WESTWING

Annual Financial Statements and Combined Management Report
for the Fiscal Year from January 01, 2019 to December 31, 2019

Westwing Group AG
Munich

Westwing Group AG, Berlin
Balance sheet as of December 31, 2019

Annex 1

Assets	Dec. 31, 2019 EURk	Dec. 31, 2018 EURk
A. Fixed assets		
I. Intangible assets		
1. Self-generated industrial property rights and similar rights and assets	11,514	7,694
2. Concessions, industrial property rights and similar rights and assets acquired for consideration, as well as licenses to such rights and assets	270	247
	11,784	7,940
II. Tangible fixed assets		
Other equipment, factory and office equipment	2,296	1,597
	2,296	1,597
III. Long-term financial assets		
1. Shares in affiliated companies	15,183	15,388
2. Loans to affiliated companies	150,155	161,018
	165,337	176,406
	179,417	185,944
B. Current assets		
I. Receivables and other assets		
1. Trade receivables	560	56
2. Receivables from affiliated companies	4,212	3,456
3. Other assets	2,626	2,995
	7,398	6,507
II. Cash and cash equivalents	46,399	92,545
	53,796	99,052
C. Prepaid expenses	740	589
	233,953	285,585

Equity and Liabilities	Dec. 31, 2019 EURk	Dec. 31, 2018 EURk
A. Equity		
I. Subscribed Capital	20,741	20,741
Treasury shares	-743	-23
Issued capital	*19,997*	*20,718*
II. Capital reserves	347,165	349,423
III. Accumulated losses	-142,987	-116,927
	224,176	253,214
B. Provisions		
Other provisions	3,761	4,515
	3,761	4,515
C. Liabilities		
1. Trade payables	951	1,673
2. Liabilities to affiliated companies	4,086	9,694
3. Other liabilities	838	16,329
thereof taxes EUR 603,358.05 (2018 EUR 311,642.53)		
thereof social security EUR 125,328.32 (2018 EUR 81,831.09)		
	5,875	27,696
D. Deferred income	141	159
	233,953	285,585

Westwing Group AG
Statement of profit or loss 2019

Annex 2

		2019 EURk	2018 EURk
1.	Revenue	40,219	24,680
2.	Own work capitalized	5,863	5,629
3.	Other operating income	1,885	11,814
	thereof currency translation gains EUR 3,015.56 (2018: EUR 10,400.93)		
	Gross profit	47,966	42,123
4.	Cost of materials		
	a) Cost of purchased services	11,972	7,516
5.	Personnel expenses		
	a) Saleries and wages	21,634	18,556
	b) Social security and pension expenses	3,741	2,618
6.	Amortization of intangible fixed assets and depreciation of tangible fixed assets	3,125	2,034
7.	Other operating expenses	9,710	14,922
	thereof currency translation losses EUR 10,364.26 (2018: EUR 5,204.01)		
		-2,215	-3,523
8.	Income from other securities and loans held as financial assets	1,575	2,446
	thereof from affiliated companies EUR 1,571,782.30 (2018: EUR 2,436,074.19)		
10.	Writedowns of financial assets	23,277	39,271
11.	Interest and similar expenses	2,146	3,956
	thereof from affiliated companies EUR 217,395.80 (2018: EUR 663,265.75)		
	Interest and financial result	-23,848	-40,781
12.	Taxes on income	-4	3
13.	Result after tax	-26,060	-44,306
14.	Other taxes	0	0
15.	Result for the year	-26,060	-44,306
16.	Loss carried forward	-116,927	-72,621
17	Accumulated losses	-142,987	-116,927

Westwing Group AG, Berlin

Notes for the financial year from 01.01.2019 to 31.12.2019

I. General Information

Westwing Group AG ("Company") is a corporation incorporated in Germany with its registered office in Berlin, Germany (Commercial Register Berlin HRB 199007 B).
The Company was converted from a limited liability company (GmbH) into a stock corporation (Aktiengesellschaft) and renamed by way of a conversion resolution dated August 7, 2018 and commercial register entry on August 16, 2018.

Westwing Group AG is a listed stock corporation under the German Stock Corporation Act, and its registered ordinary shares have been listed on the Frankfurt Stock Exchange (Prime Standard) since October 9, 2018.

These financial statements have been prepared in accordance with sections 242 et seq. and sections 264 et seq. of the German Commercial Code (HGB) and in accordance with the relevant provisions of the German Stock Corporation Act (AktG), applying the going concern principle. The Company is a large corporation as defined in Section 267 (3) sentence 2 HGB in conjunction with Section 264 d HGB. The structure of the balance sheet and the statement of profit or loss complies with sections 266, 275 HGB and sections 150 et seq. AktG.

The statement of profit or loss has been prepared using the nature of expense method, as in the previous year .

Amounts are in thousands of euros (EUR thousand) unless otherwise stated.

The accounting and valuation methods applied are basically the same as those used in the previous year.

II. Accounting and Valuation Methods

The accounting policies set out below have essentially remained unchanged in the preparation of the annual financial statements:

Acquired and internally generated **intangible fixed assets** are carried at cost and, if subject to wear and tear, are amortized over their useful lives using the straight-line method over 3 to 5 years.

The use of the accounting option to capitalize internally generated intangible assets in accordance with section248 (2) sentence 1 of the HGB relates to the capitalization of internal costs incurred in the development of software. A distribution block exists for the amount of the net carrying amount as of the respective balance sheet date.

Capitalized development costs are amortized over 3 to 5 years after the software is put into operation and are subject to extraordinary depreciation if necessary.

Expenses for maintenance, ongoing non-substantial improvements and servicing of software are expensed as incurred.

Interest on borrowings for the acquisition of intangible assets is not recognized as part of the cost of sales.

