WESTWING

HALF-YEAR REPORT

2019

WESTWING AT A GLANCE

Q2 2019 HIGHLIGHTS

- Revenue in the second quarter of 2019 at EUR 58.1m (– 0.6 % year-on-year); growth affected by ongoing challenges in Italy, lower than expected number of new customers from marketing activities, and not enough high-converting low-price point items in the DACH assortment
- Profitability at – 8 % Adjusted EBITDA; drivers were one-off costs of delayed warehouse move from Berlin to Poland that has been completed, logistics inefficiencies, investments into marketing as well as lack of operating leverage
- Own and Private Label share was up to 22 % of GMV, increasing by + 7 percentage points; new Westwing Collection Spring/Summer successfully launched in May
- Positive outlook for the second half of 2019 and return to profitable growth in Q4, with root causes fixed and leading indicators positive

KEY FIGURES (UNAUDITED)

	H1 2019	H1 2018	Change	Q2 2019	Q2 2018	Change
Key Performance Indicators						
Private Label share (in %)	21 %	14 %	7pp	22 %	15 %	7pp
GMV (in EUR m)	141	139	1.3 %	65	67	– 2.6 %
Number of orders (in k)	1,083	1,166	– 7.1 %	492	555	– 11.3 %
Average basket size (in EUR)	130	119	9.0 %	132	120	9.5 %
Active customers (in k)	909	907	0.2 %			
Average orders per active customer in the preceding 12 months	2.6	2.6	– 2.7 %			
Average GMV per active customer in the preceding 12 months (in EUR)	322	305	5.5 %			
Mobile visit share (in %)	75 %	72 %	3pp	76 %	73 %	3pp
Results of operations						
Revenue (in EUR m)	119.5	120.5	– 0.8 %	58.1	58.4	– 0.6 %
Adjusted EBITDA (in EUR m)	– 8.8	2.8	– 11.6	– 4.9	0.8	– 5.7
Adjusted EBITDA margin (in % of revenue)	– 7.3 %	2.3 %	– 9.7pp	– 8.5 %	1.3 %	– 9.8pp
Financial position						
Free cash flow (in EUR m)	– 25.1	– 10.7	– 14.4	– 8.9	– 4.2	– 4.7
Cash and cash equivalents (in EUR m)	92.4	7.0	85.4			
Other key figures						
Full-time equivalent employees (as of reporting date)	1,143	1,034	10.6 %			

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Report on

ECONOMIC POSITION

1.1 FINANCIAL PERFORMANCE OF THE GROUP[1]

The condensed income statement for the second quarter of 2019 shows a roughly flat development for revenue at EUR 58m (second quarter of 2018: EUR 58m). While customer loyalty remained very strong, marketing efforts were not sufficient to drive growth in the customer base. Furthermore, our assortment did not include enough high-converting low-price point products, and challenges in Italy continued.

We had relative strength in the DACH segment with 7 % revenue growth in the second quarter, while in the International segment revenue declined by 9 %.

The expenses for the completion of the delayed warehouse move and additional costs that were incurred during the ramp-up phase (e.g. running two warehouses in parallel) were significantly higher than originally planned and put pressure on our contribution margin. In addition, we faced warehouse inefficiencies that we have addressed accordingly.

Due to these effects, our investments made in marketing, and lack of operating leverage due to flat revenue growth, our Adjusted EBITDA margin was – 8 % for the second quarter of 2019.

On the positive, Westwing launched the Modern Natural Westwing Collection for Spring/Summer and increased the Private Label share to 22 %, up 7 percentage points compared to the prior-year period.

We have fixed the underlying root causes of the challenges seen in the first half of the year, so we expect significantly stronger results in the second half of the year. We expect a return to profitable growth in the fourth quarter which is also our seasonally strongest quarter of the year: We have improved on contribution margin and expect further increases going forward; we have increased marketing investment into social media to drive growth and see positive leading indicators in new email registrations. Growth is improving, July was the best month of the year in GMV growth.

1 Figures in this section are presented on an adjusted basis, i.e. excluding (i) share-based compensation (in Fulfilment expenses, Marketing expenses as well as in General and administrative expenses), (ii) expenses for the centralization of the French business (for FY 2019). (iii) IPO costs recognized in profit and loss (in General and administrative expenses, for FY 2018), and (iv) central costs allocated to discontinued operations (for FY 2018). We calculate “Adjusted EBITDA” by adjusting EBITDA for these items.

