WESTWING

ANNUAL REPORT
2021

Westwing at a glance

EUR
522m
of revenue in 2021

Operate in EUR
121bn
market in geographies

EUR 40.4 m
Adjusted EBITDA 2021

Presence in
11
countries across Europe

Founded in
2011

80%
of orders come
from our repeat customers

Listed since
2018
on the Frankfurt Stock Exchange

To inspire and make every home a beautiful home

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

Business Model

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

Our integrated platform combines daily inspiration and interior shopping.

Each part of our business model has its own function:

DAILY THEMES

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

WESTWING COLLECTION

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

PERMANENT ASSORTMENT

WestwingNow, our permanent assortment, offers fast delivery of our third-party bestsellers and all Westwing Collection products, organized in fully shoppable looks

Content that inspires

We are a ‘shoppable magazine’ combining the best of two worlds: eCommerce and an interior design magazine.

We present our products alongside beautiful visual content such as shoppable interior themes and home styling tips. We also collaborate with influential celebrities and style icons to inspire our customers with their home stories.

In 2021, we worked with the likes of Nazan Eckes (TV host), Mike Singer (singer with 1.5m followers on Instagram), Jessica Schwarz (actress) and Scott Schuman (photographer and the founder of fashion blog “The Sartorialist”).

Our content is created by a large and talented creative team comprising art directors, interior designers, videographers, and photographers. Some of them were previously magazine editors-in-chief or editors of Home & Living and fashion magazines, fashion stylists, film makers, fashion photographers and graphic designers.

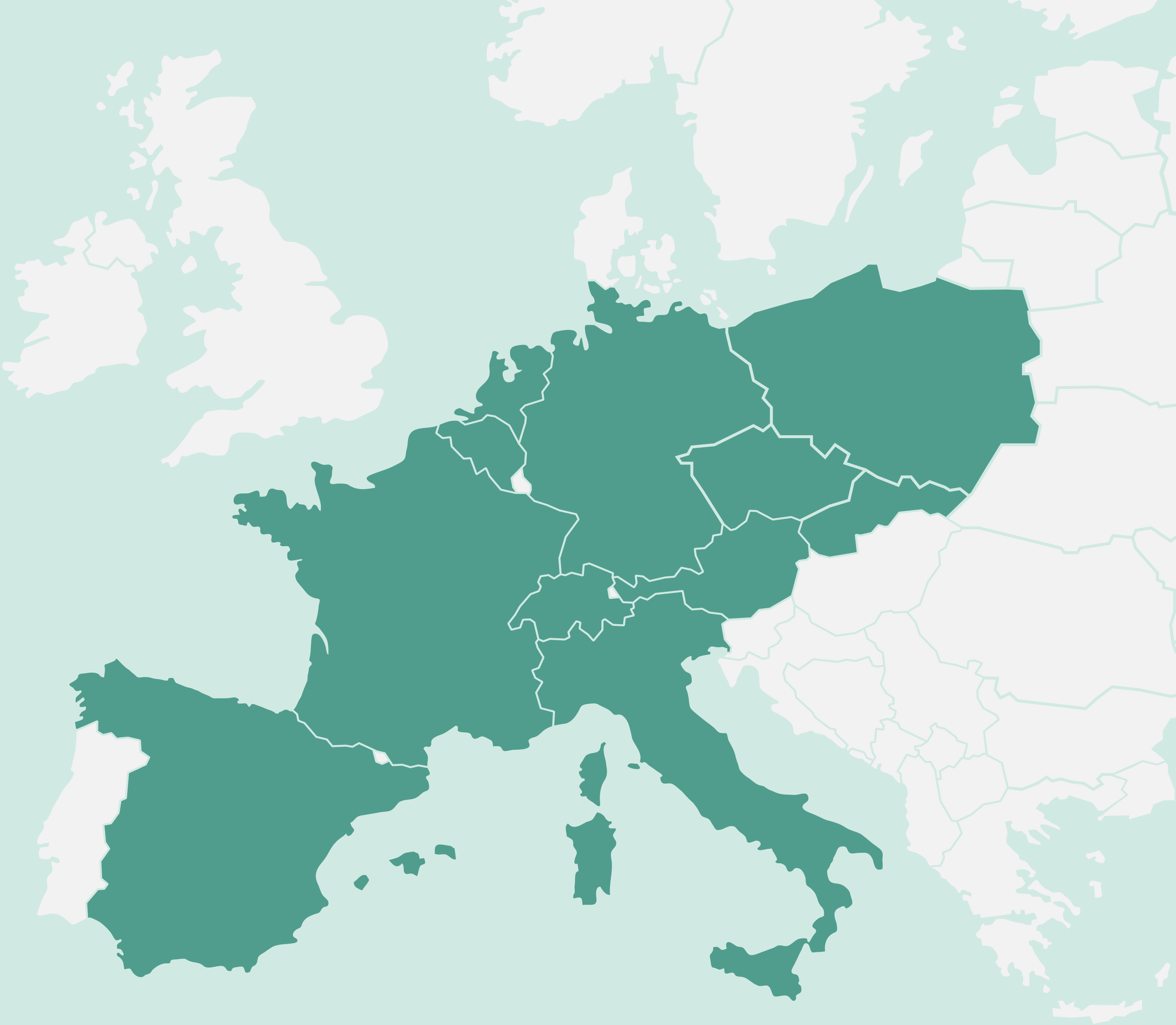
Westwing Collection

Launched in 2018, our own Westwing Collection has become a big success with our customers. Our long-term goal is to grow its share of gross merchandise volume (GMV) to 50%. Our team is a true design force: We continuously develop the products we know our customers will love and offer them at affordable prices. Our Westwing Collection has something for everyone, from furniture through textiles to décor. It is carefully designed and sourced, offering great quality and very good price points. No wonder that it belongs to our top sellers!







Our Market

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

Customers all over Europe love Westwing. We are present in 11 European countries and generated EUR 522m in revenue in 2021. The opportunity is massive, since the Home & Living market in the countries we operate in is >EUR 121bn. Since only a small percentage of sales are made online, we are at the tipping point of online acceleration.

Key figures

	2021	2020	Change
Results of operations			
Revenue (in EUR m)	522.5	432.9	21%
Adjusted EBITDA (in EUR m)	40.4	50.0	–9.5
Adjusted EBITDA margin (in % of revenue)	7.7%	11.5%	–3.8pp
Financial position			
Free cash flow (in EUR m)	2.7	39.5	–36.8
Cash and cash equivalents (in EUR m)	97.4	104.9	–7.5
Performance indicators			
Westwing Collection share (in % of GMV)	34%	25%	9pp
GMV (in EUR m)	586	502	17%
Number of orders (in thousands)	4,371	4,074	7%
Average basket size (in EUR)	134	123	9%
Active Customers (in thousands)	1,705	1,529	11%
Average orders per Active Customer (in EUR)	2.6	2.7	–4%
Average GMV per Active Customer in the preceding twelve months (in EUR)	343	328	5%
Mobile visit share	80%	79%	1pp
Other			
Full-time equivalent employees (as of reporting date)	2,312	1,671	641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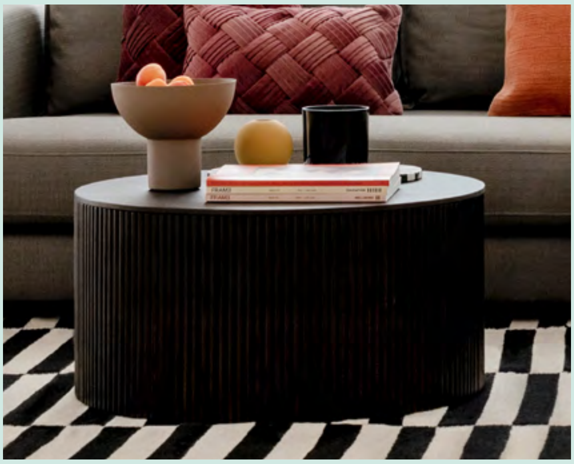

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COMPANY

The Management Board

STEFAN SMALLA
FOUNDER AND
CHIEF EXECUTIVE OFFICER

SEBASTIAN SÄUBERLICH
CHIEF FINANCIAL
OFFICER

LETTER TO SHAREHOLDERS

Dear shareholders,

Westwing turned 10 years old in 2021. We are proud both of the way we have navigated our business and continued delivering growth, and of the impact and scale we have achieved in just over a decade.

The past fiscal year was full of unprecedented moments, as the Covid-19 pandemic changed our lives in multiple ways. Both our teams and our customers learned to be more agile and flexible in the way we do business and take care of our homes.

In the midst of uncertainty and change, we at Westwing continued to do what we do best: inspiring our customers with beautiful and entertaining content, brands, and products through daily newsletters, mobile apps, sites, and social media channels.

2021 was a successful year for our Company. Revenue for the period was EUR 522 million, up a strong 21% on 2020. Adjusted EBITDA came to a solid EUR 40 million, while the Adjusted EBITDA margin was 7.7%. We achieved these results alongside a number of factors such as supply chain disruptions and cost inflation, and significant strategic investments in growth.

This year also saw decisive progress in our push to lift our high-margin, strategically important Westwing Collection towards our target of 50% of overall GMV, and hence boost our margin profile. In 2021, the share accounted for by our Westwing Collection rose by 9 percentage points year-over-year to 34% of Group GMV, and we are thrilled by the progress we have made in this area.

Customer retention and acquisition continued their strong trajectory, despite the extremely strong baseline set in 2020, and we increased our active customer base to 1.7 million. Repeat customer orders constituted 80% of the total, clearly showing the great strength of our loyalty-driven business model.

We also faced our fair share of challenges in the past year. Global supply chain disruptions pushed container costs to an all-time high, leading to cascading, unplanned expenses such as higher freight costs and the need to rent additional warehouse space to handle bulk inventory deliveries. Additionally, consumer sentiment and general interest in Home & Living eCommerce softened in the second half of the year, as customers looked to engage more in offline leisure activities after the ease in lockdown restrictions. This was followed by the emergence of Omicron and rising inflation, further lowering consumer confidence.

Even with difficulties in the background, our business continued to do well. Our top priority throughout the year was to further enhance the excellent experience that customers have come to expect of us. In a period of supply volatility, we were delighted to offer high stock availability thanks to our prompt investments in inventory buffers, which helped us immensely during peak periods. As a result, we had to temporarily relinquish our structurally negative working capital position, which is provisionally expected to remain positive for the next few quarters.

Our organic marketing efforts continue to deliver strong results. Our in-house creative content production teams produced more than 15,000 videos and photos this year, developing delightful visuals for our campaigns and online shop, and helping to drive 94% of traffic through our own channels. We now have more than 10 million followers across our active social media platforms. On Instagram alone, we registered more than 52 million weekly views for our Christmas reels. The focus in 2022 will be on replicating this success on YouTube and TikTok, for example with our unique Homestories format.

Last but not least, we published for the very first time Westwing's Sustainability Strategy that formalizes our sustainability commitment in relation to our products, our supply chain, our operations, our employees, and the way in which we communicate. We pledge to make responsible ethical and sustainable choices along our value chain – from sourcing to production and merchandising – and to minimize our overall environmental footprint and make a positive social impact. We have allocated the necessary organizational and personnel resources to deliver on this strategy, which requires all parts of the business to engage with the issues, set targets, and monitor performance. At Westwing, we believe there is a sustainable way to live beautifully, and we aim to be a leader here by designing honest products from sustainable materials, and by inspiring our customers to live and enjoy a more sustainable lifestyle. Further details can be found in the Non-financial Statement in section 4 of the Combined Management Report in this Annual Report. This summarizes our sustainability ambitions, defining our focus and approach, setting targets, measuring progress, and describing specific actions.

Our strength lies in our people and our unique product offering, and we believe we are well positioned to take advantage of the natural shift towards eCommerce in the Home & Living market. Our objective continues remains to share our mission, "To inspire and make every home a beautiful home," and we will continue to deliver on that promise.

We would like to thank you, our shareholders, plus our business partners, team members, and customers, for your trust in us.

Munich, March 28, 2022

Stefan Smalla
Founder and CEO

SHARE AND INVESTOR RELATIONS

Development of the Westwing Share

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

Based on very strong financial results and a supportive market environment the Westwing share price developed very positively in the first 6 months of 2021, reaching an all-time high of EUR 53.25 in the first half of 2021. Investors and analysts recognized Westwing's long term value proposition as an inspiration-based consumer love brand, which was reflected in the share price and valuation of Westwing. In the second half of 2021, changes in macro factors including relaxation of lockdown conditions, high inflation and the emergence of Omicron contributed to an overall lower consumer sentiment for eCommerce in general, which was consequently also reflected in the Westwing share price. The Westwing share price closed 2021 at EUR 22.14.

	Bearer shares without par value
Types of shares	
Share capital	EUR 20,903,968.00
Numbers of share issued	20,903,968
Total number of shares outstanding as of December 31, 2021 (net of treasury shares)	20,577,493
ISIN	DE000A2N4H07
WKN	A2N4H0
Share performance 2021*	
High 2021 (May 26, 2021, closing price)	EUR 53.25
Low 2021 (December 15, 2021, closing price)	EUR 21.70
Closing Price on December 31, 2021	EUR 22.14
Trading liquidity 2021*	
Average daily trading volume 2021 (shares)	108,960
Average daily trading volume 2021 (EUR)	3,856,593

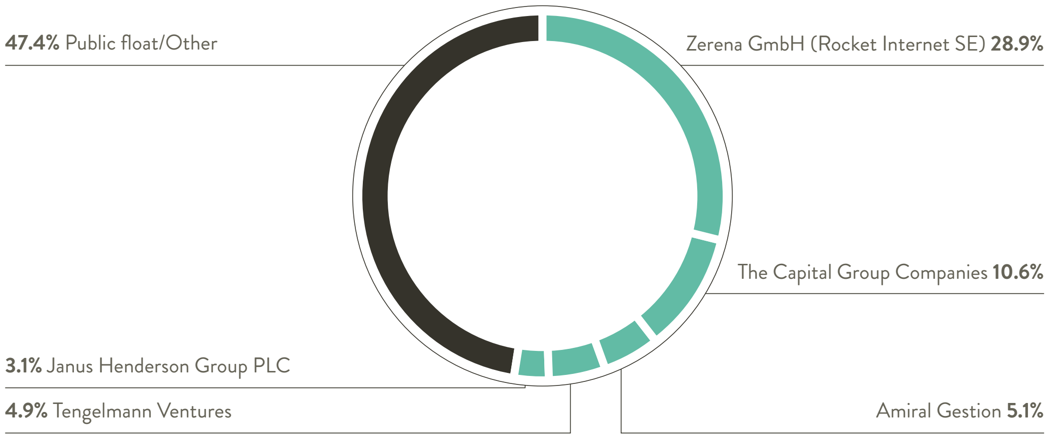
For further details in respect to share capital structure refer to the Note 18 to the consolidated financial statements.

Investor relations

Westwing's aim is to communicate the strategic orientation and development of the Company in a reliable and transparent manner, thereby strengthening investor confidence in Westwing and achieving a fair valuation of the share. As in the past, the Company continues to work on increasing awareness of its own share and the equity story among capital market participants. In doing so, great importance is attached to regular communication with shareholders. In 2021, this was achieved through detailed quarterly presentations, hosting Westwing's Capital Markets Day and by conducting numerous roadshows and several investor conferences with Management Board attendance.

* Based on Xetra stock exchange Frankfurt.

Shareholder Structure as of December 31, 2021



Our Shareholder structure is based on the voting rights (i) as last notified by the shareholders and (ii) as published by the shareholders in relation to the Company's current share capital as of December 31, 2021. Please note that the number of voting rights last notified could have changed within the respective thresholds without triggering an obligation to notify the Company.

Analyst Coverage

As of December 31, 2021, there are five research institutions covering Westwing.

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

THE SUPERVISORY BOARD

CHRISTOPH BARCHEWITZ
CHAIRMAN

DR. ANTONELLA MEI-POCHTLER
DEPUTY CHAIRWOMAN

MICHAEL HOFFMANN
CHAIRMAN AUDIT COMMITTEE

MAREIKE WÄCHTER

THOMAS HARDING

SUPERVISORY BOARD REPORT

Dear shareholders, dear ladies and gentlemen,

2021 was another eventful year for Westwing Group AG (now: Westwing Group SE).

The ongoing Corona pandemic and its impact on the supply chain, as well as volatility in customer behavior, demanded a high degree of flexibility from the company. Thanks to the outstanding commitment of the Management Board and employees, 2021 was successfully completed despite these circumstances.

Following the strong growth in 2020, important growth investments were made in marketing, Westwing Collection and technology in 2021, thus working on setting the strategic course for the future. Westwing is thus well equipped for the coming challenges and uncertain times in 2022 to continue pursuing its mission: “to inspire and make every home a beautiful home”.

In line with the principles of good corporate governance, the Supervisory Board worked together with the Management Board in a spirit of mutual trust on all relevant topics, advised the Management Board on the management of the Company, and exercised its oversight function. In the process, it performed the tasks assigned to it in accordance with the law, the Articles of Association, and the Rules of Procedure in full and in a responsible manner in all cases.

Cooperation between the Supervisory Board and the Management Board

The Supervisory Board works together with the Management Board in a spirit of mutual trust both in and between Supervisory Board meetings, in the Company’s interests. The Supervisory Board advised and supervised the Management Board in line with the legal requirements during the reporting period.

The Supervisory Board Chairman and the Management Board Chairman were in regular dialog during the reporting period. Key topics for discussion included the Company’s current situation and future development, the progress made with major ongoing projects, strategy, business policy, corporate planning, risks and opportunities and their management, compliance and governance topics. The Management Board Chairman and Supervisory Board Chairman were also in close contact outside regular meetings during the reporting period. The Supervisory Board Chairman informed the other Supervisory Board members of important topics that were discussed on these occasions. In addition, the Management Board submitted regular (normally monthly) reports to the Supervisory Board on key financial performance indicators.

Besides the meetings where the Company’s current business performance, corporate planning including financial, investment, and human resources planning, as well as profitability are regularly reported, there are pre-alignment meetings held and further information is submitted to the Supervisory Board by the Management Board over the course of the year. Above and beyond this, a strategy workshop was held during the reporting period in which the Company’s strategy was discussed.

As a result, the Supervisory Board was informed at all times of all material events.

The Management Board involved the Supervisory Board at an early stage in all fundamental decisions, provided the Supervisory Board with oral and written reports, and supplied supplementary information where necessary, which were supplemented by third-party expert opinions where required. In those cases in which the Supervisory Board was required by law, the Articles of Association, or the Rules of Procedure to give approval, this was done following intensive investigation, examination, and discussion in the Supervisory Board or – where appropriate – in the committees established for this by the Supervisory Board.

Key Topics Addressed by the Supervisory Board
The Supervisory Board focused in particular on the following topics in fiscal year 2021:

- The impact on the Company of the coronavirus pandemic and the measures to be taken in this context

- The Company's business planning and its performance during 2021, including the planning for 2022, the Company's long-term business strategy and focus, and its budget for 2022

- The audits of the annual and consolidated financial statements and the Management Report for fiscal year 2020, plus the review of intra-year financial information in fiscal year 2021 and non-financial reporting

- The change of legal form for Westwing Group AG into a European Company (*Societas Europaea*, SE)

- The increase in the size of the Supervisory Board to five members

- The (virtual) Annual General Meeting for fiscal year 2020 and the agenda for this

- Business updates for both the Company's commercial operations and the creative teams

- Governance topics such as compliance with the recommendations of the German Corporate Governance Code and the Compliance Declaration, the Rules of Procedure for the Management Board including the list of matters requiring Supervisory Board approval, the establishment of committees, and the internal effectiveness survey conducted by the Supervisory Board

- (Long-term) succession planning for the Management Board and matters relating to Management Board remuneration, including the remuneration system and the Remuneration Report in line with the company law requirements set out in the Act Implementing the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie – ARUG II)

- The oversight and continuing enhancement of the Company's internal risk and compliance system

- The establishment of new warehouses and logistics locations

- The approval of capital increases from authorized capital at Westwing Group AG (now: Westwing Group SE) to service agreements to grant subscription rights entered into with former shareholders of Westwing Group AG (now: Westwing Group SE) and former equity holders or lenders

No Conflicts of Interest
No conflicts of interest as defined by the German Corporate Governance Code occurred within the Supervisory Board in fiscal year 2021. In particular, no conflicts of interest were disclosed to the Supervisory Board Chairman by Supervisory Board members, or reported by Management Board members or third parties.

Support for Supervisory Board Members

Supervisory Board members receive appropriate support when taking office. In particular, they are given an introduction to the work performed by Westwing Group AG's (now: Westwing Group SE´s) Supervisory Board when assuming their positions. A Supervisory Board Office was established in fiscal year 2021 and lawyers explain the practical and legal fundamentals, and clarify specific questions and obligations relating to securities and capital market law. Any need on the part of the Supervisory Board for further education and training that arises in the course of their office is elicited and discussed together with the Supervisory Board Chairman or in the full Supervisory Board meetings. During the reporting period, information was provided on corporate governance topics and on the new legal framework, and relevant literature was provided where necessary. In addition, a governance workshop attended by all Supervisory Board members was held on January 19, 2022; among other things, this provided an informal setting for discussing the obligations facing listed companies due to the changes in the (legal) situation.

