 2020 leading to the issuance of 103,542 new shares in October 2020 (see note 18). 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

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 repayment amount 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.

2.16 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 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 other financial assets where necessary.

2.17 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.

2.18 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.

2.19 Provisions

Provisions are non-financial liabilities of uncertain timing or amount. They are recognized when the Company has a present legal or constructive obligation because 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, considering the risks and uncertainties surrounding the obligation. Short-term provisions are not discounted.

2.20 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). In addition, certain eligible employees were also granted share appreciation rights, which are settled in cash (cash-settled transactions). In 2019, a new virtual program was stablished, and cash settled options were issued to the Management Board and some key management employees in 2019 and 2020.

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 share price would be used as an input factor for the option pricing model used to determine the option fair value. However, since then no equity-settled programs were issued. 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 differs from previous estimates. Differences between the estimated and actual forfeitures are accounted for in the period they occur. Due to the change in observed employee turnover, Westwing also considers an estimated forfeiture ratio during the vesting period when calculating share-based compensation expenses starting from 2020.

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 three 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 addition, the agreements provide Westwing with the opportunity to also settle in cash (case 3). In all 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. Starting from 2020 we also consider an estimated forfeiture ratio during the vesting period when calculating share-based compensation expenses.

2.21 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 who are entitled to receive this amount saved 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.

German entities of the Group pay contributions to the German pension insurance fund, which represent a Defined contribution plan in scope of IAS 19.

2.22 Current and Deferred Income Taxes

Income tax comprises current and deferred tax. Income tax expense is recognized in the income statement, except to the
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 based on 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 enough future taxable profits will be available against which the temporary difference can be utilized.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for deferred 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 Accounting Estimates

With regard to its accounting estimates, Westwing is not particularly affected by the impact of the COVID 19 pandemic. There are immaterial effects with regard to the estimate of allowances for doubtful accounts. In principle, however, the pandemic-related situation results in significant uncertainties in planning.

3.2.1 REVENUE (NOTE 5)

As the final delivery to the customer cannot always be tracked correctly, a certain cut-off period is applied as of each reporting date. Therefore, a period between 2 and 5 days (depending on the country of residence) is taken into account to deduct the estimated product sales between shipping time and expected delivery date, which is after the balance-sheet date.

3.2.2 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 based on historical experience as well as past and anticipated market performance.

3.2.3 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. The forfeiture rate is based on historical experience, considering the maturity of the options.

3.2.4 REFUND LIABILITIES (NOTE 21)

Customers ordering products online have the right to return these products within 30 days (100 days for Westwing Italy and Westwing Poland) after the purchase. In its accounts, Westwing therefore records a refund liability for such returns by reducing revenue accordingly. The amount recorded as refund liability is calculated based on experience and current information on gross sales. The liability is calculated per country and adjusts revenue accordingly. A right of return asset (and corresponding adjustment to cost of sales) is recognized for the right to recover products from a customer.

3.3 Accounting Judgements

3.3.1 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.

3.3.2 INCOME TAXES (NOTE 25)

The Group recognizes deferred tax assets for all deductible temporary differences and unused tax loss carryforwards to the extent that it is probable that future taxable income will be available against which the deductible temporary differences or unused tax losses can be utilized.

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.

3.3.3 DETERMINING THE TERM OF LEASES WITH EXTENTION OF TERMINATION OPTIONS

Westwing Group determines the lease term as the non-cancelable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain that the Group will exercise these this option, or any periods covered by an option to terminate the lease if it is reasonably certain that the Group will not exercise this option. The Group applies judgjement in evaluating whether it is reasonably certain whether or not it will exercise the option to renew or terminate the lease. That means that it considers all relevant factors that create an economic incentive for the Group to excercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event to change or change in circumstances that is within its control and affects its ability to exercise or not exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

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. 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, with some reversal effects recognized in 2020. 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.

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, 2020 (all amounts are in EUR m unless stated otherwise):

2020	DACH	International	HQ/Reconciliation	Group
Result before income tax	**28.0**	**6.6**	**– 6.7**	**27.8**
Interest expenses*	2.6	0.4	–	3.0
Other financial result	0.2	0.4	–	0.5
Operating result	**30.8**	**7.3**	**– 6.7**	**31.4**
Depreciation and amortization	1.8	2.4	6.4	10.6
Share-based compensation*	8.4	–	–	8.4
Expenses for the centralization of the French Business and restructuring Italy	–	– 0.4	–	– 0.4
Adjusted EBITDA	41.0	9.2	– 0.3	50.0
Adjusted EBITDA margin	16.9 %	4.8 %	0.0 %	11.5 %
Revenue	242.6	190.3	–	432.9
Cash and cash equivalents	42.7	15.8	46.4	104.9

* 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, 2019 (all amounts are in EUR m unless stated otherwise):

2019	DACH	International	HQ/Reconciliation	Group
Result before income tax**	**– 16.8**	**– 14.7**	**– 5.5**	**– 37.0**
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**	**– 13.4**	**– 14.2**	**– 5.5**	**– 33.2**
Depreciation and amortization	1.4	2.3	4.8	8.5
Impairments	0.2	0.1	0.3	0.7
Share-based compensation*, **	11.3	–	–	11.3
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.
** Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

Within the DACH segment, revenue in Germany amounted to EUR 195.2m (2019: EUR 123.7m). Group revenue outside Germany amounted to EUR 237.7m (2019: EUR 143.6m).

Germany reported long-term assets (not including financial instruments) on the balance sheet amounting to EUR 40.2m (December 31, 2019: EUR 39.1m), while entities outside Germany showed long-term assets of EUR 8.3m (December 31, 2019: EUR 8.1m).

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	2020	2019
Revenue from the sale of products	428.3	263.6
Other revenue	4.5	3.7
Total	**432.9**	**267.3**

Revenue from the sale of products is net of discounts and includes revenue from shipping charges of EUR 15.6m (2019: EUR 9.7m) invoiced to customers separately. Other revenue results from the sale of return products and obsolete inventories to trading partners as well as marketing services.

6. ADDITIONAL INFORMATION ON INCOME AND EXPENSES

FULFILMENT EXPENSES

EUR m	2020	2019
Logistics costs	– 62.1	– 44.9
Personnel expenses	– 11.7	– 8.7
Depreciation and amortization	– 3.1	– 2.8
Other expenses	– 9.2	– 6.3
Total	**– 86.1**	**– 62.7**

In 2020 fulfilment expenses rose by EUR 23.5m to EUR 86.1m. The increase in fulfilment expenses is mostly driven by higher logistic costs because of significantly increased shipping volumes in 2020. Logistic costs include shipping costs of EUR 42.3m (2019: EUR 26.3m) as well as storage and handling costs amounting to EUR 14.3m (2019: EUR 14.3m).