CONDENSED FIRST HALF 2019 CONSOLIDATED INCOME STATEMENT ON ADJUSTED BASIS (UNAUDITED)

EUR m	H1 2019	In % of revenue	H1 2018	In % of revenue
Revenue	**119.5**	**100.0%**	**120.5**	**100.0%**
Cost of sales	– 68.3	– 57.1%	– 69.3	– 57.5%
Gross Profit	**51.2**	**42.9%**	**51.1**	**42.5%**
Fulfilment expenses	– 29.1	– 24.3%	– 25.5	– 21.2%
Contribution profit	**22.1**	**18.5%**	**25.7**	**21.3%**
Marketing expenses	– 9.3	– 7.8%	– 7.6	– 6.3%
General and administrative expenses	– 25.5	– 21.4%	– 19.6	– 16.3%
Other operating expenses	– 0.7	– 0.6%	– 0.3	– 0.3%
Other operating income	0.6	0.5%	0.3	0.3%
Central costs allocated to discontinued operations	–	–	1.2	1.0%
Depreciation, amortization and impairments	4.0	3.4%	3.2	2.7%
Adjusted EBITDA	**– 8.8**	**– 7.3%**	**2.8**	**2.3%**

CONDENSED SECOND QUARTER 2019 CONSOLIDATED INCOME STATEMENT ON ADJUSTED BASIS (UNAUDITED)

EUR m	Q2 2019	In % of revenue	Q2 2018	In % of revenue
Revenue	**58.1**	**100.0%**	**58.4**	**100.0%**
Cost of sales	– 32.9	– 56.6%	– 33.5	– 57.3%
Gross Profit	**25.2**	**43.4%**	**24.9**	**42.7%**
Fulfilment expenses	– 14.5	– 24.9%	– 12.6	– 21.5%
Contribution profit	**10.7**	**18.5%**	**12.4**	**21.2%**
Marketing expenses	– 4.8	– 8.4%	– 3.9	– 6.7%
General and administrative expenses	– 12.8	– 22.1%	– 10.1	– 17.3%
Other operating expenses	– 0.3	– 0.5%	0.0	0.1%
Other operating income	0.2	0.4%	0.1	0.1%
Central costs allocated to discontinued operations	–	–	0.7	1.2%
Depreciation, amortization and impairments	2.1	3.6%	1.6	2.8%
Adjusted EBITDA	**– 4.9**	**– 8.5%**	**0.8**	**1.3%**

Revenue

Our revenue remained roughly flat with EUR 58.1m in the second quarter of 2019 compared to EUR 58.4m in the prior-year period, due to the effects described above.

In the first half of 2019, revenue amounted to EUR 119.5m, a similar level as in the prior-year period (EUR 120.5m).

As of June 30, 2019, the Group had 909 thousand active customers compared to 907 thousand active customers as of June 30, 2018.

Contribution Margin

Our gross margin increased slightly to 43.4 % in the second quarter of 2019 compared to 42.7 % in the prior-year period. While we had insufficient margin discipline in our daily themes businesses as well as too aggressive pricing on 3rd party products on our permanent assortment during much of the first half of the year, this has been successfully addressed towards the end of the second quarter.

Our fulfilment costs increased to 24.9 % of revenue in the second quarter of 2019 compared to 21.5 % in the prior-year period. The main reason for this was the delay of our warehouse move from Berlin to Poznan, Poland, among others due to regulatory issues. We opened our new warehouse in Poznan in the first quarter and saw negative cost impact from this delayed move including ramp-up costs and costs of still running the Berlin warehouse in parallel in the second quarter. All these costs were significantly higher than originally planned. With the parallel warehouse operations cost gone, we are now focused on reaping the benefits of the original business case in the second half of the year. In addition, increased freight costs from our carriers which became effective mostly in late 2018/early 2019 had a negative impact on our fulfilment costs – we have partially countered those by cost-optimized carrier selection towards the end of the quarter.

As a result, our contribution margin was at 18.5 % in the second quarter of 2019, compared to 21.2 % in the prior-year period. For the first six months of 2019 the contribution margin was 18.5 %, the comparable in the first half of 2018 amounted to 21.3 %.

Private Label continues to be the key driver for the increase of our contribution margin going forward. Increasing its share of our sales is one of our strategic priorities.

Marketing Expenses

Marketing expenses were up to EUR 4.8m or 8.4 % of revenue in the second quarter of 2019 compared to EUR 3.9m or 6.7 % of revenue in the prior-year period. We spent a high proportion of the additional marketing investments into social media, in line with our marketing strategy. Furthermore, we have focused our marketing even more on the acquisition of new customers.

In the first half of 2019 marketing expenses amounted to EUR 9.3m or 7.8 % of revenue, while they were at EUR 7.6m or 6.3 % of revenue in the same period 2018.

General and Administrative Expenses

General and administrative expenses amounted to EUR 12.8m in the second quarter of 2019, an increase by 4.8 percentage points to 22.1 % of revenue compared to the same period in the prior year. This development is primarily driven by growth investments made into technology, Private Label and our permanent assortment since the third and fourth quarter 2018. Flat revenue growth in the second quarter of this year resulted in lack of operating leverage. Going forward, we will focus further investments and reduce complexity in our business, as we have done with the ongoing centralization of our French retail business in Munich.