Composition of the Supervisory Board and Its Committees

As of the beginning of fiscal year 2021, the Supervisory Board had four members: Christoph Barchewitz (Chairman), Dr. Antonella Mei-Pochtler (Deputy Chairwoman), Thomas Harding, and Michael Hoffman.

The Annual General Meeting of Westwing Group AG on August 5, 2021, resolved to expand the size of the Supervisory Board to five members. Mareike Wächter was elected as an additional Supervisory Board member by the General Meeting. Following the entry into force on August 18, 2021, of the amendment to the Articles of Association resolved by the General Meeting, the Supervisory Board has five members: Christoph Barchewitz (Chairman), Dr. Antonella Mei-Pochtler (Deputy Chairwoman), Thomas Harding, Michael Hoffman, and Mareike Wächter.

The Supervisory Board is not governed by the rules on employee co-determination.

As of the beginning of fiscal year 2021, the Supervisory Board had one committee, the Audit Committee, comprising the following three members of the Supervisory Board: Michael Hoffmann (Chairman of the Audit Committee), Christoph Barchewitz, and Thomas Harding.

As of December 31, 2021, the Audit Committee consisted of the following members:

Michael Hoffmann (Chairman of the Audit Committee), Thomas Harding, and Mareike Wächter. Mareike Wächter, the new member who joined the Supervisory Board as of August 18, 2021, succeeded Christoph Barchewitz on the Audit Committee based on corresponding Supervisory Board resolution. Beforehand, Christoph Barchewitz stepped down from his position on the committee.

Westwing Group AG's (now: Westwing Group SE´s) Supervisory Board established two additional committees in December 2021: a Remuneration Committee and a Nomination Committee.

The Remuneration Committee had the following members as of December 31, 2021:

Dr. Antonella Mei-Pochtler (Chairwoman), Christoph Barchewitz, and Michael Hoffmann.

The committee is responsible for all questions relating to the remuneration of the Management Board and the Supervisory Board that fall within the Supervisory Board's remit. In particular, the committee prepares proposed resolutions on topics relating to Management Board remuneration for final resolution by the Supervisory Board.

The newly formed Nomination Committee had the following members as of December 31, 2021:

Christoph Barchewitz (Chairman), Thomas Harding, and Mareike Wächter. As recommended by the German Corporate Governance Code, the committee is responsible for preparing proposals for candidates for election to the Supervisory Board.

Information on the Westwing Group SE's Supervisory Board committees can also be found on the corporate website.

The Audit Committee Chairman, Michael Hoffmann, has particular expertise in the area of the auditing of financial statements, which is demonstrated among other things by his many years' experience as head of the audit committee at another listed company. Mareike Wächter has expertise in the area of financial reporting, as can be seen among other things from her previous role as a head of financial control and finance. Overall, the members of the Supervisory Board are highly familiar with the sector in which Westwing Group AG (now Westwing Group SE) operates.

The Supervisory Board members' résumés have been published on the Company's corporate website and are updated regularly, at least once a year.

Supervisory Board and Committee Meetings as well as Key Topics Addressed by the Committees

All in all, eight Supervisory Board meetings were held in fiscal year 2021: six regular meetings and two extraordinary meetings.

In some cases, the Supervisory Board a part was held as internal meeting, without the Management Board attending.

Four Supervisory Board meetings have been held to date in 2022: one extraordinary internal meeting of the Supervisory Board on January 28, 2022, on Management Board (remuneration) topics, one extraordinary internal meeting of the Supervisory Board on February 11, 2022, as the constitutive meeting of the Supervisory Board of Westwing Group SE and two regular meetings, one on March 11, 2022, in which, among other things, the fiscal year 2021, as well as governance topics, such as the successful conversion into an SE, were dealt with, and one on March 28, 2022 (meeting held to approve the financial statements for fiscal year 2021).

Otherwise, the Supervisory Board also passed resolutions outside meetings by e-mail in the past fiscal year, e.g., on corporate governance topics and standard financing.

Additionally, a strategy workshop attended by all Supervisory Board and Management Board members was held in 2021.

The main topics addressed by the **Audit Committee** are, as recommended by the German Corporate Governance Code, the examination of the Company's financial reporting (including its sustainability reporting), the oversight of the financial reporting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the financial statements, and compliance (including information security and data protection, among other things). The tasks to be performed by the Audit Committee are set out in the Rules of Procedure for the Supervisory Board, which are publicly available on the corporate website.

The Audit Committee Chairman discussed audit-related topics with the auditors, including outside of Supervisory Board and Audit Committee meetings, and also without the involvement of the Management Board.

The Audit Committee held a total of four meetings in fiscal year 2021. Among other things, these addressed the financial results, internal audit issues, risk management and compliance, cyber security and topics relating to the audit work performed (including an assessment of the latter). In addition, the committee prepared the Supervisory Board meeting held to approve the financial statements and the relevant proposals for Supervisory Board resolutions.

Two Audit Committee meetings have been held so far in 2022, on March 9 and on March 28, 2022. In this context inter alia the financials for financial year 2021 as well as respective (group) financial statement audit in preparation of the Supervisory Board meeting held to approve the financial statements, non-financial reporting, audit plan 2022, governance, risk management and – analysis as well as compliance (GRC) and internal audit was dealt with.

The Audit Committee Chairman was also in close contact with the auditors, the internal Finance department, external consultants, and the Management Board outside of the committee meetings. The Audit Committee Chairman reported on the work of the Audit Committee, and in particular on key results and topics discussed, at the Supervisory Board meetings following the relevant committee meetings.

The **Remuneration Committee** established at the end of December 2021 has met four times to date in 2022: on January 12 (constitutive meeting), January 19, January 28 and 16 March, 2022. Topics dealt with were board remuneration, especially the Management board remuneration in accordance with the new remuneration system pursuant to the ARUG II and its implementation in new service contracts of the Management Board, a new employee participation program as well as the remuneration report pursuant to sec. 162 of The German Corporation Act. The Remuneration Committee made recommendations for subsequent adoption by the full Supervisory Board.

In addition, the members of the Remuneration Committee took part in an informal exchange on the topic of Management Board remuneration on January 25, 2022.

The Remuneration Committee Chairwoman was also in close contact with the other members of the Supervisory Board, and in particular with the Supervisory Board Chairman, plus the Supervisory Board Office, lawyers, and independent external remuneration consultants. The Remuneration Committee Chairwoman reported on the work of the Remuneration Committee, and in particular on key results and topics discussed, at the Supervisory Board meetings following the relevant committee meetings.

The **Nomination Committee** established in December 2021 met once in 2022 for its constitutive meeting on March 7, 2022, in which the general composition and succession planning of the Supervisory Board was dealt with.

Individualized Disclosures on Attendance at Meetings

The following table provides an individualized breakdown of Supervisory Board members' attendance at Supervisory Board and Audit Committee meetings:

	Supervisory Board meeting		Audit Committee Meeting**	
Number of meetings/Attendance in %	Number	%	Number	%
Christoph Barchewitz (Chairman) Member of the Audit Committee until August 18, 2021	8/8	100	3/3	100
Dr. Antonella Mei-Pochtler (Deputy Chairwoman)	8/8	100	Not a member of the Audit Committee	
Michael Hoffmann (Chairman of the Audit Committee)	7.5*/8	94	4/4	100
Mareike Wächter Member of the Supervisory Board/Audit Committee since August 18, 2021	3/3	100	1/1	100
Thomas Harding Member of the Audit Committee	8/8	100	3.5/4	88
TOTAL		**99**		**97**

* In one case, the member attended one part of a meeting but was excused for good cause for the other part; the member took part in all resolutions passed in the meeting.

** No meetings of the committees that were established in December 2021 (Nomination Committee and Remuneration Committee) were held in 2021.

	Total number of meetings (Supervisory Board and Audit Committee**)	
Number of meetings/Attendance in %	Number	%
Christoph Barchewitz (Chairman) Member of the Audit Committee until August 18, 2021	11/11	100
Dr. Antonella Mei-Pochtler (Deputy Chairwoman)	8/8	100
Michael Hoffmann (Chairman of the Audit Committee)	11.5*/12	96
Mareike Wächter Member of the Supervisory Board/Audit Committee since August 18, 2021	4/4	100
Thomas Harding Member of the Audit Committee	11.5*/12	96
TOTAL		**98**

* In one case, the member attended one part of a meeting but was excused for good cause for the other part; the member took part in all resolutions passed in the meeting.

** No meetings of the committees that were established in December 2021 (Nomination Committee and Remuneration Committee) were held in 2021.

Audit of the Annual and Consolidated Financial Statements of Westwing Group AG (now: Westwing Group AG)/the Westwing Group

The 2021 Annual General Meeting elected PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (Auditing company), Frankfurt am Main, Munich office, as the Company's new auditors and Group auditors for fiscal year 2021.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited the combined Management Report as of December 31, 2021, for Westwing Group AG (now: Westwing Group SE) and the Westwing Group and issued it with an unqualified audit opinion.

Westwing Group AG's (now: Westwing Group SE´s) annual financial statements and the combined Management Report for Westwing Group AG (now: Westwing Group SE) and the Westwing Group were prepared in accordance with the provisions of German commercial law and received an unqualified audit opinion.

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) as required to be applied in the European Union and with the provisions of German commercial law also required to be applied under section 315e(1) of the HGB. The consolidated financial statements also comply with the IFRSs in the version published by the International Accounting Standards Board (IASB). The auditors performed their audit in accordance with section 317 of the HGB and the EU Audit Regulation, in compliance with the German principles of proper accounting promulgated by the Institut der Wirtschaftsprüfer (IDW) and with the International Standards on Auditing (ISA).

The annual and consolidated financial statements for Westwing Group AG (now: Westwing Group SE) and the Westwing Group, the separate Non-financial Report for Westwing Group AG (now: Westwing Group SE) for the 2021 reporting period and the corresponding reports by the auditors of the single-entity and consolidated financial statements were submitted to the Supervisory Board in advance of the Supervisory Board meeting held to approve the financial statements on March 28, 2022. The above-mentioned documents were addressed and discussed in detail in the Supervisory Board meeting in the auditors' presence, after previously having been considered up front by the Audit Committee.

In particular, the Supervisory Board and the Audit Committee addressed the key audit matters detailed in the relevant audit opinions (including the audit procedure).

The auditors reported on the scope, areas of emphasis, and key findings of their audit, focusing in particular in the key audit matters and the audit procedure. No relevant weaknesses in the internal control and risk management system were reported. In this meeting, the Management Board explained in detail the financial statements of Westwing Group AG (now: Westwing Group SE) and the Westwing Group, including the combined Management Report and the separate Non-financial Report.

The Supervisory Board approved the audit findings. Following the final results of its own examination, the Supervisory Board did not raise any objections. In its meeting on March 28, 2022, the Supervisory Board approved the single-entity financial statements of Westwing Group AG (now: Westwing Group SE), the consolidated financial statements, and the combined Management Report. As a result, Westwing Group AG's (now: Westwing Group SE´s) annual financial statements have been adopted.

Composition of the Management Board

The Management Board comprised two members in fiscal year 2021: Chief Executive Officer (CEO) Stefan Smalla and Chief Financial Officer (CFO) Sebastian Säuberlich.

On behalf of the entire Supervisory Board, I would like to thank the members of the Management Board for their outstanding leadership of the Company in a challenging fiscal year 2021, and for our consistently close working relationship. I would also like to warmly thank all Westwing Group employees – on behalf of the Supervisory Board – for their hard work and dedication, which play a major role in the Company's success.

London, March 28, 2022

On behalf of the Supervisory Board

Christoph Barchewitz
Chairman of the Supervisory Board

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289F IN CONJUNCTION WITH SECTION 315D OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH – HGB)

1. Compliance Declaration Pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG)

Westwing Group AG's (now Westwing Group SE´s) Management Board and Supervisory Board issued a compliance declaration pursuant to section 161(1) of the AktG on December 20, 2021. As required by sections 315d sentence 2 and 289f(2) no. 1 of the HGB, the declaration pursuant to section 161 of the AktG has been included in this statement:

COMPLIANCE DECLARATION BY THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF WESTWING GROUP AG (NOW WESTWING GROUP SE) ON THE GERMAN CORPORATE GOVERNANCE CODE ("GCGC") PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT

The last Compliance Declaration of the Management Board and the Supervisory Board of Westwing Group AG (now Westwing Group SE; hereinafter referred to as the **"Company"**) was issued in December 2020.

In accordance with sec. 161 para. 1 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board of the Company hereby declare that the recommendations of the German Corporate Governance Code, in the version dated 16 December 2019, which came into force by publication in the Federal Gazette on 20 March 2020 (**"GCGC 2020"**), will be complied with in the future and have been complied with – to the extent required by the GCGC 2020 - since the last Compliance Declaration was issued, with the following exceptions:

- According to **C. 5 GCGC 2020**, a management board of a listed company should not serve as chairman of a supervisory board in a group-external, listed company. The Chairman of the Supervisory Board of the Company is also a member of the Management Board of a group-external, listed company established under the laws of Luxembourg. The Chairman of the Supervisory Board has declared to the Company that he has sufficient time to perform his duties as a member and Chairman of the Supervisory Board and that he can perform his mandate with due regularity and diligence. The Supervisory Board and the Management Board are convinced that the responsibility for both offices does not lead to any conflict of interest.

- Section **G.I GCGC 2020** comprises recommendations on the remuneration of the Management Board, from which partially deviations are made:

  - **G.7 GCGC**, which recommends that the performance criteria for all variable remuneration components shall be defined in the respective previous year for the coming financial year, was and will be deviated from with regards to the time component. The Supervisory Board establishes this at the beginning of the relevant financial year, as the end of the previous year is awaited for, in order to be able to adjust performance criteria accordingly if necessary.

  - The Company adheres to its legal obligations (in particular sec. 162 of the German Stock Corporation Act (AktG)) with regard to the publication of the target settings and achievement and does not provide any further information, as in the case of strategically important targets, this may conflict with the Company's confidentiality interests and its publication may result in a not insignificant disadvantage. **G.9 GCGC**, which recommends respective publication for purpose of comprehensiveness, has been and is partially deviated from in this respect.

Munich, 20 December 2021

For the Management Board	For the Supervisory Board
Stefan Smalla	Christoph Barchewitz

2. Disclosures on Corporate Governance Practices Applied Over and Above Those Required by Law

Sections 315d sentence 2 and 289f(2) no. 2 of the HGB require relevant disclosures on corporate governance practices applied over and above those required by law to be included, together with information on where these are available to the public.

CODE OF CONDUCT

The trust placed by third parties in the integrity of the entire Company is a significant prerequisite for the latter's success. A comprehensive Code of Conduct therefore applies that provides employees, suppliers, and contract partners with guidance and instructions on how to act, so as to ensure ethical behavior, among other things. It addresses not only issues such as anti-corruption and handling conflicts of interests but also how to ensure a safe, fair working environment.

All Westwing Group employees, all members of the senior management and the Management Board must comply with the Code of Conduct at all times. In addition, Company obliges its suppliers and business partners to comply with the Supplier Code of Conduct and/or the Private Label Supplier Code of Conduct to ensure Westwing can meet its objective of achieving "compliance throughout the supply chain".

The various codes of conduct are publicly available on Westwing Group AG's (now Westwing Group SE´s) corporate website (ir.westwing.com) under the Corporate Governance/Compliance section.

ANTI-CORRUPTION MEASURES AT WESTWING

Westwing introduced its Anti-corruption Policy years ago and regularly reviews and adapts it. The policy sets out the binding rules that we developed for our employees and is regularly updated (most recently in December 2021). It goes into greater detail than the rules given in the Code of Conduct itself and sets out comprehensive, explicit actions and prohibitions designed to prevent corruption.

Westwing has committed to a zero-tolerance policy on bribery. Among other things, it prohibits making improper payments and accepting inappropriate gifts or incentives of any kind from third parties. The policy also introduces limits on the value of gifts and invitations that can be accepted. The objective is to provide employees with answers to frequently asked questions and common problems, and to raise awareness of the issue.

The Anti-corruption Policy is publicly available on Westwing Group AG's (now Westwing Group SE´s) corporate website (ir.westwing.com) under the Corporate Governance/Compliance/Anti-corruption Policy section.

In addition, Westwing introduced a new whistleblower tool in the 2021 reporting period that allows employees and third parties to securely submit tip-offs about potential unlawful activity at the Company. This tool is designed to replace the previous e-mail-based whistleblower channel. Specifically, this implements the recommendation of the German Corporate Governance Code (both in the version dated February 7, 2017, and in the version dated December 16, 2019, which entered into force on publication in the Federal Gazette (Bundesanzeiger) on March 20, 2020), and takes the Whistleblower Directive into account. The whistleblower tool is publicly available on Westwing Group AG's (now Westwing Group SE's) corporate website (ir.westwing.com) under the Corporate Governance/Compliance/Open Whistleblower Channel section.

OTHER COMPANY POLICIES

Among other things, we have drawn up the following policies for employees that apply throughout the Company:

A policy designed to ensure compliance with the two-person principle when entering into contracts or placing orders.

An IT Security Policy that, among other things, informs employees about issues such as data protection and data security, plus how to use the Internet and the applications in use at the Company safely. This also includes obligatory training for new employees during the onboarding process.

A Risk Management Manual provides information on how to identify and assess risks within the Company and on the designated contacts.

The Capital Markets Compliance Guideline outlines our responsibilities under capital market law. In particular, it familiarizes employees with the prohibition on insider dealing and the unlawful disclosure of inside information. It also sets out the rules prohibiting trading during closed periods and recommends that employees should not trade Westwing Group AG's (now Westwing Group SE´s) shares in the 30-day windows before publication of the Company's earnings figures.

Employees can access these documents on the Company's intranet.

DISCLOSURES IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

Recommendation B.2 of the 2020 version of the German Corporate Governance Code states that the Supervisory Board, together with the Management Board, shall ensure long-term succession planning and describe the approach in the Corporate Governance Statement.

In fiscal year 2021, the Supervisory Board addressed the issue of long-term succession planning both together with the Management Board and independently of it.

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

The Supervisory Board has determined specific objectives for its composition and prepared a profile of skills and expertise. The Supervisory Board takes the principle of diversity into account in the process. The proposal made to the Annual General Meeting in 2021 took the agreed objectives into account.

The profile of skills and expertise places particular emphasis on the following criteria: first and foremost, expertise in the area of eCommerce, i.e., experience in online retailing in either an entrepreneurial or an advisory capacity, management or supervisory experience, plus expertise in the areas of accounting and/or auditing. The following criteria must also be taken into account: independence, avoiding conflicts of interest, the number of positions held on other supervisory boards or similar bodies, the ability to dedicate sufficient time to the Supervisory Board's activities and to training, the defined age limit, and the maximum duration of the appointment.

The Supervisory Board complied in full with the above-mentioned profile of skills and expertise in fiscal year 2021. All Supervisory Board members were independent pursuant to the requirements of the German Corporate Governance Code in fiscal year 2021. Specifically, they were Christoph Barchewitz (Chairman), Dr. Antonella Mei-Pochtler (Deputy Chairwoman), Michael Hoffmann, Mareike Wächter (a member since August 18, 2021), and Thomas Harding.

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

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

The consulting contract that previously existed with Supervisory Board member Dr. Antonella Mei-Pochtler was terminated in fiscal year 2021. There are no reservations whatsoever as to her exercising her position independently.

Recommendation D.13 of the 2020 version of the Code states that the Supervisory Board shall report in the Corporate Governance Statement if and how a self-assessment was performed.

The Supervisory Board performed a self-assessment in fiscal year 2021. An online questionnaire was used to comprehensively survey all Supervisory Board members. After the survey was evaluated, the findings were discussed in a governance meeting held in January 2022 with a view to optimizing operations.

3. Description of the Working Practices of the Management Board and the Supervisory Board, and of the Composition and Working Practices of their Committees

Sections 315d sentence 2 and 289f(2) no. 3 of the HGB require a description of the working practices of the Management Board and the Supervisory Board, and of the composition and working practices of their committees, to be included in the Corporate Governance Statement.

As a stock corporation governed by the German Stock Corporation Act, Westwing Group AG (now Westwing Group SE) has a two-tier management and supervisory structure consisting of the Management Board and the Supervisory Board. The two bodies work closely together in the interests of the Company. The Management Board manages the Company, while the Supervisory Board advises and supervises the Management Board. Westwing Group AG's (now Westwing Group SE's) shareholders exercise their rights in the General Meeting.

MANAGEMENT BOARD WORKING PRACTICES

The Management Board is responsible for managing the Westwing Group AG's (now Westwing Group SE's) business in the Company's interests and taking the interests of its shareholders, employees, and other stakeholders into account with the goal of sustainably creating value. The Management Board develops the Company's strategy, coordinates it regularly with the Supervisory Board, and ensures its implementation.

The Management Board conducts its business with the care of a diligent and conscientious manager in accordance with the law, Westwing Group AG's (now Westwing Group SE's) Articles of Association, the Rules of Procedure for the Management Board and the individual members' contracts of service. It works together with the Company's other governing bodies cooperatively and in a spirit of mutual trust, in the Company's interests.

The Management Board is responsible for ensuring compliance with statutory requirements and company policies and guidelines, and also works to ensure that Group companies observe these (compliance). It ensures adequate risk management and risk control throughout the Company.