MARKETING EXPENSES

EUR m	2020	2019
Purchased marketing services	– 15.8	– 9.9
Personnel expenses	– 12.2	– 10.8
Depreciation and amortization	– 0.1	– 0.1
Other expenses	– 2.8	– 2.4
Total	**– 31.0**	**– 23.2**

Other expenses contain costs for consulting and travel expenses. The increase in marketing expenses results from higher investments in marketing starting from third quarter 2020.

GENERAL AND ADMINISTRATIVE EXPENSES

EUR m	2020	2019*
Personnel expenses*	– 43.5	– 46.3
Depreciation and amortization	– 7.5	– 6.3
Other expenses	– 14.0	– 12.7
Total*	**– 64.9**	**– 66.4**

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

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

The following expenses are included in general and administrative expenses:

EUR m	2020	2019
Auditor's remuneration		
Audit cost according to Sec. 314 (1) no. 9 a HGB		
Of which relates to previous periods EUR 156k (2019: EUR 150k)	0.5	0.7
Other services according to Sec. 314 (1) no. 9 b HGB	0.1	0.1
Other services according to Sec. 314 (1) no. 9 d HGB	0.0	0.0

7. PERSONNEL EXPENSES

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

EUR m	2020	2019*
Wages, salaries and other short-term employee benefits	– 48.8	– 44.8
Share-based compensation expenses*	– 8.4	– 11.3
Social security and similar expenses	– 10.3	– 9.7
Total*	**– 67.4**	**– 65.8**

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

The share-based compensation expenses of EUR 8.4m (2019: EUR 11.3m) relate to equity-settled programs from recent years and to the new cash-settled commitment packages 2019. The decrease in share-based compensation expenses mainly results from two compensating effects. On the one hand, equity-settled share-based compensation expenses were lower, as major programs vested in August 2020. On the other hand, cash-settled expenses increased strongly due to the positive share price development. In addition, Westwing has applied an estimated forfeiture rate for the first time, which also reduced total costs.

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 2020 (December 31, 2019: EUR 0.6m). In addition, the German Westwing entities paid EUR 3.0m for the contribution to the German pension insurance (2019: EUR 3.0m).

In 2020, Westwing employed on average 1,501 employees (2019: 1,250 employees) in the following functional areas:

	2020	2019
Fulfilment	563	338
Marketing	207	187
Administration	731	724
Total	**1,501**	**1,250**

8. OTHER OPERATING EXPENSES AND INCOME

Other operating expenses for the year include the following items:

EUR m	2020	2019
Expenses for expected credit losses (ECL)	– 0.9	– 1.5
Other operating expenses	– 2.7	– 0.6
Total	**– 3.6**	**– 2.1**

The increase in other operating expenses relates to cost taxes as well as some other expenses relating to other periods, especially for the former warehouse in Berlin.

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

EUR m	2020	2019
Lease income	0.4	0.1
Income from release of provisions	1.1	0.2
Other operating income	1.5	0.7
Total	**3.0**	**1.0**

Other operating income primarily includes EUR 0.5m income from products for influencers in return for marketing services (2019: EUR 0.3m) and EUR 0.5m insurance compensations (2019: EUR 0.0m).

9. EXPENSES FOR LEASES

LEASES IN THE CONSOLIDATED INCOME STATEMENT

EUR m	2020	2019
Fulfilment expenses		
Expenses from variable, short-term and low value leases	– 0.2	– 0.5
Other lease expenses (ancillary costs)	– 0.1	– 0.2
General administrative expenses		
Expenses from variable and short-term leases	– 0.7	– 0.5
Other lease expenses (ancillary costs)	– 0.1	– 0.2
Other operating result		
Income from subleasing	0.4	0.1
Depreciation		
Depreciation/impairment on right-of-use assets	– 5.6	– 4.8
Financial result		
Interest expenses from lease liabilities	– 1.3	– 1.2

The Group's total cash outflow for leases in 2020 amounted to EUR – 7.7m (2019: EUR – 7.0m). There were no sale and lease back transactions.

10. FINANCIAL RESULT

The financial result for the year contains the following:

EUR m	2020	2019
Finance income:		
Valuation adjustment	–	0.7
Total finance income	**–**	**0.7**
Finance costs:		
Interest expenses	– 0.7	– 1.6
Lease interest	– 1.3	– 1.2
Other financial expenses	– 1.1	– 1.4
Total finance costs	**– 3.0**	**– 4.1**
Net finance result	**– 3.0**	**– 3.5**
Other financial result:		
Currency exchange gains	3.6	0.7
Currency exchange losses	– 4.1	– 1.0
Other financial result	**– 0.5**	**– 0.3**
Financial result	**– 3.5**	**– 3.8**

Other financial expenses primarily include valuation adjustments relating to the revaluation of the GGC warrant (EUR 0.2m) and the Kreos 2013 and 2017 warrants (EUR 0.8m). The GGC and Kreos 2017 warrants were exercised in September 2020 in exchange for 103,542 new shares of the Company, issued in October 2020.

Interest expenses decreased by EUR 0.9m compared to the previous year and amounted to EUR 0.7m. In the previous year they related completely to the loans entered into with GGC before the loan was fully paid back in August 2019.

In 2019, other financial expenses primarily included 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.

11. EARNINGS PER SHARE

Earnings per share are calculated as follows:

EUR m	2020	2019*
Result attributable to owners of the parent*	29.8	– 38.0
Undiluted weighted average number of ordinary shares in issue (in pieces)	20,051,432	20,530,009
Effects of dilution from share options	1,609,905	–
Diluted weighted average number of ordinary shares in issue (in pieces)	21,661,337	20,530,009
Basic earnings per share in EUR*	**1.49**	**– 1.85**
Diluted earnings per share in EUR*	**1.38**	**– 1.85**

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

The basic earnings per share are determined by dividing net income of the period attributable to shareholders of Westwing Group AG by the basic weighted average number of shares.

The dilutive earnings per share are determined by dividing net income of the period attributable to shareholders of Westwing Group AG by the diluted weighted average number of shares.

The dilutive effect stems solely from equity-settled share-based payment awards granted to employees. All employee options were taken into account for the calculation of the diluted earnings per share. For stock options and other share-based payment arrangements, the issue price and exercise price must include the fair value of any goods or services to be provided to the entity in the future under the stock option. For share options and other share-based payment arrangements, the issue price and exercise price must include the fair value of any goods or services to be provided to the entity in the future under the stock option. Certain options had no dilutive effect in the reporting year, but may have a dilutive effect in future fiscal years.

In 2019, there was no dilutive effect due to the negative result for the year.