In the first half of 2019, general and administration expenses were EUR 25.5m (H1 2018: EUR 19.6m), corresponding to 21.4 % of revenue (H1 2018: 16.3 %).

Adjusted EBITDA

The Group's Adjusted EBITDA was EUR – 4.9m in the second quarter of 2019, compared to the prior-year period result of EUR 0.8m. This corresponds to a decrease of the Adjusted EBITDA margin from + 1.3 % in the second quarter of 2018 to – 8.5 % in the same period in 2019.

For the first six months of 2019, Adjusted EBITDA was at EUR – 8.8m (H1 2018: EUR 2.8m) with an Adjusted EBITDA margin of – 7.3 % (H1 2018: 2.3 %).

The centralization of the French business is ongoing. The expenses for centralization are estimated at up to EUR 2.4m, of which EUR 2.3m incurred in the second quarter of 2019. They include restructuring costs and provisions in France as well as set-up expenses for managing the French business in Munich and minor other effects. Due to their non-recurring nature, these costs are excluded from our Adjusted EBITDA.

1.2 SEGMENT INFORMATION

The Group's results are broken down into the segments DACH (Germany, Austria and Switzerland) and International (other European markets). The condensed segment results for the second quarter of 2019 show solid growth in revenue in the DACH segment while there was a revenue reduction in the International segment compared to the prior-year period. Adjusted EBITDA was negative for both, the DACH and the International segment.

CONSOLIDATED SEGMENT RESULTS (UNAUDITED)

EUR m	H1 2019	H1 2018	Change	Q2 2019	Q2 2018	Change
Revenue						
DACH	65.4	59.8	9.4 %	31.9	29.8	7.2 %
International	54.1	60.7	– 10.8 %	26.2	28.6	– 8.7 %
Adjusted EBITDA						
DACH	– 2.8	2.9	– 5.7	– 1.9	1.7	– 3.6
International	– 5.8	0.1	– 5.9	– 2.9	– 0.8	– 2.1
Headquarter/Reconciliation	– 0.2	– 0.1	– 0.0	– 0.1	– 0.1	0.0
Adjusted EBITDA margin						
DACH	– 4.3 %	4.8 %	– 9.1pp	– 6.0 %	5.7 %	– 11.6pp
International	– 10.8 %	0.1 %	– 10.9pp	– 11.2 %	– 2.9 %	– 8.3pp

Segment Revenue

In our DACH segment we had revenue growth of + 7.2 % in the second quarter. While we are in the process of optimizing our DACH assortment towards a higher share of high-converting low price point products and have made significant progress, this still weighed down on growth. To some extent, the low growth rate in the DACH segment can also be explained by baseline effects due to the strong second quarter in the prior year with growth of 39 %.

The International segment showed a revenue reduction of 8.7 %, also driven by negative growth in our Italian business. A transformation program is ongoing, however, this has not yet resulted in significant financial improvements.

We will continue to replicate our successful DACH business model internationally, e.g. we launched our permanent assortment WestwingNow in the Czech Republic and Slovak Republic in July (after end of the reporting period). Furthermore, we increased the Private Label share of GMV in the International segment from 6 % to 14 % in the second quarter of 2019 compared to the prior-year period.

Segment Adjusted EBITDA

In the second quarter of 2019, the Adjusted EBITDA margin in the DACH segment was at – 6.0 % compared to + 5.7 % in the prior-year period. In the International segment, the Adjusted EBITDA margin in the second quarter of 2019 amounted to – 11.2 %, compared to – 2.9 % in the prior-year period.

1.3 FINANCIAL POSITION

CASH FLOWS (UNAUDITED)

EUR m	H1 2019	H1 2018	Q2 2019	Q2 2018
Cash flows used in operating activities	– 20.2	– 7.6	– 7.1	– 2.7
Cash flows used in investing activities	– 4.9	– 3.1	– 1.8	– 1.5
Cash flows from financing activities	– 5.2	5.1	– 4.0	5.9
Cash flows from discontinued activities	–	– 0.2	–	0.2
Net decrease in cash and cash equivalents	**– 30.3**	**– 5.8**	**– 12.8**	**1.9**
Effect of exchange rate fluctuations on cash held	– 0.2	– 0.3	– 0.1	– 0.2
Cash and cash equivalents as of January 1	123.0	13.8	105.4	6.0
Cash and cash equivalents as of June 30	**92.4**	**7.7**	**92.4**	**7.7**
thereof – discontinued operations	–	0.6	–	0.6
thereof – continuing operations	92.4	7.0	92.4	7.0
Free cash flow	**– 25.1**	**– 10.7**	**– 8.9**	**– 4.2**

Cash flows used in operating activities amounted to EUR – 20.2m in the first six months of 2019 compared to EUR – 7.6m for the same period in 2018. This development was primarily driven by the negative operating result as well as some investments into working capital.