The following schedule of responsibilities provides a breakdown of the responsibilities assigned to the individual Management Board members. Each Management Board member is responsible for managing the departments assigned to them within the framework set by Management Board resolutions. The departments are assigned to the members in the Management Board's Rules of Procedure. Thereafter, the breakdown can only be changed by a unanimous resolution by the Management Board, with the Supervisory Board's prior approval. According to the Rules of Procedure for the Management Board in force during the reporting period, the individual Management Board members are responsible for the following areas:

Stefan Smalla (CEO)	Sebastian Säuberlich (CFO)
Strategy (development and implementation)	Finance
Organization	Accounting, taxes, and treasury
Operations	Financial control
Marketing	Capital market reporting
Technology and product management	Investor relations
Product development	Legal, compliance, and risk management
Human resources	

The management of all departments must be aligned in full with the objectives resolved by the Management Board.

The members of the Management Board are jointly responsible for the overall management of the Company, regardless of the breakdown of responsibilities. They work together cooperatively and inform each other on an ongoing basis of significant activities and events in the departments for which they are responsible.

In addition, activities and transactions that are exceptionally significant for the Company or that entail an exceptional economic risk require the approval of the full Management Board. The full Management Board also decides on all matters for which the law, Westwing Group AG's (now Westwing Group SE's) Articles of Association, or the Management Board's Rules of Procedure require a decision to be taken by the Management Board. This includes but is not limited to the Company's strategy, key business policy issues, and all other issues (and particularly national or international business relationships) that are of particular significance for Westwing Group AG (now Westwing Group SE) and/or the Westwing Group.

In general, Management Board resolutions are passed during meetings. At the request of a Management Board member, meetings can also be held via conference calls or other electronic means of communication (especially videoconferencing). In such cases, resolutions may be passed via conference calls or other electronic means of communication (especially videoconferencing).

Management Board meetings should be held regularly, but at least once a month. They must be held if this is in the Company's best interests.

Above and beyond this, resolutions may be passed outside meetings in writing, orally, by phone, fax, or e-mail, or using other common means of communication (especially videoconferencing). The Management Board should use its best efforts to ensure that all its resolutions are passed unanimously. If this is not possible, resolutions are passed by a simple majority of the votes cast, unless the law, Westwing Group AG's (now Westwing Group SE's) Articles of Association, or the Management Board's Rules of Procedure prescribe another majority. The Management Board must pass resolutions unanimously in those cases in which it consists of two members only.

The Management Board is in regular contact with the Supervisory Board Chairman and informs the latter of the course of business and situation at Westwing Group AG (now Westwing Group SE) and its Group companies. It discusses the Company's strategy, planning, performance, and risk management with him. The Management Board must report without undue delay to the Supervisory Board Chairman about significant events and in the case of business matters that could have a material impact on the assessment of the Company's situation and development, and on its management. Among other things, this includes any defects found in the monitoring system pursuant to section 91(2) of the AktG.

Specifically, the Management Board reports to the Supervisory Board at least once a calendar quarter on the proposed business strategy and other fundamental questions relating to corporate planning (and in particular financial, investment, and human resources planning), unless changes in the situation or new questions require a report to be made without undue delay. In addition, the Management Board must report to the Supervisory Board regularly, and at least once a quarter, on the course of business, and in particular on the Company's revenue and its situation.

The Management Board reports without undue delay to the Supervisory Board Chairman about significant events as defined by section 90(1) sentence 3 of the AktG and business matters that could have a material impact on the Company's situation. Significant events also include business events at Group companies that could have a material impact on Westwing Group AG's (now Westwing Group SE's) situation and that become known to the Management Board.

Apart from those transactions for which Supervisory Board approval is required by law, the Management Board may only perform certain defined transactions and activities with the prior approval of the Supervisory Board or of a Supervisory Board Committee entrusted with this by the Supervisory Board. These transactions and activities are listed in the Rules of Procedure for the Management Board and were reviewed in the reporting period.

NO MANAGEMENT BOARD COMMITTEES

The Management Board consists of two people and has not formed any committees.

SUPERVISORY BOARD WORKING PRACTICES

The Supervisory Board advises and supervises the Management Board in its management of the Company on a regular basis. It must be involved in decisions of fundamental importance to the Company.

The Supervisory Board performs its duties in accordance with the provisions of the law, Westwing Group AG's (now Westwing Group SE's) Articles of Association, and the Rules of Procedure for the Supervisory Board. It works together with the Company's other governing bodies, and in particular the Management Board, closely and in a spirit of mutual trust in the Company's best interests.

The Supervisory Board elects a Chairman and a Deputy from among its members. The Chairman coordinates the work performed by the Supervisory Board and its cooperation with the Management Board. The Chairman maintains regular contact with the Management Board and confers with it on the Company's strategy, planning, performance, and risk management and on key events that are of significant importance for the assessment of the Company's situation and development, and for its management.

The Supervisory Board must meet at least once every calendar quarter. Additional meetings are convened where necessary. The Supervisory Board Chairman chairs the Supervisory Board meetings. He determines the order in which the agenda items are addressed and the nature, order, and form of the votes taken.

In general, Supervisory Board resolutions are passed during meetings. On the Chairman's instructions or with the approval of all members of the Supervisory Board, meetings can also be held via conference calls or other electronic means of communication (especially videoconferencing). In such cases, resolutions may be passed via conference calls or other electronic means of communication (especially videoconferencing).

Above and beyond this, resolutions may be passed outside meetings in writing, by fax or e-mail, or using other comparable means of communication. Supervisory Board resolutions are passed by a simple majority of the votes cast unless a different requirement is specified by law. Abstentions do not count as votes cast for this purpose. If a Supervisory Board vote results in a tie, the Supervisory Board Chairman shall have the casting vote.

Additional information on Supervisory Board working practices is contained in the Rules of Procedure for the Supervisory Board. The Rules of Procedure for the Supervisory Board are publicly available on Westwing Group AG's (now Westwing Group SE's) corporate website (ir.westwing.com) under the Corporate Governance/Supervisory Board section.

SUPERVISORY BOARD COMMITTEES

As of the beginning of fiscal year 2021, Westwing Group AG's (now Westwing Group SE's) Supervisory Board was composed of the following members: Christoph Barchewitz (Chairman of the Supervisory Board), Dr. Antonella Mei-Pochtler (Deputy Chairwoman of the Supervisory Board), Thomas Harding and Michael Hoffman.

There was one change in the composition of the Supervisory Board during the reporting period:

Following the change to the Articles of Association increasing the size of the Supervisory Board to five members came into force as of August 18, 2021, Mareike Wächter became a further member of Westwing Group AG's (now Westwing Group SE's) Supervisory Board.

As of the beginning of fiscal year 2021, the Supervisory Board had one committee, the Audit Committee, comprising three members of the Supervisory Board. At the start of the fiscal year 2021, these members were Michael Hoffmann (Chairman of the Audit Committee), Christoph Barchewitz, and Thomas Harding.

As of December 31, 2021, the Supervisory Board had three committees:

In addition to the Audit Committee, a Nomination Committee and a Remuneration Committee of the Supervisory Board were established in December 2021.

The members of the committees were as follows as of December 31, 2021:

Committee	Members
Audit Committee	Michael Hoffmann (Chairman) Mareike Wächter Thomas Harding
Remuneration Committee	Dr. Antonella Mei-Pochtler (Chairwoman) Christoph Barchewitz Michael Hoffmann
Nomination Committee	Christoph Barchewitz (Chairman) Mareike Wächter Thomas Harding

The Chairman of the Audit Committee, Michael Hoffmann, has substantial expertise in the area of auditing in particular. Another member of the Audit Committee, Mareike Wächter, has expertise in the area of financial reporting. Overall, the members of the Audit Committee are highly familiar with the sector in which Westwing Group AG (now Westwing Group SE) operates. Consequently, the personal requirements required to be met by the members of the Audit Committee by law, the German Corporate Governance Code, and the Rules of Procedure for the Supervisory Board have been met.

The main topics addressed by the Audit Committee are, as recommended by the German Corporate Governance Code, the examination of the Company's financial reporting and the oversight of the financial reporting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit of the financial statements, and compliance. The tasks to be performed by the Audit Committee are set out in the Rules of Procedure for the Supervisory Board, which are publicly available on the Westwing Group AG's (now Westwing Group SE's) corporate website (ir.westwing.com) under the Corporate Governance/Supervisory Board section.

Among other things, the Remuneration Committee addresses all questions relating to the remuneration of the Management Board and the Supervisory Board that fall within the Supervisory Board's remit. It prepares all proposed resolutions on Management Board remuneration for final decision by the Supervisory Board.

In line with Recommendation D.5 of the German Corporate Governance Code, the Nomination Committee is responsible for providing the Supervisory Board with the names of suitable candidates for the Supervisory Board's proposals to the General Meeting.

4. Determinations of Targets in Accordance with Sections 76(4) and 111(5) of the AktG

Pursuant to sections 315d sentence 2 and 289f(2) no. 4 of the HGB, the targets determined pursuant to sections 76(4) and 111(5) of the AktG must be included in the statement issued by stock listed companies along with information on whether the targets determined were met within the periods concerned and, if they were not, what the reasons for this were.

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

Section 76(4) of the AktG requires management boards of listed companies to set targets for the proportion of women at the two management levels below them.

In line with this, in fiscal year 2019 the Management Board set a target of 0% for the first management level. As a result, no deadline for achieving the target pursuant to section 76(4) sentence 3 of the AktG needed to be set.

The background to determining the target is the fact that the point of reference for determining the management levels is the legal entity and not the Company or the Group as a whole (proposed resolution and report of the Bundestag's Committee on Family Affairs, Senior Citizens, Women, and Youth, printed paper 18/4227, sentence 21). Consequently, the law requires only the two management levels below the Management Board at Westwing Group AG (now Westwing Group SE) to be taken into account. However, as a matter of principle, Westwing Group AG's (now Westwing Group SE's) Management Board does not distinguish when determining the Company's management levels between whether the employees belong to Westwing Group AG (now Westwing Group SE) or other Group companies. A target of 0% for the first management level was determined purely in order to comply with section 76(4) of the AktG. The starting point for this target was the number of employees at the first management level who have contracts of employment with Westwing Group AG (now Westwing Group SE). At the time the resolution was passed, this related to two male employees. Determining a target of 0% therefore served the legitimate purpose of not having to make new appointments to these two positions within a deadline to be set in accordance with section 76(4) sentence 3 of the AktG.

The target of 0% determined for the first management level below the Management Board was exceeded in fiscal year 2021. It amounted to 67% as of December 31, 2021 (previous year: 57%).

The target set by the Management Board in fiscal year 2019 for the second management level was 40%. The objective is to exceed this target in each reporting period up to March 25, 2023.

The target of 40% determined for the second management level below the Management Board was exceeded in fiscal year 2021. It amounted to 58% as of December 31, 2021 (previous year: 47%). As already mentioned above, only employees who have contracts of employment with Westwing Group AG (now Westwing Group SE) were taken into account here.

To be clear, we should reiterate at this point that Westwing Group AG's (now Westwing Group SE's) Management Board does not distinguish in principle when determining the Company's management levels between whether employees belong to Westwing Group AG (now Westwing Group SE) or other Group companies. In line with this, if one looks at the proportion of women at the first management level below the Management Board, this amounted to 59% as of December 31, 2021 (previous year: 40%). Furthermore, the proportion of women at the second management level below the Management Board as of December 31, 2021, amounted to 56% (previous year: 56%).

Westwing Group AG (now Westwing Group SE) encourages the participation of women at all levels of management. We are proud of our high proportion of female managers and employees.

PROPORTION OF WOMEN ON THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

Section 111(5) of the AktG requires the supervisory boards of listed companies to sets targets for the proportion of women on the Supervisory Board and Management Board.

A target of 25% for the proportion of women on the Supervisory Board was set in fiscal year 2019. This target was met in fiscal year 2021; since the size of the Supervisory Board was increased to five members with effect as of August 18, 2021, two-fifths of the members have been women. The Supervisory Board will review the target in fiscal year 2023 at the latest.

A target of 25% for the proportion of women on the Management Board was set in fiscal year 2019. This target was not met in fiscal year 2021. Following Delia Lachance leaving the Management Board with effect from February 29, 2020, the Management Board consisted of two men in the reporting period. No replacement was appointed and no increase in the number of Management Board members was made in the financial year 2021. The Supervisory Board will review the target in fiscal year 2023 at the latest.

5. Diversity Policy

Sections 315d sentence 2 and 289f(2) no. 6 of the HGB require stock corporations within the meaning of section 289f(1) of the HGB that are defined as large corporations within the meaning of section 267(3) sentence 1 and sections 267(4) to (5) of the HGB to include in their statements a description of the diversity policy that is pursued with regard to the composition of the body authorized to represent the entity and the supervisory board in terms of aspects such as age, gender, or educational or professional background. In addition, the objectives of that diversity policy, the manner of its implementation, and the results achieved in the fiscal year must be included.

COMPOSITION OF THE MANAGEMENT BOARD

The Supervisory Board takes the principle of diversity into account when determining the composition of the Management Board, in line with the recommendation of the German Corporate Governance Code.

The composition of the Management Board should be such as to ensure the competent and professional management of Westwing Group AG (now Westwing Group SE).

The Supervisory Board applies an age limit of 75 for members when determining the Management Board's composition. Exceptions to this rule may be made in justified individual cases.

Please see the information above on sections 315d sentence 2 and 289f(2) no. 4 of the HGB in conjunction with section 76(4) of the AktG as regards the proportion of women on the Management Board.

What is more, as regards its members' educational and professional background, the Management Board aims to establish as many different capabilities and areas of experience as possible in the skill sets relevant for managing the Company. Business decisions and issues requiring discussion by the Management Board should be evaluated from as many different perspectives as possible, and nuanced assessments produced and reasons given in line with this.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board has determined specific objectives for its composition and prepared a profile of skills and expertise. The Supervisory Board takes the principle of diversity into account in the process, in line with the recommendation of the German Corporate Governance Code.

The composition of the Supervisory Board should be such as to enable it to ensure the qualified oversight of, and provide qualified advice to, Westwing Group AG's (now Westwing Group SE's) Management Board. Supervisory Board members should have the knowledge, skills, and professional experience needed to perform their duties in a due and proper manner. To ensure this is the case, the Supervisory Board has developed a profile of skills and expertise; this requires Supervisory Board members to have relevant experience of online retailing, for example. Other topics that must be taken into account include the independence of the Supervisory Board members and the diversity of its composition.

The Supervisory Board applies an age limit of 75 years for members for its composition. Exceptions to this rule may be made in justified individual cases. Supervisory Board members' total term in office have been disclosed in their résumés. These are publicly available on the Company's corporate website (ir.westwing.com) under the Corporate Governance/ Supervisory Board section.

As regards the gender of Supervisory Board members, care must be taken to ensure that all genders are represented on the Supervisory Board. Please see the information given above on sections 315d sentence 2 and 289f(2) no. 4 of the HGB in conjunction with section 111(5) of the AktG as regards the proportion of women on the Supervisory Board.

What is more, as regards its members' educational and professional background, the Supervisory Board has set itself the objective of bringing together as many different capabilities and areas of experience as possible in the skill sets relevant for managing the Company. In line with this, the level of diversity should allow business decisions and issues requiring advice to be evaluated from many different perspectives, and nuanced assessments produced and reasons given in line with this.

OBJECTIVES OF THE DIVERSITY POLICY

Diversity means variety. In practice, Westwing believe this enriches both society as a whole and the Company. In line with this, Westwing Group AG (now Westwing Group SE) is committed to positively highlighting diversity throughout the organization and to fostering mutual acceptance. First and foremost, this means promoting measures that serve to integrate people with disabilities ("inclusion").

For us, diversity in terms of gender, culture, religion, sexual orientation, ideological beliefs, or other lifestyle issues goes without saying. Our diversity policy therefore aims to accept differences without passing judgment and, in line with this, to create diverse structures throughout the Company.

In particular, there is no place in our Company for discriminatory opinions, group-focused enmity, and unwanted sexual activity. Westwing Group AG (now Westwing Group SE) has adopted a zero-tolerance policy in this area and promotes employee education and awareness throughout the organization.

In addition, it should be noted that we do not simply define diversity as an economically relevant factor. Consequently, our diversity policy is also not dependent on whether or not we generate positive economic effects from it.

WAY IN WHICH THE DIVERSITY POLICY WAS IMPLEMENTED AND RESULTS IN FISCAL YEAR 2021

We reviewed our business practices throughout the Company in 2021 (e.g., in the areas of recruitment, employee retention, employer branding, and communication). A diversity and inclusion road map was drawn up in fiscal year 2021 with the goal of making Westwing an even more diverse and inclusive Company in the future.

Munich, March 11, 2022

Westwing Group SE

On behalf of the Management Board
Stefan Smalla

On behalf of the Supervisory Board
Christoph Barchewitz

02

COMBINED MANAGEMENT REPORT

1. FUNDAMENTAL INFORMATION ABOUT THE GROUP

The Westwing Group, the parent company of which is Westwing Group AG (now: Westwing Group SE) and which is referred to hereinafter as “Westwing,” the “Company,” or the “Group” for short, operates an inspirational Home & Living eCommerce brand in Europe.

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

1.1 Business Activities

Westwing is a European Home & Living eCommerce brand that aims to inspire its loyal customers using a shoppable magazine concept, a curated range of products, and varying content.

Ever since Westwing was founded, our strategy has been to inspire our customers with a daily interior magazine allowing them to discover and instantly shop their favorite Home & Living pieces. This shopping experience distinguishes us from typical Home & Living eCommerce offerings, which are usually search-based. We offer our customers relevant Home & Living categories such as textiles, furniture, lighting, kitchen accessories, and decoration, addressing all their Home & Living needs.

Our daily themes introduce customers to new ideas ranging from décor tips to home styling looks, plus the matching products. Customers can also find a large variety of products on WestwingNow, the website featuring our permanent assortment. We present our products alongside beautiful visual content such as shoppable interior themes, home stories, and home styling tips.

Our content is created by a large team of art directors, interior designers, videographers, and photographers, among other people. The content creation teams work with our style and merchandizing teams to find the right combination of inspiration and merchandizing for our customers.

Westwing targets a highly attractive market that is worth approximately EUR 121bn[1] in the geographies in which we operate. Our business model is fueled by our high customer loyalty, with 80% of orders coming from repeat customers. Our business activities follow our Company’s mission: “To inspire and make every home a beautiful home.”

In 2021, our gross merchandise volume (GMV, see also section 1.3 of this Combined Management Report) amounted to EUR 586m. Of this figure, 18% was attributable to textiles and rugs, 12% to home décor and accessories, 10% to kitchen and dining, 9% to lighting, 32% to large furniture, 6% to small furniture, and 12% to other products.

The combination of our Westwing Collection and third-party products enables us to offer customers a broad, relevant assortment. The share of GMV accounted for by our Westwing Collection increased to 34% in 2021 as a whole (2020: 25%) and even 37% in the fourth quarter (Q4 2020: 28%). Our long-term goal is to grow this figure to 50% of GMV.

1.2 Structure of the Group

The Group is headed by our holding company, Westwing Group AG (now: Westwing Group SE), a German stock corporation entered in the commercial register at Berlin District Court under the number HRB 199007 B (now: HRB 239114 B). The Company is headquartered at Moosacher Strasse 88, 80809 Munich, Germany. Westwing has been listed on Frankfurt Stock Exchange’s regulated market since October 9, 2018.

As of December 31, 2021, 23 companies were included in the Westwing Group’s consolidated financial statements, of which 11 were non-operating. The most important affiliate in terms of revenue is Germany-based Westwing GmbH, which also accounts for part of our international business. This means that the revenue generated by the legal entities in other

1 Euromonitor (as of April 19, 2021).

countries does not fully reflect Westwing's sales in those countries; rather, these companies are only accounting for Westwing's daily themes.

Westwing GmbH generated third-party revenue of EUR 383.9m in 2021 (2020: EUR 291.2m), while Italian company Westwing S.r.l. had revenue of EUR 41.5m (2020: EUR 39.8m), Westwing Poland Sp. z o.o had revenue of EUR 35.6m (2020: EUR 32.5m), and revenue at the Spanish Westwing Iberia S.L. amounted to EUR 30.2m (2020: EUR 42.2m).

1.3 Performance Measurement System

Westwing manages its operating business via two segments: DACH and International. The key performance indicators used for this are revenue, revenue growth, Adjusted EBITDA, and the Adjusted EBITDA margin. The DACH segment comprises Germany, Switzerland, and Austria. The International segment consists of Spain, Italy, France, Poland, the Czech Republic, the Slovak Republic, Belgium, and the Netherlands.

We define EBITDA as total earnings before interest and taxes (EBIT) plus depreciation, amortization, and impairments. Adjusted EBITDA is calculated by modifying this figure to take account of share-based payment expenses. This provides a performance metric for the Company's operating business. In 2021, we also adjusted EBITDA for expenses resulting from a tax claim for previous years brought against a divested entity, plus the expenses incurred for the planned change in Westwing AG's legal form to a European Company (Societas Europaea – SE). In 2019, EBITDA was also adjusted for restructuring costs in Italy and France, which led in turn to smaller reversal adjustments in 2020 and 2021. The Adjusted EBITDA margin is defined as Adjusted EBITDA expressed as a percentage of revenue.