Property, plant and equipment is carried at cost and, where subject to wear and tear, reduced by scheduled depreciation. Depreciation is calculated using the straight-line method in accordance with the useful life of the asset. Acquisition and production costs include expenses directly attributable to the acquisition. Subsequent costs are only recognized as part of the cost of the asset or - where applicable - as a separate asset if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably.

Maintenance and repair costs are expensed as incurred.

Property, plant and equipment are depreciated in accordance with their estimated useful lives.

The expected useful lives of property, plant and equipment are as follows:

Operating and office equipment	2 - 14 years
Vehicles	6 - 8 years

The acquisition or production costs of **low-value assets** with a net individual value of up to EUR 800.00 are fully depreciated or expensed in the year of acquisition; their immediate disposal was assumed.

Interest on borrowings for the acquisition of property, plant and equipment is not recognized as part of cost of sales.

In the case of **financial assets,** shares are recognized at cost and loans at the lower of nominal value or fair value. The lower fair value is determined using an income capitalization approach, with corresponding budgeted figures for the individual national companies being derived from the Westwing Group's business plan.

Receivables and other assets are measured at the lower of nominal value or fair value at the balance sheet date.

Prepaid expenses are expenses incurred prior to the balance sheet date that represent expenses for a certain period after the balance sheet date.

Cash on hand and **bank balances** are stated at nominal value.

Deferred taxes arising from temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the financial statements and their tax bases are measured using the tax rates applicable in the individual companies at the time the differences reverse, and the amounts of the resulting tax benefit and tax credit are not discounted. Deferred tax assets and liabilities are offset. Deferred tax assets and liabilities are offset against each other. Deferred tax assets and liabilities are not recognized in accordance with the recognition option available for this purpose.

The **subscribed capital** is recognized at the nominal amount. Any amounts paid in excess of the nominal amount or paid in voluntarily are recognized in the capital reserve.

Treasury shares are shares that have been repurchased by Westwing, reducing the number of shares outstanding on the open market.

Treasury shares are openly deducted from the item of subscribed capital. The difference between the notional value (nominal amount) and the acquisition costs of treasury shares is offset against freely available capital reserves.

Other provisions include all identifiable risks and uncertain obligations, taking into account expected future price and cost increases, and have been recognized at the settlement amount deemed necessary in accordance with prudent business judgment.

As compensation for work performed, some employees receive share-based payment with or without cash settlement. The costs incurred as a result of cash-settled transactions with the Company's employees are initially measured at fair value at the grant date using an option pricing model with the share price as the significant input. The fair value is recognized in profit or loss over the period until the date on which the options are first exercised, with a corresponding provision being recognized. In contrast, share-based payments issued in the form of stock options and settled with shares from authorized capital are not recognized in the balance sheet. Only in cases where the Company has undertaken to settle stock options in cash are they recognized in the accounts.

The provision for cash-settled share-based payment transactions is remeasured at each reporting date using the same option pricing model. Changes in the fair value to be recognized at are recognized in personnel expenses or other operating income.

Liabilities are recognized at their settlement amount.

It has been valued prudently, namely taking into account all foreseeable risks and losses that have arisen up to the balance sheet date, even if these only became known between the balance sheet date and the preparation of the financial statements.

Profits have only been taken into account if they have been realized by the balance sheet date. Expenses and income for the financial year have been taken into account irrespective of the date of payment.

Transactions in foreign currencies are translated at the average spot exchange rate at the balance sheet date; unrealized exchange gains are only recognized if they are of a short-term nature and are therefore sufficiently certain.

III. Balance Sheet Disclosures

Intangible assets

The Company's intangible assets consist of purchased and internally generated software.

The additions to internally generated intangible assets amounting to EUR 6,064 thousand (December 31, 2018: EUR 5,629 thousand) mainly result from the development of proprietary software for warehouse and logistics applications, consumer apps, payment methods, and significant improvements in stability, speed, and security. The development projects were divided into sub-projects characterized by the development of new functions.

The total amount of research and development expenses in the fiscal year was EUR 7,726 thousand (2018: EUR 6,782 thousand).

In each fiscal year, the valuation of assets under development is analyzed. In fiscal year 2019, Westwing decided not to continue some of the projects. Therefore, an impairment loss totaling EUR 324 thousand was recognized for the carrying amounts of these assets under development. In the previous year, there were no indicators that would have pointed to an impairment of intangible assets.

Property, plant and equipment

The Company's property, plant and equipment consists primarily of office furniture and equipment.

Shares in subsidiaries and loans

Loans exclusively comprise loans to affiliated companies, which bear interest rates of between 0.1% and 6.2% p.a. and can be called in at short notice unless they are subordinated. As the loans granted are of a longer-term nature in economic terms and no significant repayments are expected in subsequent years, they are presented under loans as non-current assets.

The shares and loans were subjected to an impairment test. As a result, shares in the amount of EUR 205 thousand (2018: EUR 471 thousand) and loans to affiliated companies in the amount of EUR 23,072 thousand (2018: EUR 38,800 thousand) were impaired in fiscal year 2019. In fiscal year 2019, the Company has an addition to loans to affiliated companies of EUR 23,972 thousand resulting from the granting of loans to affiliated companies.

Receivables and other assets

Receivables from affiliated companies are recognized at nominal value. These are mainly receivables from service settlements that are due within 14 days.

Other assets mainly include VAT receivables (EUR 501 thousand; Dec. 31, 2018: EUR 828 thousand) and rent deposits (EUR 1,923 thousand; Dec. 31, 2018: EUR 1,425 thousand).

All receivables and other assets have a remaining term of up to one year with the exception of rental deposits.