Cash flows used in investing activities were up from EUR – 3.1m in the first half of 2018 to EUR – 4.9m for the same period in 2019. This development is mainly driven by internally developed software as well as minor investments in property plant and equipment.

Cash flows from financing activities resulted, among others, from the payments of leasing liabilities according to IFRS 16.

Our cash balance remained very strong with net cash of EUR 78m (defined as EUR 92.4m cash and equivalents less EUR 14.7m debt), and we continued to be very cash-efficient by maintaining roughly neutral working capital and an asset-light business model (capex ratio of 4 % for the first half of 2019).

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	June 30, 2019		December 31, 2018	
	EUR m	In % of Total	EUR m	In % of Total
Total assets	**183.4**	**100.0 %**	**197.5**	**100.0 %**
Non-current assets	50.7	27.7 %	33.3	16.9 %
Current assets	132.7	72.3 %	164.2	83.1 %
Total Liabilities + Equity	**183.4**	**100.0 %**	**197.5**	**100.0 %**
Equity	87.8	47.9 %	104.9	53.1 %
Non-current liabilities	27.8	15.2 %	32.4	16.4 %
Current liabilities	67.8	37.0 %	60.2	30.5 %

On June 30, 2019, total assets amounted to EUR 183.4m (December 31, 2018: EUR 197.5m).

The increase of non-current assets by EUR 17.4m to EUR 50.7m is primarily due to the rise in right-of-use assets by EUR 12.5m as well as higher self-developed intangible assets which were up by EUR 2.9m. The increase in right-of-use assets is particularly related to the new warehouse in Poland and new office space for the headquarter in Munich. Current assets decreased by EUR 31.5m to EUR 132.7m, also as a result of the reduction in cash and cash equivalents.

Equity decreased from EUR 104.9m on December 31, 2018, to EUR 87.8m on June 30, 2019, primarily due to the loss of the period.

Non-current liabilities declined by EUR 4.6m to EUR 27.8m because of two significant effects: Non-current borrowings were reclassified as current in the second quarter amounting to EUR 14.7m as we plan to repay out debt with Global Growth Capital in the third quarter, and non-current finance lease liabilities increased by EUR 11.4m as a result from the IFRS 16 leasing effects mentioned above.

The current liabilities were up by EUR 7.6m to EUR 67.8m, primarily due to the reclass of borrowings which was partially offset by seasonally lower trade payables and accruals as well as a decrease in refund liabilities.

1.4 OUTLOOK

As highlighted in our publication for the first quarter of 2019, we expect acceleration of growth and improved profitability in the second half of 2019, in particular a return to profitable growth in the fourth quarter of 2019. Based on a broad range of initiatives implemented and with leading indicators improving, we expect the results in the remainder of the year – especially in our seasonally strongest fourth quarter – to be significantly better than in the first six months.

We will focus in the second half of 2019 on the following areas:

- Gross margin: We will continue to increase our Own and Private Label share and ensure margin discipline
- Logistics: With the warehouse move completed, we now focus on operational improvements in logistics
- Marketing: We have increased marketing investments in the second quarter with continued focus on social media and expect to keep them on higher levels in the third quarter of 2019.

Current trading is encouraging: July was the best month of the year in GMV growth, and growth of our leading indicator 'new email registrations' has improved from negative in January-May to double-digit positive in June-July. Towards the end of the second quarter, contribution margin was already stronger and had positive momentum as well.

Based on the results of the first half of the year, we expect to finish the full year 2019 at the lower end of our updated guidance of 6–12 % revenue growth and – 1 % to 1 % Adjusted EBITDA margin.

Our balance sheet is strong at EUR 78m of net cash (defined as EUR 92m cash on the bank less EUR 15m debt). We plan to fully repay our outstanding debt of EUR 15m in the third quarter. We expect Free Cash Flow to be roughly neutral for the remainder of year – seasonally negative in the third quarter and positive in the seasonally strongest fourth quarter.

Our business model and core DACH business remain fundamentally strong based on high customer loyalty, an efficient marketing model, and increasing Private Label share, despite recent operational challenges.

1.5 EVENTS AFTER THE BALANCE-SHEET DATE

The Management Board decided, and Supervisory Board approved on August 12, 2019, to buy back shares via the market of up to EUR 4m. The shares shall be used to settle the exercise of employee stock options.

Next to this, there were no significant events after the balance-sheet date that would have a material impact on Westwing's results of operations, net assets or financial position.