Other financial and non-financial performance indicators apart from our key performance indicators – revenue, revenue growth, Adjusted EBITDA, and Adjusted EBITDA margin – are also reported to corporate management and include the following:

- GMV (gross merchandise volume): This is defined as the order value (excluding VAT) of all valid orders for the relevant period excluding failed and cancelled orders and less projected cancellations, which are estimated based on historical patterns. Returns are included, however.

- Westwing Collection share: The share of total GMV accounted for by our Westwing Collection, expressed in percent.

- Number of orders: This is defined as the total number of valid orders placed during the twelve months before the period-end, and is not adjusted for returns.

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

- Active Customers: Customers who have placed at least one valid order during the twelve months before the period-end, not adjusted for returns.

- Average orders per Active Customer in the preceding twelve months: The total number of orders placed in the twelve months before the period-end, divided by the number of Active Customers as of the period-end.

- Average GMV per Active Customer in the preceding twelve months: GMV in the twelve months before the period-end, divided by the number of Active Customers as of the period-end.

- Mobile visit share: The proportion of site visits made via mobile devices, expressed as a percentage of total site visits.

- Contribution margin: Total gross profit less adjusted fulfilment expenses, expressed as a percentage of revenue.

- Free cash flow: The sum of cash flow from/used in operations and cash flow from/used in investments.

1.4 Research and Development

Ever since it was founded, Westwing has invested in developing and enhancing software to support its growing internal and external business requirements. The Company has established an in-house technology team that provides centralized support for all countries so as to maintain this software architecture. As of year-end 2021, the team consisted of 267 employees (December 31, 2020: 154 employees). One 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, plus smartphone- and tablet-optimized sites.

Development costs are capitalized in accordance with IAS 38. The net carrying amount of intangible assets resulting from the capitalization of internally developed software increased by EUR 4.8m in the 2021 fiscal year, to total EUR 18.6m. Capitalized development costs accounted for roughly 30% of total technology costs in 2021 (2020: 30%). Amortization of capitalized development costs amounted to EUR 3.6m during the same period (2020: EUR 2.8m).

2. REPORT ON ECONOMIC POSITION

2.1 Macroeconomic and Sector-specific Environment

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

Macroeconomic developments in 2021 continued to be dominated by the coronavirus (COVID-19) pandemic. Vaccination has been shown to be an effective means of mitigating the health risks associated with the virus. However, unequal access to vaccines, vaccine hesitancy, and the more contagious Delta and later Omicron variants, among other factors, contributed to an ongoing high level of uncertainty. While many advanced economies made significant progress in fighting the pandemic, emerging markets and developing countries in particular still faced high infection rates.

Global GDP is expected to have increased by 5.9% in 2021 (2020: –3.1%)[2]. While global GDP growth was stronger than anticipated in the first quarter of 2021, momentum slowed from the second quarter onwards for a variety of reasons. Renewed lockdowns and restrictions, which became necessary due to new waves of COVID-19 infections, led to an uneven economic recovery and depressed the global market. Beyond that, rising raw materials prices, supply-side constraints, and significantly higher shipping costs led to a significant rise in headline consumer price inflation. According to OECD estimates, annual consumer price inflation in the G20 economies is projected to have been approximately 4.5%[3] at the 2021 year-end.

2 International Monetary Fund: World Economic Outlook Database October 2021.

3 OECD (2021), OECD Economic Outlook, Interim Report September 2021: Keeping the Recovery on Track, OECD Publishing, Paris, http://doi.org/10.1787/490d4832-en.

In the medium term, the pandemic is expected to increase global poverty and inequality. The economic recovery will continue but will remain uneven across the world. Global GDP growth is expected to gradually slow to 3.3% [4] in the period up to 2026.

The European economy in particular saw a significant recovery in 2021: According to IMF estimates, real GDP rose by approximately 5.4% in 2021, 10.4 percentage points higher than in 2020 (–5.0%).[5]

In Germany, Westwing's largest market, real GDP recovery is expected to have been below the European average, at an estimated 3.1% [6]. The fourth wave of the pandemic towards the end of 2021 hit the country especially hard and contributed to economic forecasts for the year being downgraded.

In 2020 – the most recent year for which figures are available – the total Home & Living market in Westwing's European target countries was worth around EUR 121bn (2019: EUR 120bn). This translates to year-over-year market growth of just 0.8%, which can be attributed to the macroeconomic distortions described above. The market is expected to reach a volume of over EUR 133bn by the end of 2025, which corresponds to a 2% annual average growth rate.[7]

The picture for the online market is completely different to this moderate development. The eCommerce business increased its share of the market from EUR 12bn in 2019 to EUR 17bn in 2020, a rise of more than 39%. This is also reflected in the online penetration rate of 14% in 2020 (2019: 10%) – another significant increase. At the same time, online penetration rates of over 25% in the United Kingdom and the United States indicate the huge growth potential still left in the European market.[8]

While the tremendous increase in online sales last year was of course boosted by the restrictions on contacts caused by COVID-19, it still indicates the direction the future will take. The shift from offline to online purchases is an ongoing trend that will continue in years to come even after the pandemic has ended. In addition, the fact that the Home & Living market in general still has lower online penetration rate than other retail industries means there can be no doubt about Westwing's future growth opportunities.[9]

OVERALL ASSESSMENT OF THE ECONOMIC ENVIRONMENT

After the year 2020 which caused a turnaround with respect to the shift from offline to online, management saw in 2021 that people get used to the new environment. Still, we expect this online trend not to reverse, albeit lose a bit of momentum. Global growth was positive again, but we are strongly impacted by price increases and inflation, and so are our customers. Nevertheless, Westwing had a positive year, but the economic environment is expected to cloud over in 2022.

2.2 Course of Business [10]

2021 was another successful year for Westwing. We closed the year with revenue of EUR 522m (2020: EUR 433m) – a growth rate of 20.7% year-over-year – and an Adjusted EBITDA margin of 7.7% (2020: 11.5%). We had anticipated the development in the latter indicator since we had benefited strongly from the accelerated shift towards online channels across all our markets in 2020, which had led to a very high baseline. Additionally, we saw strong seasonality in summer as social distancing restrictions eased, vaccination rates increased across our markets, and consumer spending shifted towards offline channels such as travel and leisure.

The number of Active Customers grew from 1.5m to 1.7m, while the number of orders increased by 7% to 4.4m (2020: 4.1m). Free cash flow was EUR 2.7m (2020: EUR 39.5m). Westwing's net income in 2021 was EUR 12.0m (2020: EUR 29.8m).

4 International Monetary Fund: World Economic Outlook Database October 2021.
5 International Monetary Fund: World Economic Outlook Database October 2021.
6 International Monetary Fund: World Economic Outlook Database October 2021.
7 Euromonitor (April 19, 2021).
8 Euromonitor (April 19, 2021).
9 Euromonitor (April 19, 2021).
10 All statements and figures relating to quarterly developments are unaudited.

As a result, we met our March 2021 capital markets guidance for revenue and were only very slightly below our projected figure for Adjusted EBITDA.

Date	Revenue	Revenue growth	Adjusted EBITDA	Adjusted EBITDA margin
March 30, 2021 (original guidance)	EUR 510m–550m	18%–27%	EUR 42m–55m	8–10%
March 29, 2022 (final result)	EUR 522.5m	20.7%	EUR 40.4m	7.7%

The DACH segment generated revenue of EUR 296.8m (22.4% growth) and Adjusted EBITDA of EUR 38.8m (2020: EUR 41.0m), while revenue in our International segment was EUR 225.7m (up 18.6%) and Adjusted EBITDA amounted to EUR 2.8m (2020: EUR 9.2m). Please refer to the segment results for more details.

The following major topics were relevant to the Company's course of business in 2021:

Health and safety remained key

The COVID-19 pandemic remained the number one issue throughout the year, although vaccines became available earlier than had been expected. As in 2020, Westwing's office employees worked mainly from home to avoid spreading the virus, although since the summer of 2021 some staff returned to the office on single days and following strict rules. Employees who couldn't work from home (such as warehouse workers and photo studio employees) followed the strict health and social distancing procedures introduced in response to the virus. Westwing offered all employees vaccines during June to August 2021 and again in November and December, including booster shots. This offer was very well received.

Dealing with supply chain disruptions and increased freight costs

We saw rising pressure from high sea freight and container costs, and ongoing industry-wide supply chain disruptions, in 2021. We were able to offset some of the resulting negative effects due to a strong increase in our Westwing Collection's share of GMV. Although we are able pass on some of the cost increases to our customers, we are seeing a negative short-term impact on our contribution margin, and expect this trend to continue.

Maintaining and improving customer loyalty

Westwing's customer loyalty remained very strong in 2021, with 80% of orders coming from repeat customers (2020: 79%). We were able to increase the share of wallet (measured in terms of the GMV per Active Customer for the preceding twelve months) from EUR 328 in 2020 to EUR 343 in 2021. This was despite having a record number of new customers whose values for this KPI are lower, as they have not been with us for a full twelve-month period. We are benefiting from the synergies offered by our flywheel of daily themes, our permanent assortment, our Westwing Collection, and our organic marketing.

2.2.1 RESULTS OF OPERATIONS

CONDENSED CONSOLIDATED INCOME STATEMENT

The condensed Consolidated Income Statement (IFRSs) before adjustments is as follows:

EURm	2021	In % of revenue	2020	In % of revenue	Change in EURm	Change in %
Revenue	**522.5**	**100.0**	**432.9**	**100.0**	**89.6**	**20.7**
Cost of sales	–265.7	–50.9	–218.9	–50.6	–46.8	21.4
Gross profit	**256.8**	**49.1**	**213.9**	**49.4**	**42.9**	**20.0**
Fulfilment expenses	–107.1	–20.5	–86.1	–19.9	–21.0	24.3
Marketing expenses	–49.3	–9.4	–31.0	–7.2	–18.4	59.3
General and administrative expenses	–79.3	–15.2	–64.9	–15.0	–14.4	22.2
Other operating expenses	–3.8	–0.7	–3.6	–0.8	–0.3	7.3
Other operating income	3.9	0.7	3.0	0.7	0.9	29.7
Operating result	**21.1**	**4.0**	**31.4**	**7.2**	**–10.3**	**–32.7**

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

EURm	2021	2020
Operating result	**21.1**	**31.4**
Share-based payment expenses	5.6	8.4
Expenses for tax claim on discontinued operations	0.3	–
Expenses for planned change in legal form to an SE	0.4	–
Restructuring in France	–0.0	–0.4
Depreciation, amortization, and impairments	13.0	10.6
Adjusted EBITDA	**40.4**	**50.0**
Adjusted EBITDA margin	7.7%	11.5%

The adjusted Consolidated Income Statement shown in the following table, which we use to comment on operating developments in the individual items, does not include share-based payment expenses. In 2021, adjustments were also made for expenses relating to the tax claim against a divested entity from previous years and the expenses related to the change in Westwing Group AG's legal form to a European Company (SE). In 2019, restructuring expenses in France and Italy were excluded, which also led to additional adjustments in 2020 and 2021. Finally, depreciation, amortization, and impairments are excluded to arrive at the Adjusted EBITDA. In 2021, share-based payment expenses of EUR 1.5m recognized in previous years impacted cash (2020: EUR 2.4m).

ADJUSTED CONDENSED CONSOLIDATED INCOME STATEMENT

EURm	2021	In % of revenue	2020	In % of revenue	Change in EURm	Change in %
Revenue	**522.5**	**100.0**	**432.9**	**100.0**	**89.6**	**20.7**
Cost of sales	–265.7	–50.9	–218.9	–50.6	–46.8	21.4
Gross profit	**256.8**	**49.1**	**213.9**	**49.4**	**42.9**	**20.0**
Fulfilment expenses*	–107.1	–20.5	–86.2	–19.9	–20.9	24.2
Contribution margin*	**149.7**	**28.7**	**127.7**	**29.5**	**22.0**	**17.2**
Marketing expenses	–49.3	–9.4	–30.9	–7.1	–18.4	59.3
General and administrative expenses*	–73.4	–14.0	–56.9	–13.1	–16.5	29.0
Other operating expenses*	–3.5	–0.7	–3.6	–0.8	0.1	–2.0
Other operating income	3.9	0.7	3.0	0.7	0.9	29.7
Depreciation, amortization, and impairments	13.0	2.5	10.6	2.5	2.4	22.4
Adjusted EBITDA	**40.4**	**7.7**	**50.0**	**11.5**	**–9.5**	**–19.1**

* The following adjustments were made in the corresponding line items:

EURm	Line item	2021	2020
Share-based payment expenses	Fulfilment expenses	0.0	0.0
	Marketing expenses	0.0	0.0
	General and administrative expenses	5.6	8.4
Provision for tax claim on discontinued operations	Other expenses	0.3	–
Expenses for planned change in legal form to an SE	General and administrative expenses	0.4	–
Restructuring in France	Fulfilment expenses	–0.0	–0.1
	General and administrative expenses	–0.0	–0.3
Total		**6.3**	**8.0**

Revenues for the year can be broken down as follows:

EURm	2021	In % of revenue	2020	In % of revenue
Revenue from the sale of products	515.0	98.6	428.3	99.0
Service revenue	0.6	0.1	–	–
Other revenue	6.8	1.3	4.5	1.0
Total	**522.5**	**100.0**	**432.9**	**100.0**

Changes in the other performance indicators were as follows in the reporting period:

OTHER PERFORMANCE INDICATORS

	2021	2020	Change
Westwing Collection share (in % of GMV)	34%	25%	9pp
GMV (in EURm)	586	502	17%
Number of orders (in thousands)	4,371	4,074	7%
Average basket size (in EUR)	134	123	9%
Active Customers (in thousands)	1,705	1,529	11%
Average orders per Active Customer (in EUR)	2.6	2.7	–4%
Average GMV per Active Customer in the preceding twelve months (in EUR)	343	328	5%
Mobile visit share	80%	79%	1pp

Westwing grew its revenue from EUR 432.9m in 2020 to EUR 522.5m in 2021. This corresponds to a year-over-year rise of 20.7%. The increase in Group revenue was mainly driven by a higher number of orders at a larger average basket size.

The Westwing Collection share grew by 9 percentage points, from 25% of GMV in 2020 to 34% of GMV in 2021. In the fourth quarter of 2021, it actually amounted to 37% (Q4 2020: 28%).

Westwing's gross profit margin of 49.1% remained at a high level and was down only slightly on the strong outcome seen in 2020 (49.4%). These encouraging figures are largely due to the higher Westwing Collection share, which offset increased container costs.

Fulfilment expenses[11] (before share-based payment and restructuring expenses) as a percentage of revenue increased slightly compared to the previous year to 20.5% (2020: 19.9%). In absolute terms, they amounted to EUR 107.1m (2020: EUR 86.2m).

Marketing expenses (before share-based payment) as a percentage of revenue rose to 9.4% (2020: 7.1%). This was due in particular to marketing investments designed to drive future growth, which will be continued in the coming quarters. Expressed in absolute terms, marketing expenses rose to EUR 49.3m (2020: EUR 30.9m).

General and administrative expenses (before share-based payment and expenses for the planned change in legal form to an SE) as a percentage of revenue rose moderately from 13.1% in 2020 to 14.0% in 2021. In absolute terms, they increased by EUR 16.5m to EUR 73.4m (2020: EUR 56.9m).

Adjusted EBITDA in 2021 was EUR 40.4m (2020: EUR 50.0m), down EUR 9.5m year-over-year. The Adjusted EBITDA margin declined by 3.8 percentage points, from 11.5% to 7.7%.

Depreciation and amortization increased by EUR 2.4m to EUR 13.0m, primarily due to higher amortization of internally generated software resulting from the rise in capitalized expenses over recent years, plus increased depreciation of right-of-use assets.

11 Fulfilment expenses include shipping costs.

The net financial result improved by EUR 1.4m compared to 2020 and amounted to EUR −2.1m (2020: EUR −3.5m). Key items included interest on leasing liabilities and default interest relating to tax corrections. The reduction is primarily due to the valuations in previous years of warrants that were exercised at the end of 2020 and the beginning of 2021.

Actual income tax expenses were down compared to the previous year, at EUR 2.7m (2020: EUR 5.5m). In 2021, Westwing reduced deferred tax assets on loss carryforwards and also recognized deferred tax liabilities. In total, this resulted in an expense of EUR 4.3m (2020: income of EUR 7.4m), which led to a total tax expense of EUR 7.0m (2020: income of EUR 1.9m).

Profit after tax in the 2021 fiscal year amounted to EUR 12.0m, a year-on-year decline of EUR 17.8m (2020: EUR 29.8m).

GMV increased from EUR 501.9m in 2020 to EUR 585.6m in 2021 – a rise of 16.7%. This growth was based on a total of 4.4m orders (2020: 4.1m) placed by 1.7m (2020: 1.5m) Active Customers. As a result, the average GMV per Active Customer increased to EUR 343 in 2021 compared to EUR 328 in 2020.

The mobile visit share continued to increase in 2021, amounting to 80% (2020: 79%).

SEGMENT RESULTS

The Group's revenue can be broken down by segment as follows:

EURm	2021	In % of revenue	2020	In % of revenue	Change in EURm	Change in %
DACH	296.8	56.8	242.6	56.0	54.3	22.4
International	225.7	43.2	190.3	44.0	35.3	18.6
Total	**522.5**	**100.0**	**432.9**	**100.0**	**89.6**	**20.7**

Adjusted EBITDA for the segments was as follows:

EURm	2021	Margin	2020	Margin	Change in EURm
DACH	38.8	13.1%	41.0	16.9%	−2.3
International	2.8	1.2%	9.2	4.8%	−6.4
HQ/reconciliation	−1.1	–	−0.3	–	−0.8
Total	**40.4**	**7.7%**	**50.0**	**11.5%**	**−9.5**

Our DACH segment had a successful year and contributed EUR 296.8m to revenue, a rise of 22.4% compared to 2020. Revenue in our International segment improved by 18.6% to EUR 225.7m. The DACH segment achieved Adjusted EBITDA of EUR 38.8m and an Adjusted EBITDA margin of 13.1% (2020: 16.9%). Adjusted EBITDA in the International segment was EUR 2.8m (2020: EUR 9.2m), corresponding to an Adjusted EBITDA margin of 1.2% (2020: 4.8%).

2.2.2 FINANCIAL POSITION

CONDENSED STATEMENT OF CASH FLOWS

EURm	2021	2020	Change in EURm
Cash flows from operating activities	18.7	47.5	–28.9
Cash flows from investing activities	–16.0	–8.0	–8.0
Cash flows from financing activities	–9.7	–7.3	–2.4
Net change in cash and cash equivalents	**–7.0**	**32.2**	**–39.2**
Effect of exchange rate fluctuations on cash held	–0.5	–0.5	–0.1
Cash and equivalents as of January 1	104.9	73.2	31.7
Cash and equivalents as of December 31	**97.4**	**104.9**	**–7.5**

Westwing generated a positive cash flow from operating activities of EUR 18.7m (2020: EUR 47.5m) due to its solid operating profit. The decrease is mainly caused by investments into inventories. Cash and cash equivalents declined by a moderate EUR 7.5m in 2021 compared to December 31, 2020. Net working capital – defined as inventories plus prepayments, current trade receivables, and other financial assets less trade payables, provisions, and contract liabilities – jumped by EUR 8.4m to EUR 4.4m in 2021 (2020: EUR –4.0m).

Cash flows from investing activities amounted to EUR –16.0m in 2021 (2020: EUR –8.0m). This item included investments in intangible assets, and especially in internally developed software, of EUR 8.6m (2020: EUR 5.4m). In addition, it included purchases of property, plant, and equipment totaling EUR 6.3m (2020: EUR 2.8m), which primarily related to technical equipment for the new warehouse in Poland and the Company's headquarters.

Due to the changes in cash flows from operating activities and cash flows used in investing activities described above, free cash flow for full-year 2021 was EUR 2.7m (2020: EUR 39.5m).

Cash flows from financing activities amounted to EUR –9.7m (2020: EUR –7.3m) and were mainly attributable to payments of lease liabilities. Furthermore, Westwing had an unused credit line of up to EUR 10.0m.

Principles and objectives of financial management

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

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

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

2.2.3 NET ASSETS

CONDENSED STATEMENT OF FINANCIAL POSITION

EURm	2021	2021 in % of total	2020	2020 in % of total	Change in EURm	Change in %
Total assets	**277.4**	**100.0**	**229.0**	**100.0**	**48.4**	**21.1**
Non-current assets	87.4	31.5	60.0	26.2	27.4	45.7
Current assets	190.1	68.5	169.0	73.8	21.0	12.4
Total equity and liabilities	**277.4**	**100.0**	**229.0**	**100.0**	**48.4**	**21.1**
Equity	119.3	43.0	108.7	47.5	10.6	9.8
Non-current liabilities	54.0	19.5	27.8	12.2	26.1	93.8
Current liabilities	104.2	37.5	92.5	40.4	11.7	12.6

Non-current assets mainly consist of property, plant, and equipment, and intangible assets. The increase in property, plant, and equipment from EUR 34.5m at the end of 2020 to EUR 55.5m at the end of 2021 was basically due to higher right-of-use assets to improve our warehouse capacity plus investments in technical equipment in Poland and at the Company's headquarters. Intangible assets, which are primarily attributable to the capitalization of software development expenses, increased by EUR 4.8m. Capitalized software development expenses of EUR 8.2m in 2021 were partially offset by amortization of EUR 3.6m and an impairment charge of EUR 0.1m.