Equity

As of December 31, 2019, the subscribed capital amounts to EUR 20,741 thousand (December 31, 2018: EUR 20,741 thousand). The share capital is divided into 20,740,809 no-par value shares, of which the Company holds 743,450 treasury shares with a nominal value of EUR 1.00 per share. In the financial year, the Company issued 98,250 treasury shares (Dec. 31, 2018: 5,850 treasury shares) as part of share-based payments.

Treasury shares do not carry voting rights. Ownership of these shares does not entitle the Company to receive any assets in the event of liquidation of the Company or to exercise subscription rights as a shareholder.

The capital reserve includes amounts paid in above the nominal capital.

The following is an overview of the development of the capital stock:

	Number of Shares	**Treasury shares**
January 1, 2018	91,702	28,650
Equity after stock split	13,755,300	
Settlement of share options	-	5,850
Issue of ordinary shares in 2018	6,985,509	-

As of December 31, 2018 / January 1, 2019	**20,740,809**	**22,800**
Purchase of treasury shares	-	818,900
Settlement of share options	-	98,250
As of December 31, 2019	**20,740,809**	**743,450**

The total number of authorized no-par value shares with voting rights as of December 31, 2019 was 19,997,359 shares (December 31, 2018: 20,718,009 shares) with a nominal value of EUR 1.00 per share. Each share grants the holder one vote at the Annual General Meeting of Westwing Group AG. The par value of all ordinary shares is fully paid in.

The capital reserves of EUR 347,165 thousand (December 31, 2018: EUR 349,423 thousand) consist of the amounts of the capital increases of the previous years in excess of the nominal value. The following developments occurred in the capital reserves in fiscal year 2019:

A total of 98,250 stock options were exercised in fiscal year 2019. The average exercise price was EUR 0.59, resulting in cash inflows of EUR 58 thousand.

In April 2019, Westwing Group AG bought back 18,900 treasury shares worth EUR 281 thousand from some of the founders as part of an investment program. The difference of EUR 262 thousand was transferred to the capital reserve. On August 12, 2019, the Company's Management Board resolved, with the approval of the Supervisory Board, to implement a share buyback program with a maximum volume of up to 800,000 shares at a total purchase price of up to EUR 4,000 thousand. The buyback via Xetra trading on the Frankfurt Stock Exchange began on August 14, 2019 and was completed on October 30, 2019. A total amount of EUR 2,756 thousand was paid for 800,000 shares. The difference of EUR 1,956 thousand was in turn deducted from the capital reserve. The shares will be used to settle stock options for the acquisition of shares granted to current or former employees or members of the Management Board of Westwing Group AG or its affiliated companies in the event that such stock options are exercised. When the 98,250 stock options were exercised, EUR 41 thousand were offset against the capital reserve, so that the total amount of treasury shares recognized as a deduction from subscribed capital as of December 31, 2019 was EUR 743 thousand, while the portion exceeding the nominal amount of EUR 2,258 thousand was offset against the capital reserve. Treasury shares accounted for 3.6% of the share capital as of December 31, 2019, while the fair value was EUR 2,647 thousand as of the reporting date.

The following developments occurred in the capital reserve in previous years:

A loan agreement concluded in 2017 with Kreos Capital V (Luxembourg) Sarl, Luxembourg (hereinafter: "Kreos Capital") contains an option agreement that grants Kreos Capital the option to acquire 62,550 shares in Westwing if the option is exercised. The option represents a derivative financial instrument, which was allocated to additional paid-in capital in an amount of EUR 835 thousand in 2018 in accordance with section 272 (2) no. 2 HGB. As of December 31, 2019, the fair value of the derivative determined using an option pricing model was EUR 0 thousand (December 31, 2018: EUR 225 thousand).

A loan agreement concluded with Kreos Capital IV (Luxembourg) Sarl, Luxembourg in the course of 2013 also contained an option agreement on similar terms. This grants Kreos Capital subscription rights of 93,064 shares. This option also represents a derivative financial instrument, which was allocated to the capital reserve in 2013 in an amount of EUR 564 thousand in accordance with Section 272 (2) No.2 HGB. As of December 31, 2019, the fair value of the derivative determined using an option pricing model was EUR 0 thousand (December 31, 2018: EUR 239 thousand).

The residual carrying amount of internally generated intangible assets (EUR 11,514 thousand; December 31, 2018: EUR 7,694 thousand) is considered to be restricted from distribution in accordance with Section 268 (8) HGB.

The accumulated loss of EUR 142,987 thousand (December 31, 2018: EUR 116,927 thousand) results from the net loss for the past fiscal year and the carryforward from the previous fiscal year.

Authorized capital

The Annual General Meeting on September 21, 2018 authorized the Board of Management to make several capital increases:

Authorized capital 2018/I

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

Authorized capital 2018/II

The Management Board is authorized to increase the share capital once or several times in the period up to August 6, 2023 by issuing a total of 15,000 new no-par value bearer shares against cash and/or non-cash contributions by a maximum of EUR 15,000 (Authorized Capital 2018/II) and to exclude shareholders' subscription rights subject to certain limits.

On September 3, 2018, the Management Board made partial use of the authorization for Authorized Capital 2018/II. After this partial utilization, the authorized capital 2018/II amounts to EUR 3,088.

Authorized capital 2018/III

The Management Board is authorized to increase the share capital on one or more occasions in the period up to August 6, 2023, with the approval of the Supervisory Board, by a maximum of EUR 67,500 by issuing a total of 67,500 new no-par value bearer shares against cash and/or non-cash contributions (Authorized Capital 2018/III) and, with the approval of the Supervisory Board, to exclude shareholders' subscription rights under certain conditions and subject to certain limits.

Authorized capital 2018/IV

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

Authorized capital 2018/V

The Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital on one or more occasions in the period up to August 6, 2023 by a maximum of EUR 4,350,000 by issuing a total of 4,350,000 new no-par value bearer shares against cash and/or non-cash contributions (Authorized Capital 2018/V) and, with the approval of the

Supervisory Board, to exclude shareholders' subscription rights under certain conditions and subject to certain limits.