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, 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**

EUR m	Leasehold improvements	Furniture, fittings and equipment	Right-of-use assets	Prepayments on PPE	Total
Cost as of January 1, 2020	**3.9**	**11.9**	**37.8**	**0.0**	**53.7**
Additions	0.2	2.5	3.9	0.0	6.6
Disposals	– 0.0	– 0.3	–	–	– 0.3
Exchange adjustment	– 0.0	– 0.1	– 0.1	0.0	– 0.2
Cost as of December 31, 2020	**4.1**	**14.0**	**41.6**	**0.0**	**59.7**
Accumulated depreciation as of January 1, 2020	**2.0**	**7.2**	**9.0**	**0.0**	**18.2**
Depreciation charge	0.3	1.5	5.6	–	7.4
Impairment	–	0.0	–	–	0.0
Disposals	– 0.0	– 0.3	–	–	– 0.3
Exchange adjustment	– 0.0	– 0.0	– 0.0	–	– 0.1
Accumulated depreciation as of December 31, 2020	**2.3**	**8.4**	**14.5**	**0.0**	**25.3**
Carrying amount as of December 31, 2020	**1.8**	**5.6**	**27.1**	**0.0**	**34.5**

Acquisitions of furniture, fittings and equipment occurred across all entities and included servers and IT hardware as well as office and warehouse equipment. In 2020, additions to right-of-use assets related primarily to additional storage space in Italy and Poland as well as additional photo studio spaces and enhancements in Germany. As of December 31, 2020, right-of-use assets related with EUR 25.5m to offices and warehouses (December 31, 2019: EUR 28.2m) and with EUR 1.6m to operating and office equipment (December 31, 2019: EUR 0.6m). The depreciation charges of right-of-use assets relates with EUR 5.0m to offices and warehouses (2019: EUR 4.5m) and with EUR 0.5m to operating and office equipment (2019: EUR 0.3m). There was no impairment of right-of-use assets recognized in 2020 (2019: EUR 0.0m). 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, 2019	**0.7**	**0.3**	**13.7**	**0.0**	**14.8**
Additions	0.1	–	0.0	6.0	6.2
Transfers	–	–	5.4	– 5.4	–
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
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**

EUR m	Software and licenses	Trademarks	Internally generated intangibles	Intangibles under development	Total
Cost as of January 1, 2020	**0.9**	**0.3**	**19.2**	**0.6**	**21.0**
Additions	0.1	–	0.0	5.3	5.4
Transfers	–	–	3.1	– 3.1	–
Disposals	– 0.0	–	–	–	– 0.0
Cost as of December 31, 2020	**1.0**	**0.3**	**22.3**	**2.8**	**26.4**
Accumulated amortization as of January 1, 2020	**0.7**	**0.2**	**8.3**	**0.0**	**9.1**
Amortization charge	0.1	0.0	2.8	–	3.0
Impairment charge	–	–	0.2	–	0.2
Disposals	– 0.0	–	–	–	– 0.0
Accumulated amortization as of December 31, 2020	**0.8**	**0.2**	**11.3**	**0.0**	**12.3**
Carrying amount as of December 31, 2020	**0.2**	**0.1**	**11.0**	**2.8**	**14.1**

Additions to internally generated intangibles and intangibles under development of EUR 5.3m (2019: EUR 6.1m) 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 and 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 10.4m (2019: EUR 7.7m).

Amortization of intangible assets is fully recorded in general and administration expenses. In 2020, some projects regarding internal tools had to be impaired by EUR 0.2m, as they have not been as valuable as originally expected (2019: EUR 0.3m). An impairment test for intangible assets under development was performed that did not revealed need for impairment.

14. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

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

EUR m	12/31/2020	12/31/2019
Trade receivables	6.3	5.0
Receivables against payment service providers (PSP)	8.8	3.1
Rent deposits	4.1	4.1
Other financial assets	2.2	1.4
Trade and other receivables, net	**21.4**	**13.7**
Thereof:		
Non-current	4.1	4.2
Current	17.3	9.4

Trade receivables are shown net of an allowance for expected credit losses. Receivables against payment service providers of EUR 8.8m bear only limited credit risk. The allowance for expected credit losses in trade receivables amounted to EUR 3.0m (December 31, 2019: EUR 1.9m) and primarily relates to overdue receivables which show a higher credit risk. The other classes within trade and other receivables do not contain impaired assets.

As in the previous year, the Company does not hold any collateral as security.

Disclosures in respect of financial assets and liabilities can be found in notes 23 and 24.

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

EUR m	2020	2019
As of January 1	**1.9**	**1.0**
Provided in the year	1.3	1.1
Utilized in the year	– 0.2	– 0.2
As of December 31	**3.0**	**1.9**

The provisions for excpected credit losses in the fiscal year are mainly due to the increase in receivables in the context of the good business development.

15. INVENTORIES AND PREPAYMENTS ON INVENTORIES

Inventories and prepayments on inventories have developed as follows:

EUR m	12/31/2020	12/31/2019
Inventories	30.2	23.4
Prepayments on inventories	7.8	2.4
Total	**38.1**	**25.8**

Inventories available for sale representing products and merchandise are stated net of an allowance for inventory write-offs amounting to EUR 5.6m (December 31, 2019: EUR 5.8m). Write-offs of inventories recognized in profit and loss amounted to EUR 9.4m (2019: EUR 9.2m). Total costs of goods sold were EUR 218.9m in 2020 (2019: EUR 148.1m).

16. OTHER ASSETS

EUR m	12/31/2020	12/31/2019
Other advances	2.2	1.5
VAT receivables	3.1	1.2
Other tax receivables	0.2	0.2
Right of return assets	3.1	2.5
Other non-financial receivables	0.1	0.2
Total	**8.7**	**5.5**

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

EUR m	12/31/2020	12/31/2019
Cash at bank and on hand	89.9	43.2
Cash equivalents	15.0	30.0
Total	**104.9**	**73.2**

As of December 31, 2020, bank accounts of Westwing amounting to EUR 0.1m were pledged as a deposit (December 31, 2019: EUR 1.4m).

Cash equivalents amounting to EUR 15.0m (December 31, 2019: EUR 30.0m) 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.

	Number of shares (in '000)	Number of treasury shares (in '000)	Share capital (EUR k)	Treasury shares (EUR k)
January 1, 2019	**20,741**	**–23**	**20,741**	**–795**
Purchase of treasury shares	–	–819	–	–3,037
Settlement of stock options	–	98	–	1,267
As of December 31, 2019/January 1, 2020	**20,741**	**–743**	**20,741**	**–2,565**
Settlement of stock options	–	202	–	685
Settlement of warrants	104	–	104	–
As of December 31, 2020	**20,844**	**–541**	**20,844**	**–1,880**

The total number of ordinary no-par value shares as of December 31, 2020, is 20,844,351 shares (December 31, 2019: 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 358.7m (December 31, 2019: EUR 351.1m) consists of the amounts of the capital increases from the past years which exceeded the nominal value.