Current assets amounted to EUR 190.1m as of December 31, 2021 (December 31, 2020: EUR 169.0m). Cash and cash equivalents decreased to EUR 97.4m (December 31, 2020: EUR 104.9m), primarily as a result of lower cash flows from operating activities. Inventories increased to EUR 54.9m (December 31, 2020: EUR 30.2m) due to a build-up designed to improve product availability and to mitigate the risks of volatile supply and demand. Trade and other current financial receivables decreased by EUR 5.9m to EUR 11.5m (December 31, 2020: EUR 17.4m); this item included expected credit losses of EUR 4.6m (December 31, 2020: EUR 3.0m).

The Company's equity improved to EUR 119.3m as of December 31, 2021, compared to EUR 108.7m as of the end of 2020. This change was mainly caused by the net income for the year.

Non-current liabilities climbed by EUR 26.1m to EUR 54.0m (December 31, 2020: EUR 27.8m). This strong increase was largely due to a EUR 14.4m increase in lease liabilities and a EUR 6.6m rise in liabilities from cash-settled share-based payment. Of this amount, EUR 4.6m is due to a reclassification of equity-settled share-based payment programs to cash-settled ones.

As of December 31, 2021, the Group had available credit lines of EUR 10.0m at UniCredit Bank AG (December 31, 2020: none).

Current liabilities were up EUR 11.7m year-over-year, at EUR 104.2m (December 31, 2020: EUR 92.5m). Trade payables increased from EUR 27.9m at the end of 2020 to EUR 41.8m as of December 31, 2021, mainly due to the inventory build-up over the year as a whole and especially in the fourth quarter. This effect was partially offset by lower tax liabilities, which fell by EUR 4.4m.

Overall assessment of the Group's economic position

COVID-19 remained the dominant topic in what was the second year of the pandemic. Health and safety remained a key issue, although people had become used to working from home and following strict rules, and vaccines had become available. As a result, consumer spending shifted towards offline channels such as travel and leisure. The main issues facing Westwing in 2021 were rising pressure from high sea freight costs and ongoing, industry-wide supply chain disruptions. In addition, we saw softening consumer behavior towards the end of the year. However, our customers remained loyal and we are benefiting from the synergies offered by our flywheel of daily themes, our permanent assortment, our Westwing

Collection, and our organic marketing. Westwing is profitable for the second year in a row, is debt-free, and has a strong cash position. We therefore see ourselves in a very good economic situation and are prepared for a post-pandemic environment.

3. EMPLOYEES

Westwing Group employed 2,312 full time equivalents (FTEs[12]) as of the end of December 2021 – a significant increase on the 1,671 employees recorded as of the end of 2020.

In December 2021, most staff were employed by Munich-based legal entities Westwing Group AG (now: Westwing Group SE) (440 FTEs) and Westwing GmbH (301 FTEs), and by the Group's Polish entity (1,075 FTEs) that also operates Westwing's shared service center and shared warehouse.

Westwing's employees are extremely international. As of the end of 2021, the Company employed people with more than 85 different nationalities. Likewise, Westwing sees gender diversity as an important factor: A total of 61% of the Company's employees are female.

4. NON-FINANCIAL STATEMENT

This Non-financial Statement covers Westwing Group AG (now Westwing Group SE)'s operations and was prepared in accordance with sections 315b and 315c in conjunction with sections 289b and 289c of the German Commercial Code (Handelsgesetzbuch – HGB). The Non-financial Statement presents our sustainability focus areas, describes our management approach, lists performance indicators, and highlights specific initiatives undertaken during the reporting period. The identification and analysis of the material aspects described in this statement was based on the Global Reporting Initiative (GRI) Standards and on section 289c(3) of the HGB. Full application of the GRI Standards was not considered appropriate at the current time; however, this remains a goal of our reporting improvement plan.

The Non-financial Statement contains the disclosures required pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter referred to as the "EU Taxonomy Regulation") and the Delegated Acts adopted under this.

Westwing focuses on building and maintaining a long-lasting relationship with our home enthusiast customers, inspiring them with a curated selection of products in our shoppable magazine and combining these with beautiful content. Specific information on our business model can be found in chapter 1 "Fundamental Information About the Group" of the Combined Management Report.

At Westwing, we believe that we can improve our overall sustainability performance by focusing on our products, our suppliers, and our employees, and on the way we communicate with our customers. In turn, this will underpin our continued sustainable growth. Our strategy describes how we intend to reach our sustainability ambitions.

Sustainability Strategy 2030

Our Sustainability Strategy 2030 is based on our belief that our customers can choose to live both beautifully and sustainably.

The strategy aims to address environmental, social, and governance (ESG) challenges that are important to our customers, employees, suppliers, investors, and other stakeholders. It is based on three guiding principles:

12 As defined by Westwing, an FTE is the equivalent of a full-time employee.

- Focus on our core: Build sustainability into our Westwing Collection products in close collaboration with our Westwing Collection suppliers and partners.

- Leverage our strengths: Use our vast marketing expertise and insights to enable our customers to make more sustainable choices.

- Build a strong foundation: Increase our understanding of sustainability and introduce processes across our business to continuously improve our sustainability performance.

Our strategy also sets out how we will achieve the following goals:

1. Make our Westwing Collection more sustainable – using product and packaging materials that have the best possible environmental, social, and ethical profile.

2. Enable our customers to make more sustainable choices – offering more sustainable products that can be seamlessly integrated into beautiful, sustainable homes.

3. Create the best workplace – continue to provide exceptional working spaces that are safe, healthy, inclusive, and environmentally friendly

4. Ensure our suppliers act on sustainability – partnering with them to develop and improve their environmental and social performance.

Defining What is Important: Our Materiality Assessment

We conducted a materiality assessment in 2021. We formally consulted our customers, employees, the Management Board, our Executive team, suppliers, and other stakeholders on a range of ESG topics. We also reviewed our existing policies and practices, and analyzed policy trends, ESG investment requirements, and the approaches adopted by competitors and other companies.

As a result of this work, we identified six topics where our operations have a direct material impact and that are relevant to our business. We also defined our overall goals and targets in relation to these impact areas.

Matters required by HGB	Topic	Goals	Targets
Environmental matters	Climate and energy	• Avoid, reduce, and offset our greenhouse gas emissions	• Source 100% of overall energy[13] used from renewable sources by 2027 • Set science-based emissions reduction targets by 2023 • Stay climate neutral
Environmental matters	Packaging	• Reduce amount of packaging • Reduce use of virgin materials • Reduce use of materials that are more harmful to the environment • Reduce packaging going to landfill	• Reduce the amount of packaging[14] used by Westwing • Reduce foam material (Westwing's own packaging) • Eliminate single-use plastics and increase the use of recycled plastics (Westwing's own packaging) • Eliminate styrofoam packaging by 2028 (Westwing Collection products) • Make more than 90% of Westwing's own packaging recyclable or compostable by 2028 • Reuse, recover, or recycle more than 90% of packaging waste generated at our own sites by 2027
Environmental matters	Materials sourcing	• Increase the proportion of sustainable materials used in our products • Eliminate hazardous materials and avoid the use of toxic chemicals	• Use more than 90% certified[15] sustainable wood by 2026 in our Westwing Collection products • Use more than 90% certified[16] organic, recycled, and/or responsibly sourced cotton by 2026 in our Westwing Collection products • Use more than 90% responsibly[17] sourced animal by-products by 2026 in our Westwing Collection products • Increase the share of recycled content in the plastics used in our Westwing Collection products • Eliminate hazardous materials and avoid the use of toxic chemicals in our Westwing Collection products
Social matters – human rights	Supplier impacts	• Enhance our suppliers' social and environmental performance • Brand partners to be aligned with our sustainability standards	• 100% of Westwing Collection suppliers to be evaluated regularly by 2025 • 50% of Westwing Collection suppliers by purchase order volume to have established environmental and social management systems[18] by 2028 • Brand partners to be aligned with our sustainability standards by 2027
Employee matters – human rights	Fair working conditions	• Operate to the highest standards of health, safety, and job satisfaction	• 50% of Westwing Collection suppliers to establish programs to measure and improve working conditions by 2028 • Maintain Westwing employee satisfaction rate above 80% • Avoid accidents in our warehouses
Social matters	Responsible marketing and communications	• Provide transparent, credible information on the sustainability qualities of our products, and assist our customers to make more sustainable choices	• A significant share of our products to be labeled as sustainable • 50% of our Westwing Collection products to be labeled as sustainable by 2027 • A significant share of Westwing's communications to be dedicated to promoting sustainability

13 Energy includes electricity, heating, cooling and other fuels for vehicle fleets trucks
14 Inbound for Westwing Collection products, outbound (excluding dropshipping), within warehouse
15 Certifications include FSC® and PEFC
16 Certifications include GOTS, MADE IN GREEN by OEKO-TEX and OCS
17 Animal by-products include leather, down, fur, etc.
18 Environmental and social management systems (e.g., ISO 14000, SA 8000)

In addition to these topics, we identified Integrity, legal compliance and data protection (matter required by HGB: anti-corruption) as an area to be included in the Non-Financial Statement based on its relevance for our business and impact.

Sustainability Governance

Our Management Board, supported by the Supervisory Board, is ultimately responsible for our Sustainability Strategy 2030. We appointed a new Head of Corporate Sustainability to develop and drive the strategy and work across the business to set targets, measure progress, and report on milestones achieved.

Our Head of Corporate Sustainability leads a core team that works directly with designated individuals ("sustainability champions") in each area of the business. This team devises goals and processes, monitors performance, and ensures that Westwing complies with all relevant environmental, social, and ethical regulations. It works with key managers across the business to identify and implement roadmaps, monitor performance, and ensure we are setting and meeting relevant targets. It also supports key executives in their engagement and communication with external stakeholders, and especially with customers, suppliers, and investors. Our Head of Corporate Sustainability reports to the Director of Governance, Risk Management, and Compliance (GRC), who in turn reports progress to the CFO and the Management Board.

A dedicated Sustainability team has also been established at our Permanent Assortment and Westwing Collection business, led by our Director of Quality and Sustainability of our Permanent Assortment. This team ensures the sustainability of our products, inbound packaging, supply chain, and materials sourcing – factors that are vital to our strategy – as well as compliance with the relevant regulations and material/product sustainability guidelines.

At an operational level, and in particular as regards packaging, sustainability is ensured by the Head of Quality and Customer experience, who also works closely together with the Corporate Sustainability team.

Our GRC function monitors risks across the business. The GRC identifies financial and non-financial risks including reputational, social, and environmental risks. As part of this process, we also assess if any highly likely and material negative impacts from topics must be included in this Non-financial Statement. We did not identify any unaddressed principal risks resulting from our operations, business activities, and business relationships during the reporting period that could have severe adverse effects on material non-financial matters. Any potential risks and impacts identified in our risk assessment have been addressed by the management approaches we have in place, which are described in this statement.

CLIMATE AND ENERGY

Management Approach

The carbon emissions that we generate in our operations, products, and supply chain are of material importance to the business, to our employees, customers, and investors, and to governments.

At Westwing, our efforts to address carbon emissions start with their annual calculation using internationally agreed methodologies such as the Greenhouse Gas Protocol. The Corporate Sustainability team collects and reviews all underlying data and information from Westwing's departments and then calculates the Company's carbon footprint with the help of an external partner (ClimatePartner)[19].

Once our carbon emissions have been calculated, we identify ways firstly to avoid them, then to reduce what cannot be avoided, and finally to offset the remainder. The Corporate Sustainability team is in charge of setting emission reduction targets, in close communication and cooperation with other relevant departments. Our Sustainability Strategy specifies that concrete carbon emission reduction targets will be determined in accordance with the Science-Based Targets initiative (SBTi).

Carbon offsetting is also coordinated by the Corporate Sustainability team in agreement with the Executive team and then implemented by our external partner (ClimatePartner).

19 ClimatePartner is a specialist firm that helps companies measure their carbon footprint and take climate action such as reducing and offsetting emissions.

Key Achievements in 2021

In 2021, we established a baseline for energy use and related emissions data by calculating our carbon footprint across Scopes 1 and 2 and part of Scope 3 for the first time; the Greenhouse Gas Protocol methodology was used for this. This involved collecting all relevant 2020 data across our business operations, including from utilities and for employee travel/commuting. Where information was not readily available, we made assumptions. For example, facilities' floor areas (m2) were used where heating and air conditioning data was not available to estimate Scope 1 emissions, generic assumptions were made as to the means of transportation used by employees (% share of cars, public transportation, etc.), and the average distance traveled was used to estimate commuting emissions.

Establishing our emissions baseline proved to be a relatively challenging process given the large number of countries involved and the different data collection processes in place for each of them. Scope 3 emissions also presented additional challenges, since the coronavirus pandemic influenced commuting patterns and overall business operations.

Scope	Emissions covered	2020
Scope 1	All direct emissions from heating, the combustion of fuels by our own vehicles, and fugitive emissions from air conditioning	1,495 [t CO_2e]
Scope 2	All indirect emissions from purchased electricity	1,239 [t CO_2e]
Scope 3[20]	All indirect emissions from employees' business travel (flights, train, cars), employee commutes to and from work, remote working, and the extraction, production, and transportation of fuels consumed in the generation of electricity and heating	3,544 [t CO_2e]

In collaboration with ClimatePartner, we offset our Scope 1, Scope 2, and part of our Scope 3 emissions (see above) in 2021 and already achieved our goal of being climate neutral in our own operations. We did this by identifying and selecting suitable, verified carbon offset projects based on the principles of project focus (e.g., energy, forest), location, and quality standards. Additionally, we sourced electricity from renewable sources for four of our offices in Germany, Poland, and the Netherlands. This represents a first step towards our goals of using 100% overall energy from renewable sources by 2027.

Outlook for 2022

Our main target for 2022 is to commit to science-based emission reduction targets, which we aim to set by 2023. Our focus over the next few years will be to reach these targets by enhancing energy and resource efficiency, by making widespread use of renewable energy throughout the business, and by improving our logistics and transportation operations (one of the largest drivers of our carbon emissions).

Our emission reduction plans will be implemented both for current and for new facilities such as our new central warehouse in Poland. This starts operations in Q1 2022 and has been built to 'Very Good' BREEAM sustainability standards[21], with solar panels to address heating and electricity needs. Other key features of the building include waste water recovery systems, vehicle charge points, water conservation technologies, LED lighting, enhanced natural light, and ventilation systems.

20 Excluding emissions from logistics, packaging, waste, water, data centers, and office supplies.

21 The certification audit will take place in 2022.

PACKAGING

Management Approach

Our customers expect and request that we use a minimum of packaging material and that our packaging is fit for purpose, can be readily recycled, and uses materials with the lowest possible environmental footprint.

We recognize our responsibility to ensure the most sustainable packaging possible for our products and aim to achieve this via two main workstreams. These comprise our warehousing and logistics operations – which develop and apply packaging solutions to protect products for delivery to our customers – on the one hand, and our Westwing Collection suppliers – who develop the inbound packaging for our own products – on the other.

Packaging in Our Warehouses: The first packaging workstream is managed by the Head of Quality and Customer Experience and their team. This group plans and supervises the way products are packaged for our end customers, focusing in particular on packaging procurement and reduction, subject to cost and utility. Support for sustainability issues is currently provided by the Corporate Sustainability team.

Packaging for Westwing Collection Products: The second packaging workstream is managed by the Director of Product Quality and Sustainability and their team. This group oversees the development of packaging solutions by our suppliers, providing guidance as necessary and taking full responsibility for the design, quality, sustainability, and overall procurement of suitable solutions.

Key Achievements in 2021

Westwing worked continuously to define and use sustainable packaging options, in line with customer expectations to avoid "overpackaging." We use specialist cutting technology in two of our warehouses to reduce packaging volumes by producing custom-sized boxes, thus reducing materials usage and increasing transportation efficiency. We have also switched to shipping our products in 100% recycled cardboard containers[22].

We also improved the packaging guidelines for our Westwing Collection suppliers and established similar guidelines for our warehouses to ensure a consistent approach across our entire business. Overall, these guidelines reflect our corporate goals; EU regulations on packaging, packaging waste, and extended producer responsibility; and relevant European and national quality and safety standards. Among other things, our guidelines cover preferred materials, restricted substances, closure methods, safety warnings, drop tests, labeling, polymer use, and third-party certifications such as those awarded by the Forest Stewardship Council (FSC®). As of the end of 2021, 14% of our negotiated Westwing Collection order volume was compliant with these enhanced sustainable packaging guidelines.

Packaging is a very important aspect of our business. We are still learning and gradually shifting towards more sustainable options and achieving our long-term targets. During this shift, we have to take account of the increasing cost of packaging and long delivery times, and ensure that we have robust systems for measuring the sustainability qualities of these materials. The main barriers to our efforts are the increasing price of packaging materials and, even more importantly, long delivery times. In some cases there are also quality considerations linked to more sustainable materials as compared to conventional ones.

Outlook for 2022

In 2022, we will be addressing outbound packaging to customers and product packaging for the Westwing Collection in parallel. Our main goals for the year are to ensure that all of our warehouses and our Westwing Collection suppliers follow our packaging guidelines, and that they continue to analyze and explore new, more sustainable materials.

More specifically, the main priority for our warehouses will be to reduce the amount of packaging and virgin material used per order. The priority for the Westwing Collection will be to provide guidance to all suppliers on switching to more sustainable materials and formats. By the end of 2022, we aim to have a significant share of our Westwing Collection sup-

22 Valid for warehouses in Germany, Poland, and Italy

pliers adhering to our sustainable packaging guidelines. This includes eliminating styrofoam and other types of foam, wherever possible, and increasing the use of FSC®-certified carton and paper packaging.

MATERIALS SOURCING

Management Approach

We want to ensure that our Westwing Collection products are made from materials that are sustainably sourced, have the lowest possible environmental and social impact, and are long-lasting. The dedicated Sustainability team in our Permanent Assortment and Westwing Collection business is responsible for materials sourcing.

The design, product, and buying teams for our Westwing Collection follow a comprehensive set of guidelines designed to help them select the most sustainable materials and products possible for the Westwing portfolio. These are the:

- Sustainable Material Grading (SMG) Guidelines: These classify materials (fibers, wood, etc.) based on their environmental footprint

- Sustainability Labeling (SL) Guidelines: These set out a list of product and material certificates and attributes that are considered sustainable and are eligible for labeling on our websites.

- Restricted Substance List (RSL) Guidelines: These take account of all relevant rules and regulations on material safety, and in particular the EU REACH regulation on the use of hazardous substances.

Key Achievements in 2021

In 2021, we applied for membership of the Better Cotton Initiative (BCI) and achieved Global Organic Textiles Standard (GOTS) and Forest Stewardship Council (FSC®) certification. We are constantly evaluating certified materials and have also started to source textiles that are certified as complying with the Global Recycled Standard (GRS). Overall, in 2021, our sustainable offering expanded from textiles to cover furniture and decorative and lighting products as well. The main challenge here has been the limited availability of sustainable materials plus higher prices, effects that have been exacerbated by the coronavirus pandemic.

In November 2021, we launched the “WE CARE by Westwing Collection” sustainable products line. Westwing’s designers have created a timeless collection that is beautiful and made to last with furniture such as sofas and sideboards, and smaller pieces such as lamps and textiles. The collection includes furniture made with wood from sustainable forestry operations (FSC®), textiles made from organic cotton (GOTS), rugs made from a minimum of 50% recycled materials (GRS), box spring beds certified with the Nordic Swan Ecolabel, and other products made from natural fibers such as jute.

These developments highlight the first steps in our journey towards the systematic use of materials from responsible, sustainable, and ethical sources, as stated in our Sustainability Strategy.

Outlook for 2022

We will continue to expand our sustainable sourcing program in 2022. Specifically, we plan to increase the number of raw materials suppliers with relevant certifications (organic, recycled, etc.), implement a strict preference for buying sustainable raw materials and, overall, work with suppliers that are able to meet our requirements. We will also continue to research sustainable alternatives to key materials such as foams and metals.

SUPPLIER IMPACT

Management Approach

Our suppliers are either manufacturers making products on our behalf (Westwing Collection) or brands whose products we sell. They play a crucial role in ensuring we can provide our customers with products that are desirable, durable, and sustainable.

We want our product suppliers to meet high standards of sustainability governance and performance. We focus particularly on companies manufacturing products on our behalf, since we can directly specify materials and operational standards in these cases. This work is overseen by our Director of Product Quality and Sustainability and her team, who ensure compliance with the code of conduct for our Westwing Collection suppliers.

The Private Label Supplier Code of Conduct, as it is known, reflects key requirements set out by the International Labour Organization (ILO) and in the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. Key themes covered include working conditions, environmental performance, and the prevention of modern slavery and child labor. Our Supplier Code of Conduct entitles us to perform unannounced audits and to require subcontractors to adhere to the same standards.

Key Achievements in 2021

Westwing Collection Suppliers

We increased transparency in our supply chain by conducting systematic annual reviews of the results of the social audits (BSCI, SMETA, SA8000) performed at our non-EU Westwing Collection suppliers. As a result, by the year-end we had monitored 99% of our non-EU Westwing Collection suppliers (measured in terms of product order volumes). We also implemented an onboarding process for all new suppliers so as to ensure we are only assessing and commissioning those with existing audits (less than one year old) or with no objection certificates (NoCs), which state that an audit will take place within a defined time frame.