Authorized capital 2018/VI

The Management Board was authorized to increase the share capital on one or more occasions in the period up to September 20, 2023, with the approval of the Supervisory Board, by a maximum of EUR 3,159,212 by issuing a total of 3,159,212 new no-par value bearer shares in exchange for cash contributions and/or contributions in kind (Authorized Capital 2018/VI) and, with the approval of the Supervisory Board, to exclude shareholders' subscription rights under certain conditions and subject to certain limits.

On November 13, 2018, the Management Board made partial use of this authorization for Authorized Capital 2018/VI. After this partial utilization, the authorized capital 2018/VI amounts to EUR 2,847,853.00.

Conditional capital 2018/I

The Company's share capital was also conditionally increased by up to EUR 5,000,000 through the issue of 5,000,000 no-par value bearer shares (Conditional Capital 2018/I).

The Conditional Capital 2018/I serves to grant shares in the course of exercising conversion or option rights or to fulfill conversion or option obligations vis-à-vis the holders or creditors of convertible bonds, bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments) (collectively "bonds") issued under the authorization resolution by the Annual General Meeting on September 21, 2018.

The new shares shall be issued at the conversion or option price to be determined by the Annual General Meeting on September 21, 2018, taking into account the authorization resolution. The conditional capital increase will only be carried out by to the extent that the holders or creditors of the bonds issued or guaranteed by September 20, 2023 by the Company or a subordinated Group company in accordance with the authorization resolution by the Annual General Meeting on September 21, 2018 exercise their conversion or option rights or fulfill their conversion or option obligations in accordance with these bonds, or to the extent that the Company exercises its option to pay the conversion or option price in lieu of paying the conversion or option price. insofar as the Company exercises its option to grant shares in the Company instead of payment of the cash amount due, and insofar as the conversion or option rights or obligations are not satisfied by treasury shares, shares issued from authorized capital or other consideration.

No use has yet been made of the authorization to issue bonds. This conditional capital is entered in the Commercial Register as Conditional Capital 2018/I.

Other accrued liabilities

Other provisions of EUR 3,761 thousand (Dec. 31, 2018: EUR 4,515 thousand) mainly include provisions for outstanding invoices (EUR 957 thousand; Dec. 31, 2018: EUR 895 thousand), provisions for personnel (EUR 717 thousand; Dec. 31, 2018: EUR 674 thousand), provisions for marketing (EUR 341 thousand; Dec. 31, 2018: EUR 67 thousand), provisions for dismantling obligations (EUR 359 thousand; Dec. 31, 2018: EUR 66 thousand), and a provision for rent-free time (EUR 680 thousand; Dec. 31, 2018: EUR 770 thousand).

Share-based payment with cash settlement

In April 2019, the bonus granted to the Management Board in the previous year for a successful IPO was paid out in the amount of EUR 1,018 thousand. As the amount of the payout depended on the volume-weighted average share price in the first 30 trading days preceding April 1, 2019, it was classified as cash-settled share-based payment as of December 31, 2018.

In 2019, the Company repurchased equity-settled options. The expense amounted to EUR 1,018 thousand in 2019 (2018: EUR 1,998 thousand) and was recognized in the statement of profit or loss. In addition, EUR 81 thousand in tax expenses were taken over from employees. Furthermore, the Company repurchased 18,900 treasury shares in the amount of EUR 281k in the same context.

In the second half of 2019, a new cash-settled share-based payment program was established, granting a total of 672,000 virtual shares to the Management Board and certain senior management positions. The shares will fully vest on December 31, 2022 and cannot be exercised until August 2023. Expenses of EUR 153 thousand were recognized for this program in fiscal year 2019.

As of December 31, 2019, the cumulative value of the provision for share-based compensation totaled EUR 158 thousand (December 31, 2018: EUR 1,495 thousand).

Liabilities

The liabilities shown in the balance sheet can be broken down as follows:

	12/31/2019 TEUR	12/31/2018 TEUR
Trade payable	951	1,673
Liabilities to affiliated companies		
- thereof from trade and other payables	462	106
- thereof from loans to affiliated companies	3,625	9,588
Other liabilities		
- thereof from loans	0	15,780
- thereof from taxes	603	332
- thereof from social security	125	82
- other	110	135
Total	**5,875**	**27,696**

All liabilities have a term of less than one year.

Liabilities decreased from EUR 27,696 thousand in 2018 to EUR 5,875 thousand in 2019. The development is mainly due to the repayment of loans from GGC EUR S.À.R.L. ("GGC") in the amount of EUR 15,000 thousand that were drawn down in 2018. Liabilities to Group companies decreased by EUR 5,607 thousand due to the repayment of upstream loans from Spain and Italy.

Trade accounts payable decreased from EUR 1,673 thousand to EUR 951 thousand. The decrease is attributable in particular to earlier payment runs due to the postponement of national holiday in December.

As of December 31, 2019, bank accounts of Westwing Group AG in the amount of EUR 1,363 thousand were pledged.

Prepaid expenses

Deferred income of EUR 141 thousand (Dec. 31, 2018: EUR 159 thousand) includes a construction cost subsidy received for office space, which will be reversed ratably over the lease term.

IV. Statement of Profit or Loss Disclosures

Revenues

The company's revenues of EUR 40,219 thousand (2018: EUR 24,680 thousand) mainly result from intercompany charges for services. The increase in revenues is mainly attributable to higher recharges from increased marketing expenses and the internationalization of the permanent range WestwingNow as well as the overall positive business development of the DACH segment, as the expansion of the subsidiaries' activities also increases their demand for central services.