In 2020 there were two capital increases, which were connected to the exercise of the GGC and Kreos 2017 warrants in October 2020. The Kreos 2017 warrant exercise resulted in 9,792 and the GGC warrant exercise in 93,750 new shares. The exceeding amount of EUR 1.5m was recognized in capital reserves.

In the previous year, Westwing Group AG bought back 18,900 own shares from some country founders amounting to EUR 0.3m as part of the commitment package in April 2019. In addition, a share buyback program was set up in August 2019 and 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, 2020, total amount of treasury shares recognized as a deduction of equity was EUR 1.9m (December 31, 2019: EUR 2.6m), the nominal amount included was 541,250 (December 31, 2019: 743,450).

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

As of December 31, 2020, the retained earnings amounted to EUR – 312.7m and result from the net losses from the fiscal years since formation (EUR – 342.5m as of December 31, 2019).

The other reserves include the IFRS adoption reserve of EUR – 6.2m (December 31, 2019: EUR – 6.2m) and the share-based compensation reserve of EUR 53.3m (December 31, 2019: EUR 56.2m). 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 0.4m (2019: EUR 0.3m) represents foreign currency differences arising from the translation of foreign operations into the presentational currency and is allocated to the Polish entity.

19. SHARE-BASED COMPENSATION ARRANGEMENTS

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).

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

- **Smaller 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 in August 2019. Thereof a total of 830,000 virtual shares for executives and other top managers of the Company incl. the Management Board is outstanding as of December 31, 2020. 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.

In 2020 and 2019, there were no equity-settled share options granted. However, in 2019, a new cash-settled program was set up for up to 890,000 options of which a total of 830,000 virtual options granted to executives and other top managers of the Company incl. the Management Board is outstanding as of December 31, 2020. The options fully vest on December 31, 2022, and they are only exercisable starting August 2023. The exercise price is EUR 1.00 but is subject to a cap for the share price of EUR 19.00. Expenses of EUR 3.0m were recognized for this program in 2020 (2019: EUR 0.2m).

For some members of the management who notified the Company that they wanted to exercise their options in 2020, the Company decided to settle those originally equity-based options against EUR 2.4m in cash instead of shares, which is in line with the underlying contracts. In accordance with IFRS 2 this was treated as repurchase of equity instruments with a corresponding reduction of the share-based payment reserve in equity. In principle, the Company intends to settle equity-settled share-based options also with shares. There is no legal or constructive obligation for Westwing to settle options in cash.

In 2019, the Group settled some vested equity-based options in cash amounting to EUR 1.0m in order to incentivize some managers and country founders. 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.

Share-based compensation expenses and liabilities
In 2020, the total share-based compensation expense amounted to EUR 8.4m (2019: EUR 11.3m), thereof EUR 0.0m recorded in fulfilment expenses (2019: EUR 0.1m), EUR 8.4m expense recorded in general and administration expenses (2019: EUR 11.0m) and EUR 0.0m marketing expenses (2019: EUR 0.2m).

The total share-based compensation expense includes expenses due to equity-settled share-based payment awards of EUR 4.8m (2019: EUR 11.6m). Most of this amount relates to the Commitment Package 2019, which was issued in August 2018 und runs until end of 2022. Expenses for cash-settled compensation amounted to EUR 3.6m, of which EUR 3.0m relate to the VSOP 2019 program and EUR 0.6m to the reimbursement of the tax difference regarding anti-dilution shares for some top managers. In 2019, total income from cash-settled compensation was EUR 0.3m.

The tables below provide an overview of the movements in the equity- and cash-settled share-based compensation awards related to shares in the Company.

Development of issued share option awards in the Company:

In '000	2020	2019*
Number of unvested awards outstanding at the beginning of the period	–	–
Number of unvested awards outstanding at the end of the period	**–**	**–**
Number of vested awards outstanding at the beginning of the period	936	955
Settled during the period	–	– 19
Total number of vested awards outstanding at the end of the period	**936**	**936**

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details)

Development of equity-settled share options:

In '000	2020	2019*
Number of unvested awards outstanding at the beginning of the period	2,519	2,959
Forfeited during the period	– 392	– 161
Vested during the period	– 238	– 262
Settled during the period	–	– 18
Number of unvested awards outstanding at the beginning of the period	**1,889**	**2,519**
Number of vested awards outstanding at the beginning of the period	1,215	1,112
Vested during the period	238	262
Settled during the period	–	– 38
Exercised during the period	– 298	– 121
Total number of vested awards outstanding at the end of the period	**1,156**	**1,215**

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details)

Development of cash-settled share options:

In '000	2020	2019
Number of unvested awards outstanding at the beginning of the period	672	0
Granted during the period	335	672
Forfeited during the period	– 177	–
Vested during the period	– 7	– 0
Number of unvested awards outstanding at the end of the period	**823**	**672**
Number of vested awards outstanding at the beginning of the period	5	5
Vested during the period	7	0
Total number of vested awards outstanding at the end of the period	**12**	**5**

Equity-settled and cash-settled options

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

Share options	Weighted average exercise price in EUR		Number of options in '000	
	2020	2019*	**2020**	2019*
Outstanding as of January 1*	14.37	13.91	3,734	4,071
Forfeited during the year*	18.15	17.72	– 392	– 161
Exercised during the year	0.57	0.48	– 298	– 121
Settled during the year	–	1.34	-	– 56
Outstanding as of December 31*	**15.23**	**14.37**	**3,044**	**3,734**
Thereof vested	9.45	5.67	1,156	1,215

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details)

Cash-settled options	Weighted average exercise price in EUR		Number of options in '000	
	2020	2019	**2020**	2019
Outstanding as of January 1	1.23	31.25	677	5
Granted during the period	1.00	1.00	335	672
Forfeited during the year	1.06	–	– 177	–
Outstanding as of December 31	**1.17**	**1.23**	**835**	**677**
Thereof vested	13.21	31.25	12	5

Equity- 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 in EUR		Share options in '000	
Grant Date	Vesting Date	**2020**	2019*	**2020**	2019*
2011	2015	0.01	0.01	3	3
2012	2016	–	–	–	–
2013	2017	0.01	0.94	26	39
2014	2018	17.59	15.70	457	513
2015	2019	32.61	32.58	7	7
2016	2020	0.22	0.11	153	290
2017	2021	0.22	0.15	35	51
2018	2022	16.10	16.00	2,363	2,831
		15.23	**14.37**	**3,044**	**3,734**

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details)

Cash-settled options		Weighted average exercise price per share options in EUR		Share options in '000	
Grant Date	Vesting Date	2020	2019	2020	2019
2014	2018	29.01	29.01	2	2
2015	2019	33.03	33.23	2	3
2019	2022	1.00	1.00	465	672
2020	2022	1.00	–	365	–
		1.17	**1.23**	**835**	**677**

Fair value of equity-settled share options and cash-settled options

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

In 2020 and 2019, there were no equity-settled share options granted.