The main challenge in driving supply chain sustainability remains the wide range of approaches followed by our suppliers. Therefore, in 2021, we embarked on a comprehensive survey to capture and understand these approaches, and the existence of relevant environmental and social management systems. We believe that the information collected, coupled with our Sustainability Strategy, sets a clear path for strengthening relationships with our suppliers.

Brand Partners

In 2021, we also published a Supplier Code of Conduct for our brand partners that reflects Westwing's commitment to only work with partners that adhere to the same high environmental and social standards as Westwing, and that defines clear expectations.

Outlook for 2022

In 2022, we will focus on ensuring compliance with the German government's Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz – LkSG). This requires companies to establish processes to identify, assess, prevent, and remedy human rights and environmental risks/impacts in their supply chains. Key topics that need to be addressed include forced and child labor, discrimination, freedom of association, ethics, safety, and environmental impact.

We will continue working with our Westwing Collection suppliers to ensure full transparency and social and environmental compliance, and to expand audit coverage to environmental as well as social aspects. We will also work throughout the year with our strategic suppliers to improve their social audit ratings by implementing dedicated corrective action plans.

In the case of our Westwing Collection suppliers, we will continue to evaluate their environmental and social management systems and programs so as to come closer to our 2028 target of 50% of them (measured in terms of purchasing order volumes) having established such management systems.

We will initiate an internal audit system for EU suppliers so as to achieve our goal of having all Westwing Collection suppliers evaluated regularly by 2025.

We will also engage more systematically with key third party brand partners and pilot our Supplier Code of Conduct in 2022. This is the first step towards achieving our 2027 target of having our brand partners aligned with our sustainability standards.

FAIR WORKING CONDITIONS

Management Approach

Our Sustainability Strategy prioritizes fair working conditions for our own and our suppliers' employees. This includes providing a healthy and safe working environment, ensuring their physical and mental well-being, and offering training and career development opportunities.

Our Employees

We communicate with employees using regular all-hands meetings, ongoing interactions with team leads, and our Company-wide Pulse Check survey. Our employees drive our business forward and expect us to go beyond basic compliance with employment law and health and safety regulations. Our internal Westwing Code of Conduct sets the tone and direction for employee welfare and behavior in relation, for example, to corruption, competition, conflicts of interest, reporting, and relationships with suppliers and business partners. It also takes account of relevant international standards, and EU and national labor, health, safety, and welfare regulations.

Ensuring our employees' mental and physical wellbeing is an integral part of our Sustainability Strategy and a key way of ensuring fair working conditions in our own operations. This is why we engage with a number of well-being service providers across our various locations.

Our Director of Human Resources and Organization is part of the Executive team and is responsible for our people strategy, with the support of the HR teams in our regional offices and warehouse operations.

Our Supply Chain

With respect to our suppliers, our Director of Product Quality and Sustainability oversees compliance with our Private Label Supplier Code of Conduct as it relates to working conditions (see also the "Supplier Impact" section). Evaluating working conditions programs at our Westwing Collection suppliers is a key objective for this component of our Sustainability Strategy. (For our general approach to managing overall supplier impacts, please see the "Supplier Impact" section.)

Key Achievements in 2021

Our Employees

Our communications with our employees throughout 2021 show that we have a strong, supportive culture and a great team spirit at Westwing. We listen to and value people's opinions and offer opportunities for growth and development. The survey revealed that our employees would recommend Westwing as a place to work. We also saw interest in more tailored and structured training, clearer career pathways, improved benefits, and feedback mechanisms.

The coronavirus pandemic has redefined the way we work and demanded extreme flexibility from everyone. Based on our office teams' experience of hybrid working, Westwing decided to introduce *WestwingFlex* – a new, customized way of working for team members that is based on innovative approaches and a hybrid working model.

The pandemic also highlighted the need to take care of our employees' mental and physical well-being. We offered a range of well-being programs across the Company. For example, all headquarters employees were offered free access to support from a professional psychologist via our mental health partner, nilo.health.

Ensuring safe work practices goes without saying for us. Our Sustainability Strategy has set a target of zero accidents in our warehouses, and we regularly perform health and safety initiatives and measures there. In 2021, we trained first-aiders, established safety points including defibrillators, kicked off our Westwing Safety Academy in Poland, and held a number of safety workshops.

Overall employee satisfaction is measured regularly using our Pulse Check surveys. The latest results from 2021 reveal high overall satisfaction with working at Westwing, with 89% of all team members giving ratings of either good or very good.

Our Supply Chain

In the case of our Westwing Collection suppliers, we started evaluating their established approaches to addressing working conditions in 2021. This was done using a comprehensive survey of a variety of environmental and social matters, including the existence of programs, measures, and management systems targeting fair and safe work practices.

Outlook for 2022

In 2021, we created the My Career program, which covers key topics such as recruitment and onboarding, compensation and benefits, and performance management. The program will be rolled out in 2022. More information on, and updates to, the program will be provided to all employees and also made available via an internal knowledge library.

In 2022, we will continue embedding a zero-accident culture at Westwing by prioritizing the development of a policy addressing working conditions and associated training for all warehouse operations and employees.

In the case of our Westwing Collection suppliers, we will continue to evaluate their approaches to addressing working conditions so as to come closer to our target of 50% of them (measured in terms of purchasing order volumes) having established such management systems by 2028.

RESPONSIBLE MARKETING AND COMMUNICATIONS

Management Approach

We aim to provide all stakeholders with transparent, credible information on our sustainability performance, both at the corporate level and with respect to our products. We also aim to inspire our customers through our different communications channels to make more sustainable choices.

Our Marketing, Communications, Public Relations, and Investor Relations departments all communicate on sustainability topics. This work is coordinated by the department heads at corporate headquarters, supported by the Corporate Sustainability team. A Responsible Marketing and Communications Policy has been drafted to guide our approach across our marketing, sales, promotion, and communications activities; this applies in all of the countries in which we operate.

Our Brand and Product Labeling Approach

Product sustainability is communicated through the "We Care" label in our Daily Themes and the "sustainable" label in our Permanent Assortment. The "We Care" label aims to promote brands that act in a socially and environmentally responsible manner. To qualify for a "We Care" label, brands need to meet at least one of our criteria: they must a) use environmentally friendly materials, b) have integrated sustainability into their mission/vision, or c) have a credible approach to sustainability.

Going beyond this approach, we decided to establish an additional "sustainable" label at product level. Westwing Collection and third-party products on WestwingNow have their own labeling system that supports consumers in making sustainable purchasing decisions. To implement this, we developed our Sustainability Labeling Guidelines, which accommodate more than 50 independent certification requirements (EU Ecolabel, Blue Angel, etc.) and a number of sustainability attributes (e.g., recycled or organic content). Our Sustainability Labeling Guidelines are the result of extensive external benchmarking, research, and discussions with internal and external experts.

Flanking this, we have also added a sustainability filter to our website. The Permanent Assortment and Corporate Sustainability teams worked closely to prepare clear and accurate statements underpinning all sustainability claims. These can then be accessed via a dedicated sustainability section in the product descriptions on WestwingNow.

Responding to Investors' Information Needs

Our Investor Relations team hosts regular earnings calls and discussions with investors. These provide an opportunity to address key business developments and ESG data, including updates to our Sustainability Strategy and plans for improvement. Market scrutiny of ESG performance has grown significantly over the last twelve months. At Westwing, we have seen a particular increase in the attention paid to our ESG ratings and rankings. Our Corporate Sustainability team is working closely together with our Investor Relations team to address information needs for our key ratings and to identify potential for further improvements.

Key Achievements in 2021

In 2021, we drafted our Responsible Marketing and Communications Policy. Its main goals are to ensure compliance with all relevant legislation and transparent, ethical, and honest communication that is respectful to all. The policy provides detailed guidelines on transparency and honesty, child protection, diversity and inclusion, social media interaction, consumer data privacy, compliance, and communications, plus a requirement for periodic review.

We came a step closer to our goal of helping customers to include sustainability in their purchasing decisions by appropriately labeling our sustainable offering online. Over the course of the year, we launched more than 100 group-wide campaigns with brands bearing the "We Care" label. Additionally, by the end of 2021 more than 900 products had been identified as "sustainable" on WestwingNow. This effort has largely depended on suppliers' ability to provide and substantiate the associated sustainability claims. We expect that we will be able to provide sustainability information for an increasing number of products as this function becomes a permanent feature on our online sites and the relevant processes mature.

We were rated by ISS ESG and MSCI for the first time during the reporting period. We received an ISS ESG C- (scale D- to A+) and an MSCI A (scale CCC to AAA) rating at the end of the assessment process. Additionally, we have identified ways of improving our results and have been revising our codes of conduct and our Anti-corruption Policy in line with this.

Outlook for 2022

We aim to increase the overall share of products labeled as sustainable on WestwingNow by the end of 2022, and to work with many more brands offering sustainable products. In 2022, we will also assess the sustainability labeling of our Daily Themes products. The aim is to establish a baseline and work on increasing the number of products that satisfy our Sustainability Labeling Guidelines. At the same time, we will run communications campaigns promoting these products. We will also use our marketing expertise and communications channels to showcase a range of sustainable choices that our customers can make.

We will continue to engage with rating agencies and identify relevant improvement opportunities in 2022. We also want to extend the number of ESG ratings with which we engage.

INTEGRITY AND LEGAL COMPLIANCE

Management Approach

Our shareholders, employees, business partners, and other stakeholders expect us to do business in line with applicable laws and regulations, established legal principles, and Company policies.

Our Legal & Compliance department promotes and monitors compliance with all relevant laws, regulations, and Company policies. It provides both clear guidance to employees on day-to-day business operations and also training. This requires close cooperation with other teams across Westwing such as GRC, HR, IT, and Sustainability.

Data Protection

Westwing and its management consider the protection and security of personal data to be critical. As one of Europe's leading Home & Living eCommerce businesses, we receive and handle a large amount of data, something that requires a high level of diligence and control.

Data protection has become more important in recent years due to the European Union's General Data Protection Regulation (GDPR), and is now a top priority for our Executive, Legal & Compliance and Information Security teams. In addition to our in-house functions, we have appointed an external data protection officer to ensure that we operate in accordance with the highest data protection standards.

Our Legal & Compliance and Information Security teams are responsible for defining the relevant rules and procedures, and for handling any data protection and IT security issues. Among other things, our rules and procedures aim to ensure that the data handled by Westwing is secure and protected, and that no unauthorized use is made of the personal, confidential, or sensitive information in Westwing's possession. We have implemented appropriate technical and organizational measures to ensure the necessary level of data security. The Company makes available/uses special software, networks, electronic information systems, and data to meet its mission, goals, and initiatives. 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.

We have also implemented a Data Protection Policy as part of our IT Security Policy so as to address data security issues. This policy covers all aspects of the information technology in use, including our IT systems and associated facilities and processes. Our IT Security Policy establishes rules for all users of Westwing IT resources. Among other things, these govern how to handle security incidents and personal, business, internal, or sensitive data, and hence ensure the security of Westwing's network. Complying with our IT Security Policy is a requirement for accessing and sharing information within Westwing.

Anti-corruption

Westwing has a zero-tolerance approach to corruption and bribery. The Company has implemented a comprehensive Anti-corruption Policy, which was updated in 2021. The policy applies to all Westwing employees and any third parties engaging with the business. Digital compliance training is obligatory for all employees, including the Executive team. The policy outlines acceptable and unacceptable behaviors so as to ensure compliance with the relevant laws, and provides clear guidance to managers and employees on how to avoid any improper payments, gifts, invitations, or inducements of any kind. If support is required, employees can consult their supervisor and the Legal & Compliance team. In the case of a potential corruption incident, the Legal & Compliance team analyzes the facts, provides advice, and arranges for follow-up actions. The Management Board and/or the Supervisory Board are informed where necessary.

Key Achievements in 2021

In 2021, Westwing worked with external advisors to enhance the existing compliance management system and program. The Information Security team was enlarged and a new onboarding training module implemented. As a result, all new employees receive training on cyber security and data protection as part of the onboarding process. An information security management system (ISMS) based on the ISO 27000 standard was introduced and security operations processes were implemented. The Company's Capital Market Guidelines and Code of Conduct were updated and new principles defined. Additionally, clear guidelines covering antitrust and unfair competition were issued to support day-to-day business operations.

A risk assessment was conducted in response to anti-money laundering regulations, and the requirements were formalized in a policy and employee training materials. Compliance risks were included as a separate category in the regular risk assessment cycle conducted by the GRC function, so as to ensure an integrated approach to risk evaluation across the organization.

Digital systems were implemented to enhance compliance management. For example, a new whistleblower tool was adopted that can be used by employees and external stakeholders to report any potential violations of laws and policies and/or unethical behavior. This replaces the previous process in which messages were sent to a "listener box." In addition, a new policy manager tool permits employees to access the latest versions of all policies for periodic approval and consultation.

Outlook for 2022

The policy manager tool will be rolled out to all international Westwing companies in 2022. It will enable us to receive and document mandatory confirmations from employees for all relevant policies, including short tests to validate their understanding. An information security roadmap will also be launched to improve compliance with the ISO 27000 framework in the period up to 2024.

We aim to enhance our compliance management system in 2022, for example by improving documentation and internal communication, implementing measures for specific compliance areas, and offering employees additional training.

New and upcoming laws, such as the LkSG and the transposition of the Omnibus Directive into national law, will be tracked in order to plan compliance.

EU TAXONOMY REGULATION

Pursuant to Article 8 of the EU Taxonomy Regulation, this Non-financial Statement includes disclosures related to economic activities that are considered eligible to qualify as environmentally sustainable under that regulation. The reporting facilitation is applied for fiscal year 2021 and it is shown which economic activities are Taxonomy-eligible.

OUR ACTIVITIES

Westwing performed a detailed review of the economic activities that are listed in the EU Taxonomy Regulation and mapped potential sustainable business activities to its business model. Some economic activities mentioned in the EU Taxonomy Regulation are directly linked to specific sectors ("main activities"), while others can be relevant to companies from different sectors ("cross-cutting activities"). After screening for macro sector applicability for the two environmental targets climate change mitigation and climate change adaptation, the Corporate Sustainability department reviewed the cross-cutting activities for their potential applicability at Westwing. Long-listed activities were challenged and their eligibility discussed with multiple Executive team members and senior Westwing employees.

No main activities with which Westwing generates revenue could be identified that are listed in the Climate Delegated Act. Accordingly, 100 percent of the revenue was generated with activities that are not Taxonomy-eligible.

In the context of capital expenditures, the leasing of assets, such as office buildings and warehouses, could be identified as a material Taxonomy-eligible activity (7.7; cross-cutting activity).

OUR KPIS

	Proportion of taxonomy-eligible economic activities (in %)	Proportion of taxonomy-non-eligible economic activities (in %)
Turnover	0	100
Capital expenditures (capex)	47	53
Operating expenditures (opex)	0	100

The "Draft Commission Notice" published on February 2, 2022 was taken into account as far as the compilation process allowed. The complex and quality-assured process to determine the necessary disclosures related to capital and operating expenditures could not be completed due to the tight timeframe. The taxonomy-eligible capital and operating expenditures might have been higher if fully applied.

We will track developments to the EU Taxonomy Regulation closely and evaluate our reporting obligations going forward. In the meantime, we will continue to concentrate on delivering on our Sustainability Strategy and on implementing sustainability-centered initiatives and activities as outlined in this Non-financial Statement.

Accounting Policy

The specification of the KPIs is determined in accordance with Annex I of the Art. 8 Delegated Act. We determine the Taxonomy-eligible KPIs in accordance with the legal requirements as follows:

The proportion of Taxonomy-eligible economic activities in our total turnover has been calculated as the part of net turnover derived from products and services associated with Taxonomy-eligible economic activities (numerator) divided by the net turnover (denominator). The denominator of the turnover KPI is based on our consolidated net turnover in accordance with IAS 1.82(a). For further details on our accounting policies regarding our consolidated net turnover, please refer to section 2.5. in the notes to our Annual Report 2021. With regard to the numerator, we have not identified any Taxonomy-eligible activities as explained above. Our consolidated net turnover can be reconciled to our consolidated financial statements, cf. income statement of our Annual Report 2021.

The Capex KPI is defined as Taxonomy-eligible Capex divided by our total Capex. Total Capex consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortization and any re-measurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. Our total Capex can be reconciled to our consolidated financial statements, cf. chapter 12 and 13 in the notes of our Annual Report 2021.

The Opex KPI is defined as Taxonomy-eligible Opex divided by our total Opex. Total Opex consists of direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair.

5. REPORT ON POST-BALANCE SHEET DATE EVENTS

Please see the notes (Note 30) for information on events after the end of the 2021 fiscal year that have had a significant impact on Westwing's future results of operations, financial position, and net assets.

6. REPORT ON OPPORTUNITIES AND RISKS

Westwing pursues a philosophy of generating sustainable growth and creating economic value while managing risks and opportunities in a due and proper manner. Westwing sees risk management as an integral part of the process of creating transparency about risks and opportunities, and hence of enhancing the decision-making processes. The Company promotes a risk-conscious corporate culture in all departments. We carefully weigh the risks and opportunities associated with our decisions and business activities from a well-informed perspective. This includes consciously accepting calculated risks that match the Company's risk appetite and mitigating those that do not.

6.1 Risk Management System

Westwing Group AG (now: Westwing Group SE)'s Management Board has overall responsibility for the appropriateness and effectiveness of the risk management system. Risk management is an integral part of the management way of achieving the Company's strategic objectives and contributing to long-term business growth.

The Management Board has appointed a risk management officer, who reports directly to it. The Risk Management Officer is responsible for Westwing's entire Governance, Risk, and Compliance (GRC) function. This combines risk management, compliance, the internal control environment, coordination of internal audit activities, and training on GRC processes.

The risk owners are the employees in the Company's operating and corporate functions. Their key responsibility with respect to the GRC is to continually report operational risks in their areas to their supervisors.

Westwing performs full risk assessments semiannually. Multiple workshops are also held every year to gather information on potential risks that have been identified both locally and globally. This information is then analyzed to determine whether the risks identified still exist and whether they have been correctly assessed. The documentation is continuously updated and summarized.

A consolidated risk report is presented to the Management Board twice a year. The Management Board informs the Supervisory Board of Westwing's current risk situation.

6.2 Internal Control System for Financial Reporting

Westwing has implemented internal controls for its financial reporting as part of its internal control system. These controls consist of preventive and detective measures in the accounting and operating functions that ensure a consistent process for preparing the financial statements. Mechanisms include identifying and defining processes and risks, introducing layers of approval, and applying the principle of the segregation of duties.

6.3 Risk Methodology

Westwing has a detailed risk manual that ensures the transparency of the risk identification and assessment process. The manual is reviewed and updated on a regular basis by Westwing's GRC function.

The risks that Westwing identifies are quantified on the basis of their likelihood of occurrence and potential impact. Likelihood is assessed for a time horizon of one year as from the assessment date. All risks in the risk report are presented on a net basis (i.e., after all mitigation measures have been taken).

The likelihood of occurrence refers to the statistical or estimated probability of a risk issue occurring during the time horizon under review, and is stated as a percentage. It is determined by choosing one of the given probability ranges 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%)

Westwing uses qualitative and quantitative assessments to assess the impact of the risks it has identified. Quantitative assessment is used in those cases in which the size of the impact can be easily estimated. Quantitative impacts are measured using revenue, Adjusted EBIT, or cash flow, depending on the nature of the risk. Where no quantitative assessment is possible, e.g. where reputational risk or shareholder trust is involved, a qualitative assessment is used.

	Quantitative assessment (preferred)	
Effect	Financial impact	
5	> EUR 10.0m	A **severely damaging** negative effect on the Company's business activities, financial position, profitability, and cash flows
4	> EUR 5.0m	A **substantial negative** effect on the Company's business activities, financial position, profitability, and cash flows
3	> EUR 2.0m	A **certain negative** effect on the Company's business activities, financial position, profitability, and cash flows
2	> EUR 0.5m	A **limited negative** effect on the Company's business activities, financial position, profitability, and cash flows
1	< EUR 0.5m	An **insignificant negative** effect on the Company's business activities, financial position, profitability, and cash flows

All identified risks are then classified and visualized using the following risk matrix, based on the assessment made of their likelihood of occurrence and impact:

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

This risk matrix facilitates comparison of risks' relative priorities and enhances transparency as to Westwing's total risk exposure. In addition, the risk categories ranging from "low" to "extreme" are used to determine the detailed risk information that needs to be provided to the Management Board and the Supervisory Board. Any risks that could impact the Company's ability to continue as a going concern are reported immediately on identification.

Westwing has defined the following risk categories within the Company:

- Strategic risks
- Financial risks
- Operational risks
- Corporate governance risks
- Political and regulatory risks
- IT risks
- Capital market risks
- COVID-19-related risks (pandemic risks)

6.4 Risk Report

There was no significant structural change year-over-year in our assessment of the likelihood of occurrence and/or potential financial impact of the risks and opportunities listed above. Equally, no fundamental change to the risk situation resulted from the updated estimate. Based on the current assessment, no risks were identified that could threaten the Westwing Group's status as a going concern. The report below summarizes and presents the top risks for Westwing, based on the most recent risk management assessment procedures. All risks are presented on a net basis, that means after all mitigation measures are applied. No risks are currently assessed as "very high" or "extreme." This assessment is valid for both the DACH and the International segment.