EUR 26,486 thousand (2018: EUR 14,410 thousand) of revenue from intercompany charges relates to Germany, EUR 9,884 thousand (2018: EUR 7,770 thousand) to Western Europe and EUR 3,641 thousand (2018: EUR 2,498 thousand) to Eastern Europe.

Other own work capitalized

Other own work capitalized includes capitalized personnel expenses for the creation of internally generated intangible assets in the amount of EUR 5,863 thousand (2018: EUR 5,628 thousand).

Other operating income

Other operating income of EUR 1,885 thousand (2018: EUR 11,814 thousand) mainly relates to income relating to other periods from the write-up of an impaired loan to affiliated companies in the amount of EUR 1,213 thousand. In addition, this item includes the partial reversal of provisions for share-based payments in the amount of EUR 319 thousand (2018: EUR 4,575 thousand).

Expenses for purchased services

Purchased services amounting to EUR 11,972 thousand (2018: EUR 7,516 thousand) were purchased from third parties at and are largely charged on within the Group. They mainly relate to central marketing and IT services.

Personal data

During the year, the company employed an average of 336 employees excluding the Management Board (2018: 229), broken down as follows:

	2019	2018
Administration / IT	170	155
Marketing/ Fulfilment	166	96
Total	**336**	**229**

Total personnel expenses amounted to EUR 25,374 thousand (2018: EUR 21,173 thousand). Personnel expenses include expenses relating to other periods from the repurchase of equity-settled stock options in the amount of EUR 1,018 thousand.

Personnel expenses can be broken down as follows:

	2019 TEUR	2018 TEUR
Wages and salaries	20,534	15,177
Social security	3,740	2,618
Expenses for share-based payments	1,099	3,379
Total	**25,374**	**21,173**

Other operating expenses

Other operating expenses of EUR 9,710 thousand (2018: EUR 14,922 thousand) mainly include costs incurred in connection with the headquarters function. These include rental expenses, consulting costs and expenses for the IT infrastructure. The reason for the decrease compared to the previous year is in particular the higher legal and consulting expenses incurred in the previous year in connection with the IPO.

Financial result

Interest and similar income in the amount of EUR 1,575 thousand (2018: EUR 2,446 thousand) mainly results from loans to affiliated companies. Interest and similar expenses of EUR 2,146 thousand (2018: EUR 3,956 thousand) relate in the amount of EUR 1,928 thousand to third parties, mainly GGC, and in the amount of EUR 217 thousand to loans from affiliated companies. Write-downs of financial assets amounted to EUR 23,277 thousand (2018: EUR 39,271 thousand).

V. Other

Other financial obligations

There are financial obligations (gross) as follows:

Residual terms	Until 1 year	1 to 5 years	from 5 years	Total
	TEUR	TEUR	TEUR	TEUR
Rental agreements	2,862	11,447	7,088	21,397
Leasing agreements server, etc.	85	191	-	276
Service agreements	300	150	-	450
	3,246	**11,788**	**7,088**	**22,122**

The use of some of the property, plant and equipment used by Westwing is based on rental and operating lease agreements. This helps to reduce the capital commitment and leaves the investment risk with the counterparty.

Contingent liabilities

The Company has the following contingent liabilities:

	12/31/2019	**12/31/2018**
	TEUR	TEUR
Guarantees and warranties	4,809	5,392
	4,809	**5,392**

Due to the holding and financing function of the Company within the Group, contingent liabilities have been entered into exclusively for subsidiaries in order to build up the business operations. The risk of claims being asserted under the individual contingent liabilities is considered to be low.

In addition, Westwing Group AG has issued a letter of comfort to its subsidiaries Westwing GmbH and wLabels GmbH to guarantee the obligations arising up to December 31, 2019.

List of shareholdings of Westwing Group AG pursuant to Section 285 No. 11a of the German Commercial Code (HGB)

Society	Company headquarters	Equity in EUR thousand or translated at the closing rate 2019[1]	Shares in capital in %	Result for the year 2019 in TEUR[1]
Westwing GmbH	Munich	-69,430	100.00%	-8,288
wLabels GmbH	Berlin	-3,785	100.00%	1,651
Westwing Commercial GmbH	Berlin	22	100.00%	-1
VRB GmbH & Co. B-156 KG	Berlin	-17	90.00%	-1
VRB GmbH & Co. B-157 KG	Berlin	-1,961	77.30%	-63
Bambino 65th V V UG	Berlin	-38	100.00%	-1
Westwing Spain Holding UG	Berlin	-1,165	100.00%	-19
Westwing France Holding UG	Berlin	-1,536	100.00%	477
VRB GmbH & Co. B-166 KG	Berlin	-9	90.00%	-1
Westwing Italy Holding UG	Berlin	-1,168	100.00%	-30
VRB GmbH & Co. B-165 KG	Berlin	-21	90.00%	-2
VRB GmbH & Co. B-167 KG	Berlin	-11	90.00%	-1
Westwing Netherlands Holding UG	Munich	-350	100.00%	-173
Tekcor 1. V V UG	Bonn	-848	100.00%	-9
Brilliant 1256. GmbH & Co. Dritte Verwaltungs KG	Berlin	-16,254	88.80%	-244
Bambino 68th V V UG	Berlin	-3,188	93.72%	-3

Society	Company headquarters	Equity in EUR thousand or translated at the closing rate 2019[1]	Shares in capital in %	Result for the year 2019 in TEUR[1]
VRB GmbH & Co. B-160 KG	Berlin	-716	97.50%	-2
Bambino 66th V V UG	Berlin	-4,793	94.20%	-4
Brilliant 1256. Ltd.	Berlin	-2,075	100.00%	7
WW E-Services Iberia S.L.[3]	Barcelona	224	100.00%	-2,632
WW E-Services Italy S.r.I.[3]	Milan	-1,666	100.00%	-4,171
WW E-Services France SAS[3]	Paris	-15,950	100.00%	-5,519
Westwing Home and Westwing Home and Living Poland S.P.Z.O.O.[3]	Warsaw	-1,231	100.00%	-1,983
WW E-Services The Netherlands B.V.[3]	Amsterdam	-9,590	100.00%	-2,088
wLabels Hong Kong Ltd.[2,3]	Hong Kong	-	100.00%	-

1 The figures correspond to the annual financial statements after any profit transfer, in the case of subsidiaries in accordance with internally consolidated IFRS financial statements.

