windeln.de publishes H1 2018 results: progress on restructuring, softer market environment in China

- **H1 revenues EUR 56.4 million (Q2 2018: EUR 23.5 million) and H1 2018 adjusted EBIT EUR -11.1 million (Q2 2018: EUR -5.9 million); lower revenues driven by soft demand in China**
- **Good progress on Group restructuring with margin improvement at European shops, reduction of SG&A expenses and sale of Feedo**
- **Net working capital and liquidity position improved compared to previous quarter; total cash available of EUR 17.1 million as of June 30, 2018**
- **Target to reach adjusted EBIT break-even early 2019 confirmed**

Munich, August 9, 2018: windeln.de SE ("windeln.de" or "Group"), one of the leading online retailers for baby, toddler and children´s products in Europe and to customers in China, generated revenues of EUR 56.4 million in the first half (H1) of 2018 (H1 2017: EUR 94.9 million). Revenues of the second quarter (Q2) 2018 amounted to EUR 23.5 million (Q2 2017: EUR 48.3 million). Adjusted EBIT was EUR -11.1 million in H1 2018 (H1 2017: EUR -11.5 million) and EUR -5.9 million in Q2 2018 (Q2 2017: EUR -5.0 million).

Revenue development in H1/Q2 2018 impacted by softer market environment in China as well as ongoing efficiency and profitability measures for European business

To reach adjusted EBIT break-even early 2019, windeln.de decided to implement several efficiency and profitability measures in February this year. This included streamlining the international business and focusing all European shops on margin improvement as well as lowering overhead costs. The Group has done significant progress on these measures - at the expense of lower revenues. Revenues in the DACH region (Germany, Austria and Switzerland) amounted to EUR 12.6 million in H1 2018 (H1 2017: EUR 24.3 million) and EUR 5.3 million in Q2 (Q2 2017: EUR 11.0 million). DACH accounts for approximately 22% of Group revenues in H1 2018. For the German speaking business marketing expenses have been reduced (Q2 2018: -68% compared to Q2 previous year) and focused on generating profitable revenues. Approximately 26% of Group revenues in H1 2018, EUR 14.7 million (H1 2017: EUR 19.7 million) or EUR 6.6 million in Q2 2018 (Q2 2017: EUR 10.1 million), are attributable to the Southern European Bebitus shops which serve the countries Spain, Portugal and France. Similar to the DACH region, the Bebitus shops are focused on improving profitability by increasing product margins and focusing marketing expenses (Q2: - 55% compared to Q2 previous year).

In Q2 2018, the business in China remained challenging. Firstly, temporary stricter border controls, which are now over, led to delays of product deliveries to Chinese customers of 4 to 8 weeks, resulting in order cancellations and refunds (approximately EUR 0.6 million negative EBIT impact). Secondly, product pricing has been competitive as the market was impacted by overstock from Q1, which is expected to be cleared in Q3. Thirdly, customers hesitate to order as larger suppliers plan product relaunches (new recipe and packaging) in the second half of the year and Chinese customers are generally less willing to stock old products. As a result, revenues in China in H1 2018 were significantly lower at EUR 29.1 million (H1 2017: EUR 50.9 million) and EUR 11.6 million in Q2 2018 (Q2 2017: EUR 27.3 million) compared to the previous year. This accounts for approximately 52% of Group revenues in H1 2018. In general, however, it is expected that the product relaunches in H2 will lead to noticeable market recoveries.

Improvement on product margins and cost structure[1]

On a year on year comparison, product margins for all European shops increased due to the continued optimization of assortment and product pricing. For the Group however, gross profit margin as % of revenues at 24.4% in H1 2018 and 24.0% in Q2 2018 was lower than in the previous year (H1 2017: 25.4% and Q2 2017: 26.8%). Reasons were customer cancellations and refunds in China due to temporary increased customs controls and aggressive price promotions in DACH region to lower inventory levels.