6.4.1 COVID-19-RELATED RISKS (PANDEMIC RISKS)

Potential economic downturn and negative consumer sentiment (2021: high; 2020: high)

There is a high risk of a significant economic recession in the foreseeable future, despite the fact that COVID-19 accelerated the shift towards online channels. An economic downturn could affect eCommerce as well. It is hard to predict how our customers would react if a recession were to materialize and how their shopping behavior will change when pandemic restrictions on travel and other leisure activities are lifted. Additionally, there is a risk that consumer sentiment could change due to the uncertain environment.

Westwing's management team continuously monitors and evaluates the economic situation in Europe and its possible impact on the Home & Living market, and is ready to react as necessary by adjusting the Group's offering or partially adapting its strategy.

6.4.2 FINANCIAL RISKS

Financial planning and performance (2021: high; 2020: high)

Accurately predicting revenue growth and overall business performance is one of Westwing's key challenges in a time of unpredictable global developments. Failure to forecast, monitor, and manage our business plan could lead to the wrong decisions being taken and could harm Westwing's revenue growth and profitability.

The substantial experience that we have gained in recent years has allowed us to improve our planning process significantly. We analyze our key performance indicators on a monthly basis, explore current trends, and update our business plan in cases of significant deviations.

6.4.3 OPERATIONAL RISKS

Increase in raw materials prices (2021: high; 2020: moderate)

The COVID-19 crisis has led to severe supply and demand imbalances for the raw materials used to produce durable goods. The prices of raw materials that are used in manufacturing, such as wood, steel, and plastic, increased dramatically during 2021. The highly volatile market situation as regards raw materials availability makes it extremely difficult to predict price trends for the coming year.

We were able to partially mitigate cost inflation from raw materials by passing on price increases to consumers in some cases. We will continue to observe and respond to ongoing market developments.

Increase in transportation costs (2021: high; 2020: low)

We have observed a rapid increase in freight costs over the past year, which has largely been driven by supply chain disruptions worldwide. In turn, these were caused by significantly higher spending on goods instead of travel or entertainment during the pandemic. The increase in freight costs was further aggravated by container shortages, COVID-19 restrictions in port regions, and congestion at the ports themselves.

Our Supply Chain department is mitigating this risk by closely monitoring the current situation, and is ready to respond to unplanned developments.

Inflation (2021: high; 2020: n/a)

Inflation is returning after a long period in which it was close to zero. The figure for the eurozone in the last months of 2021 shot up to 5% – the highest rate recorded since 1991. There is a risk that inflation will remain high and hence reduce our customers' purchasing power. Since Home & Living products are not considered essential, this could negatively impact our top line.

Our team is focusing on mitigating this risk by negotiating prices with our suppliers. Additionally, we constantly review our offering to ensure product variety and high quality.

6.4.4 IT RISKS

Cybersecurity and IT infrastructure threats (2021: high; 2020: high)

We have invested significant funds and internal resources in building and updating our IT platform and our sophisticated IT infrastructure in recent years. Westwing's cybersecurity risk has risen due to the Company's growth and the opening of new warehouses and local offices. Threats such as unauthorized logical access (whether internal or external) could disrupt vital internal tools or customer-facing applications.

Westwing employs a skilled technology team including an IT Security department. This enables us to constantly monitor, develop, and improve our internal IT infrastructure. No limiting events occurred in 2021. Westwing will enhance its security standards even further and again guarantee a safe IT environment throughout the Group in 2022.

6.5 Changes in the Risk Situation

Overall, Westwing decreased its risk exposure last year by implementing and significantly enhancing risk mitigation measures and developing new processes within the Group.

The following table provides an overview of those risks that changed compared to the previous year, i.e., that were assessed as high in the 2020 Annual Report but as less urgent in the course of 2021, or vice versa. Reductions in risk are mainly due to process enhancements and the implementation of effective mitigation measures, while increases relate to economic developments or other extrinsic factors.

Risk	2021	2020
OPERATIONAL RISKS		
Employee fluctuation	Moderate	High
Increase of raw material prices	High	Moderate
Increase of transportation costs	High	Low
Inflation	High	n/a
POLITICAL AND REGULATORY RISKS		
eCommerce regulations	Moderate	High
Tax compliance and tax planning	Moderate	High
COVID-19 RELATED RISKS (PANDEMIC RISKS)		
Supply chain disruptions	Moderate	High

Overall Risk Assessment by the Management Board

Management is satisfied that no going-concern risks existed for the Company in 2021. At present, no individual risks or bundles of risks are considered to threaten the Company's continued existence as a going concern in the coming year. Management believes that it has taken all necessary precautions to address existing risks and reduce their possible impact.

6.6 Report on Opportunities

While Westwing faces a number of risks, the Company also has many opportunities offering great potential to drive it forward. Since opportunities are defined as positive deviations from planning, they offer Westwing both the possibility of growth and the prospect of increased profitability. We are constantly on the lookout for new business opportunities and new ways of improving customer satisfaction. Summaries of the most significant opportunities identified by the Company are given below.

Growth in eCommerce, with a particular focus on mobile eCommerce and augmented reality

The shift in growth in the Home & Living market away from traditional high-street shopping and towards eCommerce is a major opportunity for Westwing. We continued to observe a slight trend towards online channels in the reporting period. Most of the customers who tried out Home & Living eCommerce offerings in 2020 and 2021 are probably still ordering online despite being able to shop in bricks and mortar stores.

Nevertheless, the market for Home & Living products does not have a high online penetration rate compared to other retailing categories. The fact that the total (offline and online) Home & Living market is similar in size to that for fashion, huge opportunities are opening up for Westwing as Home & Living continues to move online.

What is more, the mobile eCommerce subsector is growing even faster than general online channels. Westwing defines mobile eCommerce as business conducted on handheld devices such as smartphones or tablets instead of desktops or other stationary devices. The Company's mobile visit share increased from 70% as of the end of 2017 to 80% as of the end of 2021.

Westwing is investing continuously in state-of-the-art apps, smartphone- and tablet-optimized web sites, and the use of augmented reality so as to improve customers' shopping experience and meet or even exceed customer expectations.

We believe Westwing will be a key player in the Home & Living market thanks to a market track record that stretches back more than ten years, plus strong brand recognition and customer loyalty.

Brand awareness

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

Westwing presents itself as a brand that values quality, style, and inspiration, and that conveys confidence, trust, and personality to its customers. It does this by focusing on organic marketing such as a strong social media presence and on content creation, and by using carefully selected marketing initiatives.

Additionally, we are constantly increasing the share of our offering accounted for by the Westwing Collection. These internally designed products enable us to present a curated and well-rounded assortment on our website. Together with the higher margins that they offer, this helps us to react quickly to changing market trends and to drive the Home & Living market in Europe.

We believe that Westwing's strong position as a retail company, combined with increased awareness of the Company as the provider of Westwing Collection products, will allow it create a very strong, holistic Home & Living brand.

Westwing Delivery Service

Westwing actively searches for opportunities and develops new strategies. In 2021, we started Westwing Delivery Service, our own last mile distribution service to customers. This enables Westwing to meet two goals at once: The turquoise-colored Westwing delivery vehicles increase Westwing's brand visibility on the streets, while the Westwing employees who deliver the goods are trained to perfectly fulfill customers' wishes. Expanding into more cities and successfully meeting or exceeding customer expectations can boost customer confidence and loyalty, and hence create a very big growth opportunity. Our new assembly service offering could also have a similar effect.

Westwing Studio

In 2020, Westwing started its own interior design service, Westwing Studio (formerly known as Westwing Interior Design). Customers can order an interior design service, the price cost of which can be redeemed in the form of vouchers for Westwing Collection products. The design team has since been enlarged and we are already seeing strong demand from customers. Continuing to ramp up this service could result in a substantial opportunity to increase Westwing's growth and attractiveness as a Home & Living brand even further.

7. OUTLOOK

7.1 Future Macroeconomic and Sector-Specific Environment

In 2022, the macroeconomic development will continue to be dominated by the ongoing COVID-19 pandemic. New virus strains such as the Omicron variant are challenging the effectiveness of current vaccines and could lead to a high level of uncertainty as regards the future.

Furthermore, consumer price inflation is expected to remain on a high level in 2022, intensifying the concerns about the future. While inflation rate in advanced economies is projected to average 3.9%, developing economies and emerging markets will face around 5.9% before in 2023 a slowdown of global inflation rates is expected.[23]

On top of this, the Russian large-scale military invasion of Ukraine, which started on February 24, 2022, might challenge all existing estimations of the future macroeconomic and sector-specific environment. The situation is highly dynamic which makes a valid forecast currently impossible. However, it can be assumed that the worldwide sanctions against Russia will deeply impact the future development of the world market. However, the following estimations by the IMF were made before the new situation in Ukraine.

A significant worldwide economic recovery is expected overall in 2022. The IMF estimates that global GDP will rise by 4.4%. In particular, the aggregate output for advanced economies is expected to regain its pre-pandemic trend path. By contrast, the economic recovery is still lagging behind in emerging markets and developing countries. The main factors driving this development are large disparities in vaccine access and policy support.[24]

The European economy is expected to grow by 3.9% in 2022. In Germany, Westwing's largest market, real GDP growth is projected to be 3.8% – slightly below the European average.[25] This forecast is based on the fact, that in international comparison, Germany had to cope with especially harsh economic setbacks due to the pandemic in 2021, which challenges the economic recovery also in 2022.

7.2 Future Development of the Westwing Group

Our business development forecast for the coming year is based on the assumptions described in the Report on the Company's Economic Position, the Risk Report, and the Report on Opportunities. We do not expect to see any material changes in the Westwing Group's business activities.

Our outlook takes into consideration the low visibility of consumer behavior, supply chain disruptions, and the very high baseline achieved in the first half of 2021. We are convinced that our business is developing in the right direction in structural terms.

For 2022, we are focusing on selected growth initiatives, resolving ongoing supply chain disruptions, expanding the offered categories of our Westwing Collection, and driving forward sustainability in all our processes and offerings.

23 International Monetary Fund: World Economic Outlook Database January 2022.
24 International Monetary Fund: World Economic Outlook Database January 2022.
25 International Monetary Fund: World Economic Outlook Database January 2022.

We are forecasting total revenue for 2022 between EUR 460m and EUR 540m with a growth rate of -12% to 3% (significantly better growth rates in the second half of the year, where we expect positive growth rates after the strong baseline effects of the first half of the year are passed) as well as an Adjusted EBITDA between EUR -9m and EUR +16m at an Adjusted EBITDA margin in the range of -2% to +3% (significantly better in the second half of the year as well).

This forecast is provided in times of high uncertainty around consumer sentiment, supply chain disruptions, inflation and geopolitical developments and assumes no further deterioration during the remainder of 2022 compared to what we have seen so far in 2022.

8. SUPPLEMENTARY MANAGEMENT REPORT FOR WESTWING GROUP AG (NOW: WESTWING GROUP SE) (IN ACCORDANCE WITH THE HGB)

Westwing Group AG (now: Westwing Group SE)'s annual financial statements were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB). Westwing Group AG (now: Westwing Group SE) is the parent company of the Westwing Group and also acts as the holding company for the Group's various operational entities. It does not generate revenue with third parties itself; rather, its income comes from the provision of internal Group services that are reported as revenue. Key performance indicators for Westwing Group AG (now: Westwing Group SE) are revenue, profit before tax, and writedowns.

8.1 Results of Operations of Westwing Group AG (now: Westwing Group SE)

EURm	2021	2020
Revenue	**98.1**	**59.2**
Own work capitalized	7.2	4.5
Other operating income	1.3	0.3
Gross profit	**106.5**	**64.1**
Cost of materials	–40.5	–16.9
Personnel expenses	–38.6	–30.6
Depreciation, amortization, and writedowns of tangible fixed assets and intangible assets	–5.4	–4.1
Other operating expenses	–16.8	–17.9
Operating result	**5.2**	**–5.5**
Interest income	3.7	3.0
Reversals of writedowns/(writedowns) on long-term financial assets	0.0	7.2
Interest and similar expenses	–0.3	–0.2
Financial result	**3.4**	**10.1**
Taxes on income	–0.1	–0.1
Profit after tax	**8.5**	**4.5**

Westwing Group AG (now: Westwing Group SE) increased its revenue from EUR 59.2m in 2020 to EUR 98.1m in 2021. This corresponds to a strong year-over-year revenue growth rate of 65.8%. Since Westwing Group AG (now: Westwing Group SE) provides services to its affiliates, its revenue grows as they expand their business. Own work capitalized increased by 57.6% to EUR 7.2m (2020: EUR 4.5m). Other operating income was higher in 2021 and included income from other periods of EUR 1.0m that mainly related to the reversal of a provision for a legal dispute that had been recognized in the previous year.

Personnel expenses rose by EUR 8.0m, primarily as a result of an increase in the number of employees. The expenses for share-based payment for cash-settled options decreased mainly due to the fluctuation of personnel and the lower share price to EUR 1.3m (2020: EUR 2.3m). In addition, EUR 1.5m related to expenses recognized for the cash settlement of commitment packages that were originally intended to be equity-settled (2020: EUR 0.8m).

The cost of materials, which includes only costs of purchased services, was EUR 40.5m (2020: EUR 16.9m). This increase on the previous year resulted primarily from the overall expansion of the Company's business. In addition, Westwing continued investing in its team and technological infrastructure in 2021. Such investments are the basis for flexible, sustainable business operations. EUR 13.6m of the increase was due to higher investments in marketing resulting from Westwing's strategy of boosting investments in organic marketing to drive future growth. The other operating expenses decreased insignificantly.

All in all, an operating result of EUR 10.6m before interest, amortization, depreciation, and writedowns, reversals of writedowns/writedowns of long-term financial assets , and taxes was incurred in 2021. This development was due to the fact that revenue increased more than the cost of materials, personnel expenses, and other operating expenses. In the previous year, an operating loss of EUR 1.3m incurred.

The financial result of EUR 3.4m (2020: EUR 10.1m) was driven by interest income of EUR 3.7m (2020: EUR 3.0m), plus interest and similar expenses of EUR 0.3m (2020: EUR 0.2m).

8.2 Financial Position of Westwing Group AG (now: Westwing Group SE)

Westwing Group AG (now: Westwing Group SE) had cash and cash equivalents of EUR 43.4m as of December 31, 2021 (December 31, 2020: EUR 45.7m). The changes in the cash and cash equivalents item were as follows:

- In 2021, the Company financed operations at its subsidiaries by extending loans of EUR 40.9m (2020: EUR 9.8m). These are deemed to be long-term from an economic perspective but are short-term in legal terms.
- Loan receivables to affiliates and interest amounting to EUR 52.7m were repaid in 2021 (2020: EUR 22.8m).
- Investments in tangible and intangible assets amounted to EUR 10.9m in the 2021 fiscal year (2020: EUR 7.1m).
- The Company settled share-based payment options totaling EUR 1.5m in cash (all for own employees).
- Additions to rent deposits led to a cash outflow of EUR 1.2m.
- EUR 0.8m of cash outflows related to the purchase of own equity instruments and the reimbursement of a tax disadvantage connected to anti-dilution options.

Westwing Group AG (now: Westwing Group SE) ensured that sufficient liquid funds were available to maintain business activities at the Company and the Group. Westwing Group AG (now: Westwing Group SE) has issued a letter of comfort to its subsidiary Westwing GmbH in which it assumes liability for obligations arising up to December 31, 2023. Westwing Group AG (now: Westwing Group SE) has always met its payment obligations.

8.3 Net Assets of Westwing Group AG (now: Westwing Group SE)

EURm	Dec. 31, 2021	Dec. 31, 2020
Assets		
Non-current assets		
Intangible assets	18.8	14.0
Tangible fixed assets	3.7	3.0
Long-term financial assets	150.9	162.5
Total non-current assets	**173.4**	**179.5**
Current assets		
Receivables and other assets	42.7	20.5
Cash and cash equivalents	43.4	45.7
Total current assets	**86.1**	**66.2**
Prepaid expenses	1.8	1.4
Total assets	**261.3**	**247.2**
Equity and liabilities		
Equity		
Share capital	20.9	20.8
Treasury shares	–0.3	–0.5
Issued capital	20.6	20.3
Capital reserves	348.8	348.7
Accumulated losses	–130.0	–138.5
Total equity	**239.4**	**230.5**
Liabilities		
Provisions	10.0	9.1
Trade payables and other liabilities	11.8	7.5
Deferred income	0.1	0.1
Total equity and liabilities	**261.3**	**247.2**

Total assets as of December 31, 2021, amounted to EUR 261.3m, an increase of EUR 14.2m compared to the previous year (December 31, 2020: EUR 247.2m). This change was mainly driven by an increase in receivables and other assets, a trend that was partly offset by lower intercompany loan receivables. The change in long-term financial assets reflected repayments of intercompany loans.

Current assets amounted to EUR 86.1m as of the end of 2021 (2020: EUR 66.2m). Receivables from affiliated companies included in the trade receivables and other receivables rose to EUR 39.3m (December 31, 2020: EUR 17.7m). Cash and cash equivalents were only slightly lower than in the previous year, at EUR 43.4m (December 31, 2020: EUR 45.7m).

Intangible assets consisted of both purchased and internally developed software in fiscal year 2021. The net carrying amount increased by EUR 4.8m to EUR 18.8m in 2021 (December 31, 2020: EUR 14.0m). This was due to the capitalization of software development expenses of EUR 8.5m, which were partially offset by amortization of EUR 3.6m and writedowns of EUR 0.1m. Tangible fixed assets increased to EUR 3.7m (December 31, 2020: EUR 3.0m), mainly because of purchases of office equipment.

Investments in subsidiaries hardly changed and amounted to EUR 15.4m in 2021. Loans extended to subsidiaries reported under long-term financial assets decreased by EUR 11.7m to EUR 135.4m. This was primarily due to the repayment of loan and interest receivables of EUR 52.7m, and was partially offset by new loans and interest receivables to affiliates of EUR 41.1m.

The Company's equity as of the balance sheet date increased by EUR 8.9m in 2021, from EUR 230.5m in December 2020 to EUR 239.4m in December 2021. The main driver for this was the profit after tax.

The equity ratio decreased from 93.2% as of December 31, 2020, to 91.6% as of December 31, 2021.

Provisions increased slightly from EUR 9.1m in December 2020 to EUR 10.0m in December 2021.

Liabilities rose from EUR 7.5m as of the end of 2020 to EUR 11.8m as of December 31, 2021. This was mainly due to higher trade payables and VAT liabilities resulting from the expansion of the business during the year.

8.4 Westwing Group AG (now: Westwing Group SE) Employees

Westwing Group AG (now: Westwing Group SE) employed 488 people including interns, temporary staff, and management personnel as of the end of December 2021 (2020: 466). Of these, 275 people worked in administration/IT and 206 in marketing. Software development is performed internally in almost all cases by Westwing Group AG (now: Westwing Group SE)'s Technology department.

At Westwing Group AG (now: Westwing Group SE), 61.5% of employees were female as of at the end of 2021, on a par with the figure for the Group as a whole.

Please see the Corporate Governance Statement for information on the percentage of, and targets for, the proportion of women on the Management Board and the Supervisory Board, and for the Company's diversity disclosures.

8.5 Risks and Opportunities Facing Westwing Group AG (now: Westwing Group SE)

The risks and opportunities facing Westwing Group AG (now: Westwing Group SE) are largely the same as for the Group as a whole. Please therefore refer to the Report on Opportunities and Risks in section 6 of this Combined Management Report. Additional risks exist in relation to the potential need to write down loans to affiliates, or to provide liquidity to them, both depending on their business performance.

8.6 Outlook for Westwing Group AG (now: Westwing Group SE)

The forecast economic environment and expectations for Westwing Group AG (now: Westwing Group SE)'s operating business are substantially the same as for the Westwing Group. Please see section 7 of this Combined Management Report for further details.

Westwing Group AG (now: Westwing Group SE) is expecting a similar level of revenue in fiscal year 2022 as in the previous year. This reflects more stable business volumes on the part of its operating subsidiaries, in line with Westwing Group AG (now: Westwing Group SE)'s role as the holding company for the Westwing Group. Profit before tax and writedowns should not change significantly compared with fiscal year 2021.

Westwing Group AG (now: Westwing Group SE)'s 2021 revenue rose by 65.8% to EUR 98.1m. This strongly exceeded the projected slight increase and was primarily due to Westwing's strong business performance and to a new license model that was rolled out to all affiliates. Profit before tax and writedowns also strongly exceeded the forecast moderate improvement, particularly due to to higher revenue, which was partially offset by higher costs of materials in particular.

We are convinced that Westwing has the necessary operational and financial resources to achieve our targets in the medium and long term.

9. OTHER DISCLOSURES

9.1 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 are permanently and publicly available on the Company's website https://ir.westwing.com/download/companies/westwing/CorporateGovernance/Westwing_Corporate_Governance_Statement_2021.pdf in the section Investor Relations – Corporate Governance. They are also included in the corporate governance statement in the annual report.