2 Start-up, no degree available yet.

3 indirect.

The Company prepares the consolidated financial statements for the smallest and the largest group of consolidated companies. The consolidated financial statements are published in the Federal Gazette.

Disclosures pursuant to Section 160 (1) No. 8 AktG

The shareholder structure of Westwing Group AG is based on the voting rights as last reported by the shareholders and as published by the shareholders in relation to the current share capital of the company as of December 31, 2019. It should be noted that the number of voting rights last reported could have changed within the respective thresholds without any obligation to notify the Company. The percentages shown in the table below each relate to the share capital of Westwing Group AG as of December 31, 2019.

Shareholder	**Share in capital stock**
Rocket Internet SE	25%
The Capital Group Companies	8%
Summit Partners RKT	7%
Fidelity FIL Investment International	5%
Amiral Gestion	5%
Tengelmann Ventures	5%
Access Industries	5%
LF Ruffer Investment Funds	3%
Inflection Point Investments LLP	3%
Free float/Other shareholders	33%
Total	100%

Other shareholders/free float refers to the shareholdings in Westwing Group AG of less than 3%.

Supplementary report

The following events occurred after the end of the 2019 financial year that could have a material impact on Westwing's future results of operations, financial position and net assets.

At the end of 2019, a large number of cases with symptoms of "pneumonia of unknown cause" were identified in Wuhan, the capital of China's Hubei province. On December 31, 2019, China alerted the World Health Organization (WHO) about this new virus. On January 30, 2020, the WHO Emergency Committee declared the outbreak a Public Health Emergency of International Concern. Since then, additional cases have been diagnosed in China, Iran, and also in Europe, particularly Italy, Spain, and Germany. Measures were taken and guidelines imposed by all countries to contain Covid-19. Gradually, more information about the new virus became available.

Therefore, on February 26, 2020, Westwing Group AG provided comprehensive guidance to all employees on how to deal with the coronavirus, including a new travel policy. This policy will be updated daily based on ongoing developments. It is expected that Westwing's supply chain may be impacted by the measures in China and other affected countries, including

Germany. The impact cannot yet be reliably estimated. At the same time, further spread of the virus could impair or disrupt Westwing's operating activities. Additional risks arise from possible government restrictions on work in warehouses, work by logistics service providers or even work in offices if not required for basic supplies, as well as a possible severe recession.

Westwing Group AG announced changes to its Management Board on March 3, 2020. As of April 1, 2020, Sebastian Säuberlich will assume the position of Chief Financial Officer of Westwing. He succeeds Dr. Dr. Florian Drabeck, who will leave the company at the end of June 2020 to pursue other interests. In addition, Delia Fischer will begin her maternity leave in March 2020, followed by parental leave. The legal framework in Germany does not currently provide for the possibility of taking maternity and parental leave for members of the management boards of stock corporations. For this reason, Delia Fischer resigned from her position as Management Board member effective March 1, 2020. Her maternity leave and subsequent parental leave are expected to last six months.

Auditor's fee

The disclosures on the auditor's fee are part of the consolidated financial statements of Westwing Group AG, which the company prepares for the largest and smallest group of companies. The consolidated financial statements are published in the Bundes anzeiger.

Declaration of Conformity with the German Corporate Governance Code

In December 2019, the Management Board and Supervisory Board of Westwing Group AG issued the declaration required by Section 161 of the German Stock Corporation Act (AktG) and made it publicly available in the annual report and on the company's website (https://ir.westwing.com/download/companies/westwing/CorporateGovernance/Erklaerung_zur_Unternehmensfuehrung_20200206.pdf).

Executive Board

The Management Board members acting during the year were Delia Fischer (Chief Creative Officer) (until March 1, 2020), Stefan Smalla (Chief Executive Officer) and Dr. Dr. Florian Drabeck (Chief Financial Officer) (until March 31, 2020).

In total, the members of the Westwing Management Board received salary payments in the form of cash remuneration of EUR 625 thousand in the 2019 financial year (2018: EUR 615 thousand). In April 2019, the bonus granted to the three members of the Management Board in September 2018, which was contingent on a successful IPO, was paid to the Management Board in the amount of EUR 1,018 thousand. In the financial year 2019, the Management Board was granted option rights in the amount of EUR 88 thousand by resolution of the Supervisory Board on August 7, 2019, which will be settled in cash and remeasured at each reporting date. The share price used was EUR 3.56 as of December 31, 2019. In accordance with the resolution of the Extraordinary General Meeting of September 21, 2018, the obligation to disclose the remuneration of the members of the Management Board on an individualized basis is waived with reference to Section 286 (5) HGB (old version).

There was an additional one-time contract between Delia Fischer and the Company in fiscal year 2019 with compensation of EUR 55 thousand. An additional bonus of EUR 100 thousand was granted for Dr. Dr. Florian Drabeck in 2019, which will be paid in 2020.

Supervisory Board

The remuneration of the members of the Supervisory Board is governed by the Articles of Association of Westwing Group AG.