Munich, August 13, 2019

Stefan Smalla	Delia Fischer	Dr. Dr. Florian Drabeck
Chief Executive Officer	Chief Creative Officer	Chief Financial Officer

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Selected

FINANCIAL INFORMATION (UNAUDITED)

2.1 CONSOLIDATED INCOME STATEMENT

EUR m	H1 2019	H1 2018	Q2 2019	Q2 2018
Revenue	119.5	120.5	58.1	58.4
Cost of sales	– 68.3	– 69.3	– 32.9	– 33.5
Gross profit	**51.2**	**51.1**	**25.2**	**24.9**
Fulfilment expenses	– 29.9	– 24.6	– 15.2	– 11.6
Marketing expenses	– 9.4	– 7.6	– 4.9	– 3.9
General and administrative expenses	– 33.7	– 17.4	– 17.5	– 6.7
Other operating expenses	– 0.7	– 0.3	– 0.3	– 0.0
Other operating income	0.6	0.3	0.2	0.1
Operating result	**– 21.8**	**1.6**	**– 12.5**	**2.7**
Finance costs	– 1.5	– 6.7	– 0.8	– 3.2
Finance income	0.7	–	0.2	0.0
Other financial result	– 0.2	– 0.2	– 0.1	– 0.1
Financial result	**– 1.1**	**– 6.8**	**– 0.7**	**– 3.3**
Result before income tax	**– 22.9**	**– 5.3**	**– 13.2**	**– 0.5**
Income tax expense	0.0	– 0.1	0.0	– 0.1
Result for the period from continuing operations	**– 22.9**	**– 5.4**	**– 13.2**	**– 0.6**
Result for the period from discontinued operations after taxes	–	0.7	–	0.4
Result for the period	**– 22.9**	**– 4.7**	**– 13.2**	**– 0.2**
Result attributable to:				
Owners of the Company	– 22.9	– 6.9	– 13.2	– 2.5
Non-controlling interests	– 0.0	2.3	– 0.0	2.3
Average number of shares in circulation; undiluted (= diluted)	20,732,288	13,726,650[1]	20,740,146	13,726,650[1]
Earnings per share (in EUR) from continuing operations attributable to the owners of the Company; undiluted (= diluted)	– 1.11	– 0.54	– 0.63	– 0.21
Earnings per share (in EUR) from discontinued operations attributable to the owners of the Company; undiluted (= diluted)	–	0.04	–	0.03

1 After share split

2.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR m	H1 2019	H1 2018
Result for the period	**– 22.9**	**– 4.7**
Other comprehensive income:		
Items that subsequently will be reclassified to the income statement:		
Exchange translation differences of foreign operations	0.0	0.4
Other comprehensive income for the period, net of tax	**0.0**	**0.4**
Attributable to:		
Owners of the Company	0.0	0.4
Non-controlling interests	–	0.1
Total comprehensive loss for the period	**– 22.9**	**– 4.3**
Attributable to:		
Owners of the Company	– 22.9	– 6.6
Non-controlling interests	– 0.0	2.3
Total comprehensive loss for the period	**– 22.9**	**– 4.3**

2.3 RECONCILIATION OF ADJUSTED EBITDA

EUR m	H1 2019	H1 2018	Q2 2019	Q2 2018
Operating result	**– 21.8**	**1.6**	**– 12.5**	**2.7**
Adjustments				
Share-based compensation income/(expenses)	6.7	– 3.2	3.2	– 4.4
Expenses for the centralization of the French business	2.3	–	2.3	–
IPO costs recognized in profit or loss	–	0.1	–	0.1
Central costs allocated to discontinued operations	–	1.2	–	0.7
Depreciation, amortization, and impairments	4.0	3.2	2.1	1.6
Adjusted EBITDA	**– 8.8**	**2.8**	**– 4.9**	**0.8**

2.4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR m	June 30, 2019	December 31, 2018
Assets		
Non-current assets		
Property, plant and equipment	35.0	21.9
Intangible assets	10.9	8.0
Trade and other receivables	4.3	2.9
Deferred tax assets	0.5	0.5
Total non-current assets	**50.7**	**33.3**
Current assets		
Inventories	25.6	22.6
Prepayments on inventories	3.6	2.5
Trade and other receivables	7.0	10.0
Other assets	4.0	6.1
Cash and cash equivalents	92.4	123.0
Total current assets	**132.7**	**164.2**
Total assets	**183.4**	**197.5**
Equity and liabilities		
Equity/(deficit)		
Share capital	20.7	20.7
Capital reserves	349.8	349.1
Treasury shares	–	– 0.8
Other reserves	47.9	43.6
Retained earnings	– 328.2	– 305.2
Other comprehensive income (OCI) reserve	0.3	0.3
Equity attributable to the owners of the Company	**90.5**	**107.7**
Non-controlling interests	– 2.8	– 2.7
Total equity	**87.8**	**104.9**
Non-current liabilities		
Borrowings	–	14.9
Lease liabilities	27.1	15.8
Other financial liabilities	–	–
Other non-financial liabilities	0.0	1.5
Provisions	0.7	0.2
Total non-current liabilities	**27.8**	**32.4**
Current liabilities		
Borrowings	14.7	–
Lease liabilities	3.3	2.3
Trade payables and accruals	25.4	32.0
Contract liabilities	9.3	7.9
Refund liabilities	4.3	6.2
Other financial liabilities	0.0	0.7
Other non-financial liabilities	8.4	10.4
Provisions	2.4	0.7
Total current liabilities	**67.8**	**60.2**
Total liabilities	**95.6**	**92.5**
Total equity and liabilities	**183.4**	**197.5**