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, 2020, was EUR 9.39 (December 31, 2019: EUR 2.57).

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	2020	2019
Share price (EUR)	33.12	3.56
Weighted average option exercise price (EUR)	1.00	1.00
Volatility based on expected life	59.4 %	34.1 %
Expected life	2.75	3.75
Dividend yield	–	–
Risk-free rate	0 %	0 %
Share price cap	19.00	19.00
Fair value per option (EUR)	9.39	2.57

20. DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL LIABILITIES AT AMORTIZED COST

In addition to the loan agreement described in note 2.15, 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. In October 2020, the warrant was exercised and the underlying liability of EUR 0.2m was offset against capital reserves.

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, 2020, amounted to EUR 0.8m (December 31, 2019: EUR 0.0m). We refer to note 30.

In parallel with the loan agreement with Kreos, Westwing entered into a warrant agreement in January 2017. Upon execution of the warrant, Kreos receives 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 depended on the amounts of the tranches drawn from the loan agreement. The warrant was recorded as a derivative financial instrument at fair value through profit or loss. It was exercised in September 2020, and the underlying liability of EUR 0.1m was offset against capital reserves upon settlement in October.

21. CURRENT AND NON-CURRENT LIABILITIES

Financial liabilities

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

EUR m	**12/31/2020**	12/31/2019
Trade payables	27.9	17.1
Accruals	13.8	12.6
Liabilities share-based compensation	3.7	0.0
Other financial liabilities	0.8	0.0
Lease liabilities	28.9	30.6
Total	**75.1**	**60.4**
Thereof current	48.4	34.8
Thereof non-current	26.8	25.6

Further disclosures in respect of financial assets and liabilities can be found in note 24.

Non-financial liabilities

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

EUR m	12/31/2020	12/31/2019
Contract liabilities	17.8	8.9
Refund liabilities	9.8	7.0
Liabilities related to employees	7.2	5.9
VAT liabilities	1.7	5.0
Tax liabilities	5.4	0.6
Other non-financial liabilities	0.3	0.7
Total	**42.1**	**28.0**
Thereof current	42.2	27.9
Thereof non-current	–	0.2

The refund liabilities of EUR 9.8m (December 31, 2019: EUR 7.0m) are recorded in order to capture the risk of products being returned within 30 days or 100 days for the entities in Italy and Poland respectively. The liability is calculated per country at an estimated return rate based on historical data.

Liabilities related to employees of EUR 7.2m (December 31, 2019: EUR 5.9m) include accruals for vacation, bonuses and severances. We refer to note 19 for further information.

22. PROVISIONS

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

EUR m	Legal claims	Restoration	Other	Total
As of January 1, 2020	**0.1**	**1.1**	**1.5**	**2.7**
Provided in the year	0.8	0.5	0.6	1.8
Released during the year	– 0.1	– 0.1	– 0.4	– 0.6
Utilized during the year	– 0.0	–	– 0.8	– 0.8
As of December 31, 2020	**0.8**	**1.4**	**0.8**	**3.0**
Thereof:				
Current liabilities	0.8	0.4	0.8	2.0
Non-current liabilities	–	1.1	–	1.1
As of December 31, 2020	**0.8**	**1.4**	**0.8**	**3.0**

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 beginning balance of the restoration mainly refers to the office at Moosacher Str. 88 in Munich; the additions in 2020 relate primarily to the warehouses in Berlin and Poznan, Poland. 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 related to some Own & Private Label furniture. The timing of any cash outflow relating to the legal claims provision is uncertain but likely to be within one year. In accordance with IAS 37.92 the Company refrained from providing additional information.

Other provisions mainly include the assessment of a risk provision in connection with external audits. Regarding the restructuring provision for France and Italy, an immaterial amount only was still recorded in our books (December 31, 2019: EUR 1.4m), as EUR 0.8m of the provision were utilized and EUR 0.4m were released.

23. FINANCIAL RISK MANAGEMENT

23.1 Financial Risk Factors

23.1.1 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), credit risk and liquidity risk. 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 reduce operational and legal risks. The Group's risk management is carried out centrally and covers all consolidated entities.

23.1.2 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 Polish zloty. 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 table below presents the average exchange rates and exchange rates at balance sheet date for the Polish zloty:

	Exchange rate at balance sheet date		Annual average exchange rate	
Value of EUR 1	**31.12.2020**	31.12.2019	**2020**	2019
Polish zloty	4.56	4.26	4.44	4.30

The Group's business model minimizes foreign exchange risks. 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 liabilities against suppliers as well as 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	12/31/2020	12/31/2019
Polish zloty strengthening/(weakening) by 10 %	+ 0.2 / – 0.2	+ 0.3 / – 0.3
Total	**+ 0.2 / – 0.2**	**+ 0.3 / – 0.3**

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.

23.1.3 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 from end customers and retailers. 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. Trade receivables arising in connection with the “purchase on account” and “direct debit” transactions are sold to third-party providers as they arise. 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 is represented by the carrying amount of each class of financial assets in the statement of financial position, as shown below:

EUR m	Notes	12/31/2020	12/31/2019
Trade receivables and other financial assets	14		
Trade and PSP receivables (net)		15.1	8.1
Other financial receivables		6.3	5.6
Cash and cash equivalents	17		
Cash in hand		0.0	0.0
Bank balances		89.9	43.2
Short-term bank deposits		15.0	30.0
Total on-balance sheet exposure		**126.3**	**86.9**

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 most transactions. As of December 31, 2020 EUR 8.8m of trade receivables and other financial assets were limited to receivables from payment service providers and credit card companies (December 31, 2019: EUR 3.1m).

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	12/31/2020	12/31/2019
AAA	–	–
AA- to AA+	4.0	1.7
A- to A+	–	–
BBB- to BBB+	100.9	71.5
Lower than BBB- rated	–	–
Unrated	0.0	0.0
Total	**104.9**	**73.2**

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. Due to its contractual terms the Group considers expected credit losses not to be material.

23.1.4 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, 2020, 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, 2020, based on contractual undiscounted payments, 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	1.2	5.8	21.5	3.6	32.0
Trade payables	27.9	–	–	–	27.9
Accruals	13.8	–	–	–	13.8
Other financial liabilities	0.8	–		–	0.8
Total future payments, including future principal and interest payments	**43.7**	**5.8**	**21.5**	**3.6**	**74.5**

The financial liabilities described in note 20 are not shown in the table above as they are not cash effective.