The members of the Supervisory Board receive a fixed basic remuneration of EUR 25 thousand for each financial year of the Company, with the Chairman of the Supervisory Board receiving a fixed basic remuneration of EUR 40 thousand and the Deputy Chairman receiving EUR 30 thousand. The Chairman of the Audit Committee receives a further EUR 20 thousand and the other members of the Audit Committee EUR 10 thousand.

The compensation is payable at the end of the respective financial year. Members of the Supervisory Board who are in office for only part of the fiscal year receive corresponding prorated compensation.

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

Furthermore, the members of the Supervisory Board are included in the D&O liability insurance policy for Management Board members, which provides cover against financial loss. The premiums for this insurance policy are paid by the Company.

In accordance with the Articles of Association (Art. 9 Para. 1), the Supervisory Board is composed of four members. It is not subject to co-determination by employees; consequently, all members of the Supervisory Board are elected by the Annual General Meeting as shareholder representatives.

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

During the financial year, the Supervisory Board was composed of the following members:

Name	**Tempered functions**
Christoph Barchewitz, Co-CEO Global Fashion Group	Chairman of the Supervisory Board and member of the Audit Committee
Dr. Antonella Mei-Pochtler, Senior Advisor Boston Consulting Group	Vice Chairwoman of the Supervisory Board
Michael Hoffmann, independent consultant	Member of the Supervisory Board and Chairman of the Audit Committee
Thomas Harding, Partner Bridford Group	Member of the Supervisory Board and the Audit Committee
Christian Strain, Managing Director Summit Partners	Member of the Supervisory Board (until March 15, 2019)
Oliver Samwer, entrepreneur	Member of the Supervisory Board (until February 11, 2019)

The members of the Supervisory Board of Westwing Group AG also sit on the supervisory boards and supervisory bodies of the following companies:

Michael Hoffman

- Member of the Supervisory Board and Head of the Audit Committee of Telefonica Deutschland Holding AG

Thomas Harding

- Managing Director of Bridford Group Limited
- Member of the Nomination Committee of Ice Group AG
- Member of the Advisory Board of LenioBio GmbH
- Managing Director of Penfold Technology Limited

Dr. Antonella Mei-Pochtler

- Member of the Supervisory Board and member of the Compensation Committee of Publicis Groupe S.A.
- Member of the Supervisory Board and member of the Corporate Governance and for Social and Environmental Sustainability Committee and member of the Related Party Transactions Committee of Assicurazioni Generali S.p.A.

Oliver Samwer

- Supervisory body of Ace and Tate Holding B.V.
- Member of the Advisory Board of Asia Internet Holding SARL
- Member of the Advisory Board of Digital Services XXXV SARL
- Member of the Advisory Board of Emerging Markets Taxi Holding SARL
- Member of the Advisory Board of Everdine Holding SARL
- Member of the Supervisory Board of Global Online Takeaway Group S.A.
- Member of the Advisory Board of Jimdo GmbH
- Member of the Advisory Board of Kaymu Holding SARL
- Member of the Advisory Board of Middle East Internet Holding SARL
- Member of the Advisory Board of MKC Brillant Services GmbH
- Member of the Advisory Board of Primarydoor Gayrimenkul Danışmanlık Ve Paz. A.ş.
- Member of the Advisory Board of Printvenue Asia SARL
- Member of the Advisory Board of RI Capital Advisors Limited
- Member of the Advisory Board of Spotcap Global SARL
- Member of the advisory board of Thermondo GmbH
- Member of the Advisory Board of Wadi Middle East SARL

Insurance of the Board of Management

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the combined management report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal opportunities and risks associated with the expected development of the Group and the Company.

Munich, March 26, 2020

Stefan Smalla Board of Directors Westwing Group AG	Dr. Dr. Florian Drabeck Board of Directors Westwing Group AG

Westwing Group AG, Berlin
Development of fixed assets 2019

	Cost				Accumulated depreciation and amoirtization					Carrying amounts	
	Jan. 01, 2019 EURk	Additions EURk	Disposals EURk	Dec. 31, 2019 EURk	Jan. 01, 2019 EURk	Additions EURk	Disposals EURk	downs EURk	Dec. 31, 2019 EURk	Dec. 31, 2019 EURk	Dec. 31, 2018 EURk
I. Intangible assets											
1. Self-generated industrial property rights and similar rights and assets	12,533	6,064	-	18,597	./. 4,839	./. 2,244	-	-	./. 7,083	11,514	7,694
2. Concessions, industrial property rights and similar rights and assets acquired for consideration, as well as licenses to such rights and assets	762	97	-	859	./. 515	./. 74	-	-	./. 589	270	247
3. Goodwill	4,338	-	-	4,338	./. 4,338	0	-	-	./. 4,338	0	0
	17,633	6,161	-	23,794	./. 9,692	./. 2,318	-	-	./. 12,010	11,784	7,940
II. Tangible fixed assets											
Other equipment, factory and office equipment	4,502	1,520	./. 17	6,005	./. 2,905	./. 807	2	-	./. 3,710	2,296	1,597
	4,502	1,520	./. 17	6,005	./. 2,905	./. 807	2	-	./. 3,710	2,296	1,597
III. Long-term financial assets											
1. Shares in affiliated companies	16,015	-	-	16,015	./. 627	./. 205	-	-	./. 833	15,183	15,388
2. Loans to affiliated companies	234,807	23,972	./. 12,977	245,802	./. 73,789	./. 23,072	-	1,213	./. 95,648	150,155	161,018
	250,822	23,972	./. 12,977	261,818	./. 74,416	./. 23,277	-	1,213	./. 96,480	165,337	176,406
Total	**272,957**	**31,654**	**./. 12,994**	**291,617**	**./. 87,013**	**./. 26,402**	**2**	**1,213**	**./. 112,200**	**179,417**	**185,944**