2.5 CONSOLIDATED STATEMENT OF CASH FLOWS

EUR m	H1 2019	H1 2018	Q2 2019	Q2 2018
Result before income tax	– 22.9	– 5.3	– 13.2	– 0.5
Adjustments				
Depreciation and impairment of property, plant and equipment	3.0	2.4	1.6	1.3
Amortization and impairment of intangible assets	1.0	0.8	0.5	0.4
Loss on disposal of property, plant and equipment	0.0	0.0	0.0	0.0
Share-based compensation (income) / expenses	6.7	– 3.2	3.2	– 4.4
Fair value loss on financial liabilities	– 0.7	0.1	– 0.2	0.0
Finance income	– 0.0	–	–	–
Finance costs	1.5	1.2[1]	0.8	0.6
Foreign currency effects	0.2	0.2	0.1	0.2
Other non-cash related adjustments	1.0	6.9[1]	0.5	3.0
Changes in provisions and pensions	– 0.3	0.3	3.0	0.2
Cash effective operating profit / (loss) before changes in working capital	**– 10.4**	**3.4**	**– 3.7**	**0.6**
Adjustments for changes in working capital:				
Changes in trade and other receivables and prepayments	3.1	– 2.5[1]	3.2	– 1.4
Changes in inventories	– 4.7	– 4.1[1]	– 0.8	– 1.5
Changes in trade and other payables	– 8.2	– 4.2[1]	– 5.8	– 0.4
Cash used in operations	**– 20.3**	**– 7.4**	**– 7.1**	**– 2.6**
Tax paid	0.1	– 0.1	– 0.0	– 0.1
Net cash flows used in operating activities – continuing operations	**– 20.2**	**– 7.6**	**– 7.1**	**– 2.7**
Net cash flows generated / used in operating activities – discontinued operations	–	0.5	–	0.6
Net cash flows used in operating activities – continuing and discontinued operations	**– 20.2**	**– 7.1**	**– 7.1**	**– 2.1**
Investing Activities:				
Proceeds from sale of property, plant and equipment	0.0	0.2	0.0	0.2
Purchase of property, plant and equipment	– 1.4	– 0.6	– 0.8	– 0.3
Purchase of intangible assets	– 3.9	– 2.7	– 1.9	– 1.3
Disposal of subsidiaries	1.6	0.0	1.6	0.0
Security deposits received / (paid)	– 1.2	– 0.0	– 0.7	– 0.0
Net cash flows used in investing activities – continuing operations	**– 4.9**	**– 3.1**	**– 1.8**	**– 1.5**
Net cash flows used in investing activities – discontinued operations	–	– 0.2	–	– 0.1
Net cash flows used in investing activities – continuing and discontinued operations	**– 4.9**	**– 3.3**	**– 1.8**	**– 1.6**
Financing activities				
Interest and other finance charges paid	– 1.7	– 1.0	– 1.4	– 0.5
Proceeds from / (repayment of) borrowings	–	7.7	–	7.3
Payments of lease liabilities	– 2.2	– 1.6	– 1.2	– 0.9
Purchase of equity instruments	– 1.0	–	– 1.0	–
Purchase of minorities	– 0.3	–	– 0.3	–
Net cash flows from financing activities – continuing operations	**– 5.2**	**5.1**	**– 4.0**	**5.9**
Net cash flows from financing activities – discontinued operations	–	– 0.6	–	– 0.3
Net cash flows from financing activities – continuing and discontinued operations	**– 5.2**	**4.5**	**– 4.0**	**5.6**
Net change in cash and cash equivalents	**– 30.3**	**– 5.8**	**– 12.8**	**1.9**
Effect of exchange rate fluctuations on cash held	– 0.2	– 0.3	– 0.1	– 0.2
Cash and cash equivalents as of January 1 / June 30	123.0	13.8	105.4	6.0
Cash and cash equivalents at June 30	**92.4**	**7.7**	**92.4**	**7.7**
thereof – discontinued operations	–	0.6	–	0.6
thereof – continuing operations	**92.4**	**7.0**	**92.4**	**7.0**

1 To add clarity, the prior-year figures were partially shifted within the cash flow with respect to non-cash effects on finance costs and working capital.