The maturity analysis of financial liabilities as of December 31, 2019, based on contractual undiscounted payments, 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**

23.2 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, 2020, the equity ratio was 47.9 % (December 31, 2019: 45.0 %). External requirements such as financial covenants do not exist.

23.3 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:

	12/31/2020				12/31/2019			
EUR m	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Liabilities								
Derivative financial instrument	–	0.8	–	0.8	–	0.0	–	0.0
Total liabilities	**–**	**0.8**	**–**	**0.8**	**–**	**0.0**	**–**	**0.0**

Other financial liabilities comprise cash-settled share-based compensation liabilities which are revaluated at fair value as of each reporting date.

The outstanding Kreos 2013 warrant under which the loan provider has 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. The GGC warrant and the Kreos 2017 warrant were exercised in October 2020.

For liabilities recognized at fair value Westwing determines whether transfers have occurred between levels in the hierarchy by reassessing categorization the end of the reporting period. Categorization is based on the lowest level input that is significant to the fair value measurement.

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.

24. 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	12/31/2020	12/31/2019
Cash and cash equivalents	17	104.9	73.2
Trade receivables and other financial assets	14	21.4	13.7
Total		**126.3**	**86.9**

Financial liabilities

		12/31/2020			
EUR m	Notes	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Not in scope of IFRS 9	Total
Trade payables	21	27.9	–	–	27.9
Accruals	21	13.8	–	–	13.8
Other financial liabilities	19	–	–	3.7	3.7
Derivative financial instruments	20	–	0.8	–	0.8
Lease liabilities		–	–	28.9	28.9
Total		**41.7**	**0.8**	**32.6**	**75.1**

		12/31/2019			
EUR m	Notes	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Not in scope of IFRS 9	Total
Trade payables	21	17.1	–	–	17.1
Accruals	21	12.6	–	–	12.6
Derivative financial instruments	20	–	0.0	–	0.0
Lease liabilities		–	–	30.6	30.6
Total		**29.7**	**0.0**	**30.6**	**60.4**

Changes in liabilities arising from financing activities

EUR m	12/31/2019	Cash flows	Changes in fair value	New and terminated lease	Other including reclassifica-tions	12/31/2020
Lease liabilities (non-current)	25.6	–	–	3.0	– 5.5	23.0
Other (non-current)	–	–	–	–	3.7	3.7
Lease liabilities (current)	5.1	– 6.7	–	0.8	6.6	5.9
Other (current)	0.0	–	1.1	–	0.3	0.8
Total liabilities from financing activities	**30.6**	**– 6.7**	**1.1**	**3.8**	**4.6**	**33.4**

EUR m	12/31/2018	Cash flows	Changes in fair value	New and terminated lease	Other including reclassifica-tions	12/31/2019
Borrowings (non-current)	14.9	–	–	–	– 14.9	–
Lease liabilities (non-current)	15.8	–	–	15.3	– 5.5	25.6
Borrowings (current)	–	– 15.0	–	–	15.0	–
Lease liabilities (current)	2.3	– 4.3	–	1.8	6.5	5.1
Other	0.7	– 4.0	– 0.7	–	4.0	–
Total liabilities from financing activities	**33.6**	**– 24.5**	**– 0.7**	**17.1**	**5.2**	**30.6**

The “Other” column includes the effect of reclassification of the non-current portion of borrowings, including lease liabilities to current due to the passage of time and the accrual of interest. In 2019 penalty fees for early loan repayment and one-time termination expense related to the warrant are included in this column. Leases do not contain any credit conditions and no guarantees were provided for 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, 2020, was a loss of EUR 2.0m (2019: EUR 2.3m).

Income and expenses from financial instruments can be split as follows:

EUR m	Category	2020	2019
Interest income	Financial assets at amortized cost	0.0	0.0
Interest expense	Liabilities at amortized cost	–	– 1.5
Valuation of warrants	Liabilities at fair value through profit or loss	– 1.1	0.7
Impairment of financial assets	Financial assets at amortized cost	– 0.9	– 1.5
Total		**– 2.0**	**– 2.3**

25. INCOME TAXES

Income taxes

Income tax benefit/(expense) for the years ended December 31, 2020 and 2019 consists of:

EUR m	2020	2019
Current income tax:		
Current income tax charge	– 5.2	– 0.3
Effective income tax, previous year	– 0.3	– 0.2
Deferred tax (expense)/benefit	0.0	– 0.5
Deferred tax benefit related to tax losses	7.4	
Income tax benefit/(expense) reported in the income statement	**1.9**	**– 1.0**

Reconciliation from the expected tax income/(expense) as the result before income tax multiplied by Germany's domestic corporate and trade tax rate for 2020 (2019) to the tax expenses recognized in income statement:

EUR m	2020	2019
Result before income tax	**27.8**	**– 38.0**
Applicable tax rate	33 %	33 %
At domicile applicable tax rate expected tax income	– 9.2	12.5
Unrecognized deferred tax assets on tax losses	– 1.8	– 10.0
Recognized deferred tax assets on tax losses	7.4	–
Effect from the use of unrecognized tax losses	8.4	1.1
Unrecognized deferred tax assets on temporary differences	– 1.7	– 1.9
Permanent differences and non-deductible expenses	– 0.3	– 1.1
Effect on different tax rate within a range of 19 % to 28 % for foreign operations	– 0.4	– 0.8
Effective income tax, prior year	– 0.3	– 0.2
Other effects	– 0.2	– 0.6
Income tax benefit/(expense) reported in the income statement	**1.9**	**– 1.0**

The effective tax rate of – 6.8 % is due to the profit situation at Group level and deferred tax assets being recognized 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 2021 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	12/31/2020	12/31/2019	2020	2019
Intangible assets	– 5.0	– 4.2	– 0.8	– 1.3
Property, plant and equipment	0.5	– 0.4	0.9	– 0.4
Provisions/(liabilities)	1.5	0.0	1.5	0.3
Other	– 0.1	0.0	– 0.1	0.0
Tax loss carryforwards	10.5	4.6	5.9	0.9
Deferred tax income (expense)	–	–	**7.4**	**– 0.5**
Net deferred tax assets / (liabilities)	**7.4**	**0.0**		
Reflected in the statement of financial position as follows:				
Deferred tax liabilities	–5.1	– 4.6		
Deferred tax assets	12.5	4.6		
Deferred tax assets, net	**7.4**	**0.0**		

The Group offsets deferred 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 0.9m (2019: EUR 1.9m) and on tax loss carry forwards in the amount of EUR 164m (2019: EUR 204m) have not been recognized as they may not be used with sufficient probability to offset future taxable profits. They exist mainly in companies for which there are no tax planning opportunities or other evidence of recoverability in the near future. On the other side, the COVID-19 pandemic and the associated closings of stationary retail led to an acceleration in the shift of business from offline stores to online channels. Our management expects that this will be a sustainable development, that will initially lead to taxable income in Germany with a high degree of probability in the coming years. Our forecast in connection with the annual result achieved in this fiscal year has led to the recognition of a deferred tax asset for Germany.