As a result of the implemented restructuring measures, the Group shows significant improvements in its SG&A costs. Other SG&A costs are significantly below previous year and at the lowest level since 2015, amounting to EUR 12.3 million in H1 2018 (H1 2017: EUR 16.4 million) or EUR 5.8 million in Q2 2018 (Q2 2017: EUR 8.6 million). Main driver is lower headcount: since beginning of the year, windeln.de has reduced Group headcount from 387 active full-time equivalents (FTEs) to 237 FTEs (excluding Feedo) as of June 30, 2018 which is below the target of 250 FTEs by the end of 2018. Fulfilment costs of EUR 9.8 million in H1 2018 and EUR 4.6 million in Q2 were lower than in the previous year due to lower volume (H1 2017: EUR 14.3 million and Q2 2017: EUR 7.0 million). Marketing costs at EUR 2.6 million in H1 2018 or 4.6% of revenues were lower than the previous year due to the focusing of marketing expenses (H1 2017: EUR 4.9 million or 5.2% of revenues).

Reported EBIT improved to EUR -12.4 million in H1 2018 compared to EUR -17.1 million in H1 2017 (Q2 2018: EUR -5.4 million compared to Q2 2017: EUR -9.2 million). Adjusted EBIT amounted to EUR -11.1 million in H1 2018 compared to EUR -11.5 million in H1 2017 (Q2 2018: EUR -5.9 million compared to Q2 2017: EUR -5.0 million). The positive improvements on the cost base in Q2 2018 were offset by lower revenues and contribution margin from the Chinese business. The Group still targets to reach adjusted EBIT break-even early 2019 based on a stabilization of the Chinese business, further progress of margin improvements at the European shops and continuation of lowering the SG&A cost base.

Total cash available improved in Q2 2018 due to net working capital management; lower future negative cash flow due to Feedo divestiture

Due to the focus on managing inventory efficiently, net working capital at EUR 9.2 million as of June 30, 2018 was significantly lower than at the end of the previous quarter (March 31, 2018: EUR 19.1 million). As a result, the Group's total cash available[2] with EUR 17.1 million as of June 30 improved by EUR 2.7 million during the last quarter (March 31, 2018: EUR 14.4 million). On July 20, 2018, windeln.de announced the signing of a divestiture agreement for its Eastern European subsidiary Feedo which had high negative operating results and cash flows for the past years and was not integrated in the Group. windeln.de will significantly benefit from the sale by deconsolidating a loss-making and cash flow negative business (2017 adj. EBIT of EUR -3.4 million). All online shops within the windeln.de Group now also run on the same technical infrastructure.

CEO Matthias Peuckert states: "*We continue to be in restructuring mode since beginning of the year. Despite a currently challenging market environment in China we were able to successfully execute our strategy and to make good progress on improving margins and profitability. Reaching break-even early 2019 is a key goal for us.*"

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[1] Adjusted numbers.

[2] Includes cash, time deposits and restricted cash minus money market loans.

Select key figures for the first half of 2018 (without Feedo)

	H1 2018	H1 2017	Q2 2018	Q2 2017
Revenues (EUR million)	56.4	94.9	23.5	48.3
China	29.1	50.9	11.6	27.3
DACH	12.6	24.3	5.3	11.0
Other European Countries	14.7	19.7	6.6	10.1
Operating Contribution (EUR million)	1.3	4.8	-0.1	3.7
in % of revenues	*2.3%*	*5.1%*	*-0.2%*	*7.6%*
Adjusted EBIT (EUR million)	-11.1	-11.5	-5.9	-5.0
in % of revenues	*-19.8%*	*-12.1%*	*-24.9%*	*-10.3%*

Corporate Communications

Sophia Kursawe
Phone: +49 (89) 41 61 71 52 75
email: investor.relations@windeln.de

About windeln.de

windeln.de is one of the leading online retailers for baby, toddler and children´s products in Europe. The Group also operates a successful e-commerce business with products for babies and toddlers for customers in China. The broad product portfolio includes everything from diapers, baby food, children's furniture, toys, clothes and strollers to child car seats. windeln.de was founded in October 2010. The Company has been listed in the Prime Standard of the Frankfurt Stock Exchange since May 6, 2015. For more information, go to https://corporate.windeln.de.

Our shops: www.windeln.de, www.windeln.ch, www.bebitus.es, www.bebitus.pt, www.bebitus.fr, www.windeln.com.cn, windelnde.tmall.hk/