2.6 STATEMENT OF CHANGES OF EQUITY

EUR m	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Other comprehensive income (OCI) reserve	Total	Non-controlling interests	Total equity
As of January 1, 2018	**0.1**	**210.3**	**–1.0**	**22.7**	**–269.3**	**7.2**	**–30.0**	**–35.8**	**–65.8**
Loss for the period	–	–	–	–	–6.9	–	–6.9	2.3	–4.7
Other comprehensive income	–	–	–	–	–	0.4	0.4	0.1	0.4
Total comprehensive income	**–**	**–**	**–**	**–**	**–6.9**	**0.4**	**–6.6**	**2.3**	**–4.3**
Share-based compensation expenses	–	–	–	12.5	–	–	12.5	0.1	12.5
Acquisitions / disposals of non-controlling interest / other	–	–	–	0.0	–0.0	–	0.0	–	0.0
As of June 30, 2018	**0.1**	**210.3**	**–1.0**	**35.1**	**–276.2**	**7.5**	**–24.1**	**–33.4**	**–57.5**
As of January 1, 2019	**20.7**	**349.1**	**–0.8**	**43.6**	**–305.3**	**0.3**	**107.6**	**–2.7**	**104.9**
Loss for the period	–	–	–	–	–22.9	–	–22.9	–0.0	–22.9
Other comprehensive income	–	–	–	–	–	0.0	0.0	–	0.0
Total comprehensive income	**–**	**–**	**–**	**–**	**–22.9**	**0.0**	**–22.9**	**–0.0**	**–22.9**
Share-based compensation expenses	–	0.7	0.8	4.3	–	–	5.8	–	5.8
Other	–	–	–	–	–	–	–	–	–
As of June 30, 2019	**20.7**	**349.8**	**–0.0**	**47.9**	**–328.2**	**0.3**	**90.5**	**–2.7**	**87.8**

2.7 SELECTED EXPLANATORY NOTES

2.7.1 Information on the Company and the Group

The Westwing Group AG (referred to as the "Company" or "Westwing") and its subsidiaries (together referred to as the "Group") are one of the leading eCommerce companies in the European home & living sector.

The Company was incorporated in 2011 and is registered at Berlin District Court, Germany, under the number HRB 199007 B. The company is headquartered in Moosacher Str. 88, 80809 Munich, Germany. As of June 30, 2019, the Group operated in 11 countries (Germany, Austria, Switzerland, Italy, Spain, the Netherlands, France, Poland, Belgium, Czech Republic and Slovak Republic) and consisted of 25 legal companies, all of which are consolidated in these condensed consolidated interim financial statements.

2.7.2 Principles for preparation of the financial statements

These condensed consolidated interim financial statements for the period from January 1, 2019 to June 30, 2019 were prepared in accordance with IAS 34, Interim Financial Reporting and using the IFRS as adopted by the EU and are unaudited. Accordingly, these condensed consolidated interim financial statements do not include all of the information and notes which are necessary for consolidated financial statements in accordance with IFRS and should be read in conjunction with the Group's consolidated financial statements as of and for the year ended December 31, 2018.

In the course of preparing the condensed consolidated interim financial statements for interim reporting purposes in accordance with IAS 34, the management is required to make assessments, estimates and assumptions which affect the application of accounting principles in the Group and the recognition of assets, liabilities, income and expenses. Actual amounts may deviate from these estimates.

The accounting policies and recognition and measurement methods applied in the consolidated financial statements as of December 31, 2018 have been applied without material change. Several amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of Westwing Group AG.

The consolidated interim financial statements have been prepared in millions of euros (EUR m). The values in the consolidated interim financial statements have been rounded according to commercial principles. Therefore, the sum of a table may not exactly be the same as the addition of the individual numbers and differences may arise when individual amounts or percentages are added up.

2.7.3 Segment data

The operating segment information for the reporting period which ended at June 30, 2019 (all amounts are in EUR m unless stated otherwise):

H1 2019	DACH	International	HQ/ Reconciliation	Group
Result before Income Tax	**– 11.1**	**– 9.5**	**– 2.4**	**– 22.9**
Finance costs	1.4	0.2	–	1.5
Finance income	– 0.7	– 0.0	–	– 0.7
Other financial result	0.1	0.1	–	0.2
Operating Result	**– 10.2**	**– 9.2**	**– 2.4**	**– 21.8**
Depreciation and amortization	0.7	1.1	2.2	4.0
Share-based payments	6.7	–	–	6.7
Costs for centralization of the French business	–	2.3	0.0	2.3
Adjusted EBITDA	**– 2.8**	**– 5.8**	**– 0.2**	**– 8.8**
Adjusted EBITDA margin	– 4.3 %	– 10.8 %	–	– 7.3 %
Revenue	65.4	54.1	–	119.5
Cash and cash equivalents	3.6	4.1	84.8	92.4