Generally, the valuation of 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 196m (2019: EUR 219m). The previous year's figure was reduced due to revised income tax returns and tax calculations, as also discussed on IAS 8 in this financial report. The amount of these tax loss carryforwards depends on the final determination by the relevant tax authorities. The tax losses are available for offsetting against future taxable profits of the companies in which the losses arose as follows:

EUR m	2020	2019*	Restrictions on Tax Losses Carried Forward
Germany*	89	112	No
France	39	37	No
Italy	23	22	No
Netherlands	25	24	Yes
Poland	1	6	Yes
Spain	19	18	No
Total	**196**	**219**	

* Previous-year figures adjusted according to IAS 8 (see note 2.3 for details).

The following tax losses expire as indicated:

EUR m	2020	2019	Restrictions on Tax Losses Carried Forward
Poland	1	6	Exp 2021
Netherlands	25	24	Exp 2021 – 2027
Total	**26**	**30**	

26. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Rocket Internet SE, Berlin, Germany is the largest shareholder of Westwing. With a share of over 29 % as of December 31, 2020 (December 31, 2019: 25 %), Rocket Internet SE has significant influence, but it does not control Westwing, and Westwing is not fully consolidated in their group financial statements. Rocket Internet SE has no seat on the Supervisory Board of Westwing Group AG. 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 their 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 2019 GGC EUR S.Á.R.L regarding loan contracts, in 2020 Rocket Internet SE which exercised the warrant previously purchased from GGC (see note 20). The exercise of the warrant resulted in a capital increase of 93,750 shares and EUR 1.5m recognized in capital reserves.

Furthermore, there were transactions with the members of the Management Board, Stefan Smalla, Delia Lachance, Dr. Dr. Florian Drabeck and Sebastian Säuberlich, in the role of Westwing customers purchasing goods on Westwing sites and apps.

As of December 31, 2020 and 2019, the outstanding balances with such related parties were as follows:

EUR k	12/31/2020	12/31/2019
Gross amount of trade receivables	–	–
Trade and other payables	56	30

The income and expense items with related parties were as follows:

EUR k	2020	2019
Sales of goods and services to related persons	18	7
Purchases of goods and services from related persons	56	160
Purchases of goods and services from related companies	5	–

The sales of goods and services relates primarily to purchases on Westwing websites done by the Management Board. The purchases primarily relate to services from a Supervisory Board member amounting to EUR 56k.

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 arm’s length.

Management Board compensation

Management Board includes the Chief Executive Officer and Chief Financial Officer. The Chief Creative Officer Delia Lachance stepped back from her role as a board member effective March 1, 2020, when she left the Company for maternity leave from March until October. The CFO Dr. Dr. Florian Drabeck left Westwing in June 2020 and handed over his role to Sebastian Säuberlich effective April 1, 2020.

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	2020	2019
Salaries	520	625
Remuneration for other services	27	160
Bonus	131	100
Social contribution	9	23
Legal protection insurance	4	–
Payment of unused vacation days	23	
Total short-term employee benefits	**714**	**908**
Expenses for former Board members	100	–
Contribution to German pension fund	25	26
Total post-employment benefits	**125**	**26**
Share-based compensation expenses	3,545	4,333
Total	**4,384**	**5,267**

The table above includes outstanding cash balances for bonus of EUR 131k and for cash-settled share-based compensation of EUR 1,389k.

The number of share options issued to the Management Board and their fair value at the grant date and changes at the reporting date (only for cash-settled options) are shown in the following tables:

2020	Outstanding options as of 12/31/2020 (in '000)	Weighted average fair value at a grant date (in EUR)	Changes in fair value (in EUR)	Fair value as of 12/31/2020 (in EUR)
Equity-settled share options	1,076	11.26	–	–
Cash-settled share options	278	2.64	9.12	11.76

2019	Outstanding options as of 12/31/2019 (in '000)	Weighted average fair value at a grant date (in EUR)	Changes in fair value (in EUR)	Fair value as of 12/31/2019 (in EUR)
Equity-settled share options	1,492	13.67	–	–
Cash-settled share options	342	1.30	1.27	2.57

An additional employment contract between Delia Lachance and the Westwing GmbH existed for PR services rendered until March 1, 2020. Remuneration from this was EUR 27k during her function as board member in the 2020 fiscal year (2019: EUR 160k). As an exception, Stefan Smalla's remaining vacation days of 2019 were paid out in 2020, amounting to EUR 23k, which was approved by the Supervisory Board accordingly. In December 2020, Sebastian Säuberlich exercised 15,000 of his originally equity-settled options against cash amounting to EUR 397k. For Dr. Dr. Florian Drabeck an additional bonus of EUR 100k was granted in 2019 and paid out in 2020.

Supervisory Board compensation

Total remuneration and out of pocket expenses incurred for the Supervisory Board in 2020 amounted to EUR 0.2m (2019: EUR 0.2m).

27. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

In December 2020, 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 2020. This is published in the Investor Relations section on Westwing Group AG's website, https://ir.westwing.com/download/companies/westwing/CorporateGovernance/WW_2020_Corporate_Governance_ENG_170321_MQ20210322.pdf.

28. ELECTION TO BE EXEMPT FROM SEC. 264 (3) OF THE GERMAN COMMERCIAL CODE

According to the approval of the shareholders, the domestic subsidiary in the legal form of limited liability Westwing GmbH will use the exemption provisions according to Sec. 264 (3) of the German Commercial Code for the preparation of their statutory financial statements.

29. 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, 2020 are consolidated:

Name	Country of incorporation and place of business	Registered office	Proportion of ownership interests held 12/31/2020	Proportion of ownership interests held 12/31/2019
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
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 holds 100.0 % in the following indirect subsidiaries as of December 31, 2020:

Name	Country of incorporation and place of business	Registered office	Proportion of ownership interests held 12/31/2020	Proportion of ownership interests held 12/31/2019
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 & 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	100.00
wLabels China Co., Ltd.**	CHN	Dongguan	100.00	–

* Established on October 1, 2019.
** Established April 17, 2020.

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. wLabels GmbH was merged to Westwing GmbH as of August 31, 2020. Westwing Group AG has a signed letter of comfort for Westwing GmbH valid until end of 2022.

30. EVENTS AFTER THE BALANCE SHEET DATE

The following subsequent events occurred after the end of the 2020 fiscal year that could have a significant impact on Westwing's future results of operations, financial position and net assets.