02

COMBINED MANAGEMENT REPORT

1. BACKGROUND TO THE GROUP

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

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

1.1 Business Activities

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

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

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

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

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

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

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

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

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

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

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

1.2 Group Structure

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

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

1.3 Performance Measurement System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.4 Research and Development

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

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

2. ECONOMIC DEVELOPMENTS

2.1 Macro-Economic and Sector-Specific Environment

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

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

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

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

2.2 Business Development[7]

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

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

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

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

Maintain and Improve Customer Loyalty

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

Establishing a Full Working Business Model in all 11 countries

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

5 Imarc; Press Release Home Decor Market.

6 Euromonitor International.

7 All explanations and numbers regarding quarterly developments are unaudited.

Increase Share of our Own and Private Label products for better customer experience and increased profitability

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

Addressing key challenges

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

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

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

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

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

2.2.1 RESULTS OF OPERATIONS

CONDENSED CONSOLIDATED INCOME STATEMENT

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

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

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

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

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

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

ADJUSTED CONDENSED CONSOLIDATED INCOME STATEMENT

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

* The following adjustments were made in the corresponding lines:

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

Revenues for the year comprise the following:

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

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

OTHER PERFORMANCE INDICATORS

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

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

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

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

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

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

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

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

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

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

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

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

8 Fulfilment expenses include shipping costs.

9 Share-based compensation, restructuring expenses Italy and France

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

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

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

RESULTS OF SEGMENTS

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

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

Adjusted EBITDA of the segments developed as follows:

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

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

2.2.2 FINANCIAL POSITION

CONDENSED STATEMENT OF CASH FLOWS

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

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

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

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

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

Principles and objectives of financial management

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

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

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

2.2.3 ASSETS AND LIABILITIES

CONDENSED STATEMENT OF FINANCIAL POSITION

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

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

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

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

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

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

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

Overall assessment of the Group's economic position

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

3. EMPLOYEES

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

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

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

4. NON-FINANCIAL REPORT[11]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MATERIAL TOPICS OF ACTIVITY

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

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

Employees and Diversity

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

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

EMPLOYEES BY GENDER AND SEGMENT

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

* Headcount as of December 31, 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Environmental and Climate Protection

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

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

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

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

Overall Supply Chain Compliance

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

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

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

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

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

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

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

Customer Relationship and Data Protection

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

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

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

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

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

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

Anti-bribery and Anti-corruption Initiatives at Westwing

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

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

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

5. SUBSEQUENT EVENTS

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

6. RISK AND OPPORTUNITY REPORT

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

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

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

6.1 Risk Management System

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

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

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

6.2 System of Internal Financial Reporting Controls

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

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

6.3 Risk Methodology

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

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

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

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

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

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

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

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

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

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

Westwing defines following risk categories within the Company:

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

6.4 Risk Report

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

6.4.1 ECONOMIC AND SECTOR RISKS

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

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

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

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

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

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

6.4.2 FINANCIAL RISKS

Financial planning and performance

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

6.4.3 STRATEGIC AND OPERATIONAL RISKS

Competition

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

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

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

Lack of Customer Loyalty

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

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

Product Quality and Safety

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

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

Marketing

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

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

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

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

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

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

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

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

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

6.4.4 IT RISKS

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

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

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

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

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

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

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

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

Data Security

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

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

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

6.4.5 LEGAL AND TAX RISKS

Legal and Regulatory Requirements

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

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

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

Tax Compliance

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

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

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

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

6.4.6 OVERALL ASSESSMENT OF RISK BY THE MANAGEMENT BOARD

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

6.5 Opportunities Report

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

e-Commerce Growth

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

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

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

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

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

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

Own Label and Private Label

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

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

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

12 Euromonitor International. Values of 2018.

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

Brand

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

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

Mobile eCommerce

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

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

7. OUTLOOK

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

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

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

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

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

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

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

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

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

8.1 Results of Operations Westwing Group AG

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

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

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

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

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

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

8.2 Financial Position of Westwing Group AG

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

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

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

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

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

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

8.3 Total Assets of Westwing Group AG

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

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

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

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

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

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

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

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

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

8.4 Employees of Westwing Group AG

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

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

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

8.5 Risk and Opportunities of Westwing Group AG

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

8.6 Outlook for the Westwing Group AG

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

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

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

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

9. REMUNERATION REPORT AND OTHER DISCLOSURES

9.1 Remuneration of the Management Board

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

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

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

NON-PERFORMANCE-RELATED COMPENSATION

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

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

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

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

PERFORMANCE-RELATED COMPENSATION (SHORT-TERM INCENTIVE)

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

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

SHARE-BASED COMPENSATION (LONG-TERM INCENTIVES)

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

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

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

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

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

TOTAL REMUNERATION OF THE MANAGEMENT BOARD

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

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

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

OTHER INFORMATION

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

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

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

9.2 Remuneration of the Supervisory Board

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

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

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

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

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

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

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

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

The Company's Supervisory Board consisted of

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

9.3 Declaration on Corporate Governance

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

9.4 Take-over Law

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

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

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

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

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

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

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

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

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

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

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

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

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

ACQUISITION OF TREASURY SHARES

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

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

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

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

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

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

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

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

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

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

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

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

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

ACQUISITION OF TREASURY SHARES THROUGH THE USE OF EQUITY CAPITAL DERIVATIVES

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

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

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

AUTHORIZED CAPITAL 2018/I

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

AUTHORIZED CAPITAL 2018/II

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

AUTHORIZED CAPITAL 2018/III

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

AUTHORIZED CAPITAL 2018/IV

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

AUTHORIZED CAPITAL 2018/V

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

AUTHORIZED CAPITAL 2018/VI

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

CONDITIONAL CAPITAL 2018/I

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

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

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

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

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

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

Munich, March 26, 2020

Stefan Smalla
Chief Executive Officer
Westwing Group AG

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