The operating segment information for the reporting period which ended at June 30, 2018 (all amounts are in EUR m unless stated otherwise):

H1 2018	DACH	International	HQ/ Reconciliation	Group
Result Before Income Tax for Continuing Operations	**– 1.1**	**– 1.1**	**– 3.1**	**– 5.3**
Finance costs	6.5	0.2	–	6.7
Finance income	–	–	–	–
Other financial result	0.0	0.1	–	0.2
Operating Result	**5.4**	**– 0.8**	**– 3.1**	**1.6**
Depreciation and amortization	0.8	0.8	1.7	3.2
Share-based payments	– 3.3	0.1	–	– 3.2
Central costs allocated to discontinued operations	–	–	1.2	1.2
IPO costs	–	–	0.1	0.1
Adjusted EBITDA	**2.9**	**0.1**	**– 0.1**	**2.8**
Adjusted EBITDA margin	4.8 %	0.1 %	–	2.3 %
Revenue	59.8	60.7	–	120.5
Cash and cash equivalents	1.5	3.4	2.1	7.0

Group entities with their registered office in Germany attained revenue to the amount of EUR 74.1m (H1 2018: EUR 61.6) and reported long-term assets (not including financial instruments) on the balance sheet amounting to EUR 41.6m (H1 2018: EUR 26.2m).

2.7.4 Analysis of revenue

Revenue from contracts with customers for the first six month of 2019 comprised of the following:

EUR m	H1 2019	H1 2018
Revenue from the sale of products	115.5	116.2
Revenue from shipping charges	4.5	5.1
Other revenue	1.5	1.3
Sales reductions	– 2.0	– 2.2
Total	**119.5**	**120.5**

2.7.5 Balances and Transaction with Related Parties

Please refer to the consolidated financial statements as of December 31, 2018 for related party disclosures. In addition, the following related party transaction took place in the first half of 2019.

In June 2019, Delia Fischer, Chief Creative Officer of Westwing, married on the Spanish island Ibiza. The wedding was a big event with several celebrities present and high interest from many Westwing customers, followers and lifestyle magazines. Therefore, the Westwing marketing team monetized the wedding with daily themes, PR, social media and product placement. Delia Fischer transferred the right to her own picture (*Recht am eigenen Bild*) and the right to use video and photo material related to the wedding to Westwing for a total remuneration amounting to EUR 55k, covering her incremental costs.

2.7.6 Corporate Governance

The declaration of compliance with the recommendations of the German Corporate Governance Code issued by the Supervisory Board and the Management Board for Westwing Group AG for fiscal year 2018 in accordance with Section 161 AktG ("Aktiengesetz": German Stock Corporation Act) was published in December 2018. It is permanently available in the Investor Relations section on Westwing Group AG's website at https://ir.westwing.com/websites/westwing/English/5150/declaration-of-conformity.html.

2.7.7 Further information

Westwing decided in the second quarter of 2019 to centralize its French business to its headquarters in Munich. Total costs of EUR 2.4m are expected, of which EUR 2.3m have already incurred in the second quarter of 2019. This mainly includes restructuring expenses. Therefore, the provision recognized for restructuring amounted to EUR 2.2m.

The following movements of treasury shares occurred in the first half of the year: EUR 0.8m were issued in the first quarter of 2019 as part of the exercise of stock options for former employees of Westwing Group AG. EUR 0.3m was recognized in the second quarter as part of the repurchase of employee shares and subsequently reissued for the settlement of stock options, so that the company held no treasury shares as of June 30, 2019.

In Westwing's consolidated financial statements as of June 30, 2019, the three outstanding warrants under which the loan providers have the right to be provided with shares in Westwing upon execution are included in the derivative financial instrument category and thus relevant for valuation in accordance with IFRS 13. The fair value of the warrant is calculated using the stock price as of reporting date, considering the expected volatility for the remaining term. Due to the decrease of the share price, the value of the warrants was reduced and an income of EUR 0.7m was recognized. As of the balance-sheet date, the value of the warrants amounts to EUR 0.0m, shown in current other financial liabilities.

Events after the Balance Sheet Date

The Management Board decided, and Supervisory Board approved on August 12, 2019, to buy back shares via the market of up to EUR 4m. The shares shall be used to settle the exercise of employee stock options.

Next to this, there were no significant events after the balance sheet date that would have a material effect on the Westwing Group's business development.

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Responsibility Statement by the MANAGEMENT BOARD

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

Munich, August 13, 2019

Stefan Smalla	Delia Fischer	Dr. Dr. Florian Drabeck
Chief Executive Officer	Chief Creative Officer	Chief Financial Officer

FINANCIAL CALENDAR

NOVEMBER 7, 2019
Publication of third quarter results 2019

IMPRINT

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