In January 2021 share purchase options under a certain warrant agreement were exercised. On February 17, 2021, the share capital of the Company was increased from 20,844,351 by 59,617 to 20,903,968 shares accordingly, which was approved by the Management Board and consented by the Supervisory Board.

Munich, March 29, 2021

Stefan Smalla
Chief Executive Officer
Westwing Group AG

Sebastian Säuberlich
Chief Financial Officer
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 29, 2021

Stefan Smalla
Chief Executive Officer
Westwing Group AG

Sebastian Säuberlich
Chief Financial Officer
Westwing Group AG

The following copy of the auditor's report also includes a "Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the financial statements and the management report prepared for publication purposes" ("separate report on ESEF compliance"). The subject matter underlying the separate report on ESEF compliance (ESEF documents subject to assurance) is not attached. The ESEF documents that have been subject to assurance can be viewed in and obtained from the Bundesanzeiger [German Federal Gazette].

B. REPRODUCTION OF THE AUDITOR'S REPORT*

We issued the following auditor's report on the consolidated financial statements and the group management report, which was combined with the management report of the Company and on the ESEF documents:

"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 2020 to 31 December 2020, the consolidated statement of financial position as of 31 December 2020, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January 2020 to 31 December 2020, 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 for the fiscal year from 1 January 2020 to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the non-financial report pursuant to Sec. 315b HGB ["Handelsgesetzbuch": German Commercial Code] included in section 4 of the group management report or of the declaration on corporate governance in accordance with Sec. 315d HGB, which is published on the 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 sections 1.1 "Operating activities" and 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.

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 of 31 December 2020 and of its financial performance for the reporting year from 1 January 2020 to 31 December 2020, and

* Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and group management report prepared in German

- 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 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 sections 1.1 “Operating activities” and 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 2020 to 31 December 2020. 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

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 realized until merchandise has been handed over to the end customer, merchandise that has already been dispatched but not yet delivered to the customer does not constitute revenue.

Due to the high transaction volume when selling merchandise and the uncertainty associated with estimating delivery times, we consider the recognition of revenue 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 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 audit evidence for the most significant countries for the average delivery times used. 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 and consequently verified the revenue recognition cut-off that was recorded. Furthermore, we examined posting ledgers for any additional revenue that was entered manually.

Moreover, as part of the substantive audit procedures, we obtained evidence (delivery slips, invoices, payment receipts) for a sample 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 can be reconciled with the actual intrayear delivery times.

Our audit procedures did not lead to any reservations relating to revenue recognition.

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: 2.6 Revenue recognition and balances from contracts with customers and section 5 Revenue analysis.

2. Capitalized development costs for internally generated software

REASONS WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER

The Westwing Group's software solutions used for websites, apps and the warehouse management system are key components of its operational business processes and are developed internally due to the individualization that is 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. Amortization of the internally developed software is based on the estimated useful lives as assumed by the executive directors. 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 projects.

We also assessed compliance with the 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 additional substantive audit procedures.

The substantive audit procedures included an analytical review of the list of all newly 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 ability to capitalize development activities 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 determined useful lives. We then examined these in terms of their plausibility using the useful lives of projects that had been capitalized 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: 2.9.2 Internally generated software" and section 13 "Intangible assets" of the notes to the consolidated financial statements.

3. Recognition of share-based payments

REASONS WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER

Westwing Group AG grants share options and share appreciation rights to selected employees of the Group as part of various share-based payment plans. While the expenses for equity-settled share-based payments are recognized at the fair value of the equity instruments at the grant date, the expenses for cash-settled share-based payments are also valued at the fair value of the equity instruments at the grant date and after that - until the payments have been made - at the fair value as of the reporting date.

We consider the recognition of share-based payments to be a key audit matter due to the number of share options granted and exercised over the course of the year, the volume of the recorded expenses for share-based payments and the complexity of the valuation of cash-settled share-based payment plans.

AUDITOR'S RESPONSE

We performed audit procedures to assess the completeness and accuracy of the calculation of expenses for the equity-settled or cash-settled share-based payment plans. We verified the conditions of the cash-settled awards granted in fiscal year 2020 and compared them with the data used for the calculation. No equity-settled share-based options were granted in fiscal year 2020.

With regard to cash-settled share-based payments, we verified the valuation using an internal expert. In doing so, we performed our own calculation, verified the mathematical accuracy of the option valuation model and tested the significant assumptions for the option valuation model. We verified the recognition of the share-based options exercised over the course of the year for the equity-settled options and inspected the underlying evidence on a sample basis.

In addition, our audit procedures included the plausibility testing of the estimated forfeiture rate for share-based payment. Furthermore, we assessed whether the disclosures on share-based payments were made in accordance with the disclosure requirements pursuant to IFRS 2 Share-based Payment. We also verified whether the presentation of the prior-year misstatement in connection with share-based payments was made pursuant to IAS 8. In this context, we reconciled the adjustments to the opening balances with the prior-year figures presented in the statement of changes in equity as of 1 January 2019 and 2020 as well as in the consolidated statement of changes in equity, consolidated income statement, consolidated statement of financial position and the consolidated statement of cash flows.

Our audit procedures did not lead to any reservations regarding the recognition of share-based payments and the related correction of a misstatement from a prior period.

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: 2.20 “Share-based Payment” and section 19 “Share-based payment arrangements” in the notes to the consolidated financial statements.

OTHER INFORMATION

The Supervisory Board is responsible for the Supervisory Board Report. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG [“Aktiengesetz”: German Stock Corporation Act] on the German Corporate Governance Code, which is part of the statement on corporate governance. In all other respects, the executive directors are responsible for the other information. The other information comprises the 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 sections 1.1 “Operating activities” and 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:

- the responsibility statement;
- the Supervisory Board 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 financial performance 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 financial performance 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 consolidated 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

REPORT ON THE ASSURANCE IN ACCORDANCE WITH SEC. 317 (3B) HGB ON THE ELECTRONIC REPRODUCTION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES

OPINION

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file "IFRS: Westwing _AG_KA+KLB_ESEF-2020-12-31" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January to 31 December 2020 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

BASIS FOR THE OPINION

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the standards for the quality assurance system set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and the audited group management report as well as other documents to be published to the operator of the Bundesanzeiger [German Federal Gazette].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

GROUP AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

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 5 August 2020. We were engaged by the Supervisory Board on 18 September 2020. 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, March 29, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gallowsky
Wirtschaftsprüfer
[German Public Auditor]

Ehrnböck
Wirtschaftsprüfer
[German Public Auditor]

FINANCIAL CALENDAR

MAY 12, 2021
Publication of first quarter results 2021

AUGUST 5, 2021
Annual General Meeting

AUGUST 12, 2021
Publication of half-year report 2021

NOVEMBER 11, 2021
Publication of third quarter results 2021

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