9.2 Disclosures Required under Takeover Law

The Management Board of Westwing Group AG (now: Westwing Group SE) (the "Company") has prepared the following explanatory report on the disclosures required by sections 289a and 315a of the German Commercial Code (Handelsgesetzbuch – HGB) pursuant to section 176(1) sentence 1 of the German Stock Corporation Act (Aktiengesetz – AktG):

COMPOSITION OF SUBSCRIBED CAPITAL (SECTION 289A SENTENCE 1 NO. 1 OF THE HGB)

The paid-up share capital amounted to EUR 20,903,968.00 as of December 31, 2021. The share capital is divided into 20,903,968 no-par value bearer shares with a notional interest in the capital of EUR 1.00 per share. The shares are fully paid up. All shares give rise to the same rights and duties. Each no-par value share entitles the holder to one vote.

RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES (SECTION 289A SENTENCE 1 NO. 2 OF THE HGB):

As of December 31, 2021, the Company held shares with a total nominal value of EUR 326,475 as treasury shares; pursuant to section 71b of the AktG, these do not entitle it to any rights.

DIRECT AND INDIRECT SHAREHOLDINGS EXCEEDING 10% OF THE VOTING RIGHTS (SECTION 289A SENTENCE 1 NO. 3 OF THE HGB):

As of December 31, 2021, the following interests in the Company's share capital exceeded the threshold of 10% of the voting rights:

- Zerena GmbH, Grünwald, to which the share in the voting rights held by Rocket Internet SE, Berlin (28.99% of the share capital) is attributed pursuant to section 34 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

- The Capital Group Companies Inc., Los Angeles, USA, to which the share in the voting rights held by Capital Research and Management Company Los Angeles, USA, in the amount of 9.93% of the share capital is attributed pursuant to section 34 of the WpHG, and which also held financial instruments amounting to 0.68% of the share capital pursuant to section 38 of the WpHG as of the reporting date.

SHARES WITH SPECIAL RIGHTS CONVEYING POWERS OF CONTROL (SECTION 289A SENTENCE 1 NO. 4 OF THE HGB)

The Company's shareholders do not have any special rights conveying powers of control.

CONTROL OF VOTING RIGHTS IF EMPLOYEES ARE SHAREHOLDERS (SECTION 289A SENTENCE 1 NO. 5 OF THE HGB)

Employees who hold interests in the Company's share capital can exercise their control rights directly themselves.

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

The statutory requirements (sections 84 and 85 of the AktG) apply to the appointment and removal of the members of the Company's Management Board.

The Annual General Meeting has authorized the Company's Supervisory Board to make amendments to the Articles of Association affecting the wording only (section 179(1) sentence 2 of the AktG in conjunction with article 11(4) of the Articles of Association). In particular, the Supervisory Board has been authorized to amend the wording of the Articles of Association following the utilization of authorized capital or following the expiration of the deadline for utilizing authorized capital (see articles 4(3) to 4(8) of the Articles of Association). The same authorization also applies in cases in which conditional capital has been utilized and following the expiration of all option and conversion periods (see article 4(9) of the Articles of Association). In all other cases the statutory requirements (sections 119(1) no. 6, 133, and 179(1) and (2) of the AktG) also apply with respect to amendments to the Company's Articles of Association.

POWERS OF THE MANAGEMENT BOARD, IN PARTICULAR CONCERNING THE ABILITY TO ISSUE OR BUY BACK SHARES (SECTION 289A SENTENCE 1 NO. 7 OF THE HGB)

AUTHORIZATION TO ACQUIRE TREASURY SHARES

On August 5, 2021, the Company's Extraordinary General Meeting resolved to cancel the authorization to acquire treasury shares that was granted to the Management Board by the Company's General Meeting on September 21, 2018, for a limited period until September 20, 2023, and to authorize the Management Board, with the Supervisory Board's approval, to acquire treasury shares amounting to up to a total of 10% of the Company's share capital at the time of the resolution or – should this amount be lower – of the Company's share capital in existence at the time the authorization is exercised. The authorization expires at the end of August 4, 2026, and acquisitions shall comply with the principle of equal treatment (section 53a of the AktG). At no point may the shares acquired on the basis of this authorization, together with any other treasury shares that the Company has already acquired and continues to hold, or that are attributable to it pursuant to sections 71a et seq. of the AktG, exceed 10% of the Company's share capital.

The authorization may be exercised once or several times, in whole or in part, in pursuit of one or more purposes by the Company, as well as by Group companies or by third parties for the account of the Company or the Group companies concerned. The authorization may not be exercised for the purpose of trading treasury shares. For further details, please see agenda item 9 of the invitation to the Company's Annual General Meeting on August 5, 2021.

This authorization was not utilized in fiscal year 2021.

The Company sold 214,775 treasury shares to current or former employees or members of governing bodies in the period from January 1, 2021, to December 31, 2021. As a result, a total of 214,775 stock options were exercised in fiscal year 2021. This corresponds to 1.03% of the registered share capital as of December 31, 2021, or EUR 214,775.00 (the amount of share capital attributable to the shares sold). The average exercise price was EUR 1.99. The exercise price in specific individual cases was EUR 1.00, EUR 1.23, EUR 1.71, EUR 4.47, EUR 6.67, EUR 7.66, EUR 9.06, EUR 9.17, EUR 12.16, EUR 12.20, EUR 19.30, and EUR 29.01, depending on the individual contractual agreements with the option holders. The Company generated proceeds of EUR 371,607.11 from this. The proceeds were not used for a specific purpose but instead served the Company's general business operations.

AUTHORIZATION TO ACQUIRE TREASURY SHARES USING EQUITY DERIVATIVES

In addition, the Management Board has been authorized, with the Supervisory Board's approval, to acquire treasury shares amounting to up to a total of 5% of the share capital in existence at the time of the resolution in the period up to August 4, 2026, through the use of derivatives (put or call options or a combination of the two). Any shares acquired in this way must also be counted towards the 10% limit on the authorization to acquire treasury shares. For further details, please see agenda item 10 of the invitation to the Company's Annual General Meeting on August 5, 2021.

This authorization was not utilized in fiscal year 2021.

EXERCISE OF ACQUISITION RIGHTS RELATING TO THE PURCHASE OF TREASURY SHARES

The Management Board has also been authorized by the Company's Extraordinary General Meeting on September 21, 2018, with the Supervisory Board's approval, in the period up to September 20, 2023, to exercise the call options to acquire treasury shares under existing agreements – and in particular angel agreements and the call option agreements between the Company or its current or former subsidiaries on the one hand and the Company's or its subsidiaries' current and/or former employees, governing body members, (former) consultants (service providers), and/or supporters (or their respective investment vehicles) on the other – and to acquire treasury shares in the total amount of up to 10% of the Company's share capital at the time of the resolution. The treasury shares acquired and held by the Company must be counted towards this 10% limit.

This authorization was not utilized in fiscal year 2021.

AUTHORIZED CAPITAL AS OF DECEMBER 31, 2021

AUTHORIZED CAPITAL 2018/I

The Management Board has been authorized to increase the share capital in the period up to August 6, 2023, with the Supervisory Board's approval, by (following partial utilization) up to a maximum of EUR 30,383.00 (Authorized Capital 2018/I) by issuing, on one or more occasions (following partial utilization) up to a total of 30,383 new no-par value bearer shares against cash contributions and, with the Supervisory Board's approval, to exclude shareholders' subscription rights under certain conditions and within prescribed limits. This authorized capital has been entered in the commercial register as Authorized Capital 2018/I.

AUTHORIZED CAPITAL 2018/II

The Management Board has been authorized to increase the share capital in the period up to August 6, 2023, by (following partial utilization) up to a maximum of EUR 3,088 (Authorized Capital 2018/II) by issuing, on one or more occasions (following partial utilization) up to a total of 3,088 new no-par value bearer shares against cash contributions, and to exclude shareholders' subscription rights under certain conditions and within prescribed limits. This authorized capital has been entered in the commercial register as Authorized Capital 2018/II.

AUTHORIZED CAPITAL 2018/III

The Management Board has been authorized to increase the share capital in the period up to August 6, 2023, with the Supervisory Board's approval, by (following partial utilization) up to a maximum of EUR 57,708 (Authorized Capital 2018/III) by issuing, on one or more occasions (following partial utilization) up to a total of 57,708 new no-par value bearer shares against cash contributions and, with the Supervisory Board's approval, to exclude shareholders' subscription rights under certain conditions and within prescribed limits. This authorized capital has been entered in the commercial register as Authorized Capital 2018/III.

AUTHORIZED CAPITAL 2018/IV

The Management Board has been authorized to increase the share capital in the period up to August 6, 2023, with the Supervisory Board's approval, by (following partial utilization) up to EUR 7,500 (Authorized Capital 2018/IV) by issuing, on one or more occasions (following partial utilization) up to a total of 7,500 new no-par value bearer shares against cash contributions and, with the Supervisory Board's approval, to exclude shareholders' subscription rights under certain conditions and within prescribed limits. This authorized capital has been entered in the commercial register as Authorized Capital 2018/IV.

AUTHORIZED CAPITAL 2018/V

The Management Board has been authorized to increase the share capital in the period up to August 6, 2023, with the Supervisory Board's approval, by up to EUR 4,350,000 (Authorized Capital 2018/IV) by issuing, on one or more occasions up to a total of 4,350,000 new no-par value bearer shares against cash or non-cash contributions and, with the Supervisory Board's approval, to exclude shareholders' subscription rights under certain circumstances and within prescribed limits. This authorized capital has been entered in the commercial register as Authorized Capital 2018/V.

AUTHORIZED CAPITAL 2018/VI

The Management Board has been authorized to increase the share capital in the period up to September 20, 2023, with the Supervisory Board's approval, by (following partial utilization) up to EUR 2,847,853 (Authorized Capital 2018/VI) by issuing, on one or more occasions (following partial utilization) up to a total of 2,847,853 new no-par value bearer shares against cash or non-cash contributions and, with the Supervisory Board's approval, to exclude shareholders' subscription rights under certain conditions and within prescribed limits. Shareholders must be granted subscription rights in principle. The shares can also be subscribed for by one or more credit institutions or one or more entities doing business pursuant to section 53(1) sentence 1, section 53b(1) sentence 1, or section 53b(7) of the German Banking Act (Gesetz über das Kreditwesen – KWG), subject to the obligation to offer the shares to the Company's shareholders pursuant to section 186(5) of the AktG ("indirect subscription rights"). This authorized capital has been entered in the commercial register as Authorized Capital 2018/VI.

CONDITIONAL CAPITAL 2018/I

The Company's share capital has been 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 is used in cases in which conversion rights or options are exercised, or conversion or option obligations are met, to grant shares to the bearers or creditors of convertible bonds, bonds with warrants, profit participation rights, and/or participating bonds (or combinations of these instruments) (referred to collectively as the **"bonds"**) issued on the basis of the authorization resolved 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 authorizing resolution passed by the General Meeting on September 21, 2018. The conditional capital increase will only be implemented to the extent that, in the period up to September 20, 2023, bearers or creditors of bonds issued or guaranteed on the basis of the authorizing resolution passed by the General Meeting on September 21, 2018, by the Company, its dependent companies, or companies in which the company directly or indirectly holds a majority interest, exercise their conversion rights or options, or comply with their conversion or option obligations under such bonds, or to the extent that the Company grants shares in the Company instead of paying the amount due, and to the extent that the conversion or option rights or conversion or option obligations are not serviced using treasury shares, but by shares from authorized capital or other consideration.

This authorization to issue bonds has not been utilized to date. This conditional capital has been entered in the commercial register as Conditional Capital 2018/I.

AUTHORIZATION TO INCREASE THE SHARE CAPITAL AFTER CONVERSION INTO A SE

In the context of the conversion into a European Company (Societas Europaea, SE) under the name Westwing Group SE, no new capitals were created. The Authorized Capital 2018/V and the Authorized Capital 2018/VI continue to exist for Westwing Group SE in the amount existing at the conversion date. Furthermore, the Conditional Capital 2018/I continues to exist for Westwing Group SE in the amount existing at the conversion date. The Authorized Capital 2018/I, the Authorized Capital 2018/II, the Authorized Capital 2018/III as well as the Authorized Capital 2018/IV no longer exist in Westwing Group SE and were therefore cancelled with the registration of the SE as of the Conversion Date because the purpose of these authorized capitals has been fulfilled in each case.

MATERIAL AGREEMENTS BY THE COMPANY THAT TAKE EFFECT IN THE EVENT OF A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID, TOGETHER WITH THE RESULTING EFFECTS (SECTION 289A SENTENCE 1 NO. 8 OF THE HGB)

No material agreements on this subject exist as of December 31, 2021.

COMPENSATION ARRANGEMENTS AGREED BY THE COMPANY WITH THE MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID (SECTION 289A SENTENCE 1 NO. 9 OF THE HGB)

No such agreements currently exist as of December 31, 2021.

Munich, March 28, 2022

Stefan Smalla
Chief Executive Officer
Westwing Group AG
(now: Westwing Group SE)

Sebastian Säuberlich
Chief Financial Officer
Westwing Group AG
(now: Westwing Group SE)

03

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period from January 1 to December 31, 2021

EURm	Notes	2021	2020
Revenue	5	522.5	432.9
Cost of sales		–265.7	–218.9
Gross profit		**256.8**	**213.9**
Fulfilment expenses	6	–107.1	–86.1
Marketing expenses	6	–49.3	–31.0
General and administrative expenses	6	–79.3	–64.9
Other operating expenses	8	–3.8	–3.6
Other operating income	8	3.9	3.0
Operating profit		**21.1**	**31.4**
Finance costs	10	–1.6	–3.0
Finance income	10	0.1	–
net other financial costs	10	–0.6	–0.5
Net finance costs		**–2.1**	**–3.5**
Profit before tax		**19.0**	**27.8**
Income tax expense/(income)	25	–7.0	1.9
Profit for the year		**12.0**	**29.8**
Thereof attributable to:			
Owners of the Company		12.0	29.8
Non-controlling interests		–	–0.1
Result for the year		**12.0**	**29.8**
Basic average number of shares in circulation	11	20,487,447	20,051,432
Diluted average number of shares in circulation		21,705,644	21,661,337
Basic earnings per share (in EUR) attributable to the owners of the Company	11	**0.58**	**1.49**
Diluted earnings per share (in EUR) attributable to the owners of the Company	11	**0.55**	**1.38**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period January 1 to December 31, 2021

EURm	2021	2020
Profit for the year	**12.0**	**29.8**
Other comprehensive income:		
Items that subsequently may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	0.0	0.1
Other comprehensive income for the year, net of tax	**0.0**	**0.1**
Thereof attributable to:		
Owners of the Company	0.0	0.1
Non-controlling interests	–	–
Total comprehensive income for the year	**12.0**	**29.8**
Thereof attributable to:		
Owners of the Company	12.0	29.9
Non-controlling interests	–	–0.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURm	Notes	Dec. 31, 2021	Dec. 31, 2020
Assets			
Non-current assets			
Property, plant and equipment	12	55.5	34.5
Intangible assets	13	18.9	14.1
Trade receivables and other financial assets	14	4.8	4.0
Deferred tax assets	25	8.2	7.4
Total non-current assets		**87.4**	**60.0**
Current assets			
Inventories	15	54.9	30.2
Prepayments on inventories	15	12.1	7.8
Trade receivables and other financial assets	14	11.5	17.4
Other assets	16	14.2	8.7
Cash and cash equivalents	17	97.4	104.9
Total current assets		**190.1**	**169.0**
Total assets		**277.4**	**229.0**

EURm	Notes	Dec. 31, 2021	Dec. 31, 2020
Equity and liabilities			
Equity			
Share capital		20.9	20.8
Capital reserves	18	364.5	357.8
Treasury shares		−1.2	−1.9
Other reserves	18	38.1	47.1
Retained earnings	18	−303.4	−312.7
Foreign exchange reserve		0.4	0.4
Equity attributable to owners of the Company	18	**119.3**	**111.5**
Non-controlling interests		–	**−2.8**
Total equity		**119.3**	**108.7**
Non-current liabilities			
Lease liabilities		37.4	23.0
Other non-current financial liabilities	21	10.3	3.7
Provisions	22	1.1	1.1
Deferred tax liabilities		5.1	–
Total non-current liabilities		**54.0**	**27.8**
Current liabilities			
Lease liabilities		8.4	5.9
Trade payables and accruals	21	56.8	41.7
Contract liabilities	21	17.4	17.8
Refund liabilities	21	7.4	9.8
Other current financial liabilities	21	–	0.8
Other non-financial liabilities	21	12.5	9.2
Tax liabilities	25	1.0	5.4
Provisions	22	0.7	2.0
Total current liabilities		**104.2**	**92.5**
Total liabilities		**158.1**	**120.3**
Total equity and liabilities		**277.4**	**229.0**

STATEMENT OF CHANGES IN EQUITY

		Attributable to the owners of the Company		
EURm	Notes	Share capital	Capital reserves	Treasury shares
As of January 1, 2020		**20.7**	**351.1**	**–2.6**
Profit for the year		–	–	–
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		**–**	**–**	**–**
Issue of share capital	18	0.1	1.8	–
Issue of treasury shares*		–	4.8	0.7
Share-based payments *	19	–	0.0	–
As of December 31, 2020/January 1, 2021		**20.8**	**357.8**	**–1.9**
Profit for the year		–	–	–
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		**–**	**–**	**–**
Issue of share capital	18	0.1	0.7	–
Reclassifications/Other		–	–	–
Issue of treasury shares		–	6.8	0.7
Share-based payments	19	–	–0.8	–
As of December 31, 2021		**20.9**	**364.5**	**–1.2**

* The prior-year figures have been adjusted.

Attributable to the owners of the Company					
Other reserves	Retained earnings	Other comprehen-sive income (OCI) reserve	Total	Non-controlling interests	Total equity
50.0	**–342.5**	**0.3**	**77.2**	**–2.8**	**74.4**
–	29.8	–	29.8	–0.1	29.8
–	–0.0	0.1	0.1	–	0.1
–	**29.8**	**0.1**	**29.9**	**–0.1**	**29.8**
–	–	–	1.9	–	1.9
–5.3	–	–	–0.2	–	–2.2
2.4	–	–	2.4	–	4.8
47.1	**–312.7**	**0.4**	**111.5**	**–2.8**	**108.7**
–	12.0	–	12.0	–	12.0
–	–	0.0	0.0	–	0.0
–	**12.0**	**0.0**	**12.0**	**–**	**12.0**
–	–	–	0.8	–	0.8
–	–2.7	–	–2.7	2.8	0.1
–7.2	–	–	0.3	–	0.3
–1.8	–	–	–2.6	–	–2.6
38.1	**–303.4**	**0.4**	**119.3**	**0.0**	**119.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

EURm	Notes	2021	2020
Cash flows from operating activities:			
Profit before tax		19.0	27.8
Adjustments for:			
Depreciation and impairment of property, plant and equipment	12	9.2	7.4
Amortization and impairment of intangible assets	13	3.8	3.2
Loss/(gain) on disposal of property, plant and equipment		0.2	0.0
Share-based payment expenses	19	5.6	8.4
Fair value (gain)/loss on financial liabilities		0.1	1.1
Finance income	10	–0.1	–
Finance costs	10	1.5	1.9
Net foreign exchange differences		0.6	0.5
Other non-cash-related adjustments		3.8	0.7
Changes in provisions		–3.3	2.6
Operating cash flows before changes in working capital		**40.5**	**53.7**
Adjustments for changes in working capital:			
Changes in trade receivables and other financial assets		2.4	–12.5
Changes in inventories		–30.8	–12.2
Changes in trade and other payables		17.7	18.9
Cash flows from operations		**29.8**	**47.8**
Tax paid/(received)		–11.1	–0.3
Net cash flows from operating activities		**18.7**	**47.5**
Investing activities:			
Proceeds from sale of property, plant and equipment		0.0	0.0
Purchase of property, plant and equipment		–6.3	–2.8
Purchase and investments in intangible assets		–8.6	–5.4
Lease deposits		–1.1	0.2
Net cash flows from investing activities		**–16.0**	**–8.0**
Financing activities:			
Proceeds from capital increase/sale of equity instruments		0.4	1.8
Transaction costs on issue of shares		–	–0.0
Interest and other finance charges paid		–1.6	–1.4
Payments of lease liabilities		–6.4	–5.4
Purchase of own equity instruments		–2.1	–2.4
Net cash flows from financing activities		**–9.7**	**–7.3**
Net change in cash and cash equivalents		**–7.0**	**32.2**
Effect of exchange rate fluctuations on cash held		–0.5	–0.5
Cash and cash equivalents as of January 1	17	104.9	73.2
Cash and cash equivalents as of December 31		**97.4**	**104.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2021

1. GENERAL INFORMATION

The Westwing Group AG (now: Westwing Group SE) and its subsidiaries (together referred to as "Westwing" or the "Group") are one of the leading eCommerce companies in the European Home & Living sector. Westwing is an integrated Home & Living company that offers its customers a broad, diverse range of beautiful Home & Living products.

The Company has been listed on the Frankfurt Stock Exchange since October 9, 2018.

The Supervisory Board approved the publication of the consolidated financial statements of Westwing Group AG (now: Westwing Group SE) for the fiscal year ended December 31, 2021, on March 28, 2022.

The Company was incorporated in 2011 and is headquartered at Moosacher Strasse 88, 80809 Munich, Germany. It is registered at Berlin District Court, Germany, originally under the number HRB 199007 B and now under the number HRB 239114 B. As of December 31, 2021, the Group operated in eleven countries (Germany, Austria, Switzerland, Italy, Spain, the Netherlands, France, Poland, Belgium, the Czech Republic, and the Slovak Republic). The Group consisted of 23 legal entities, 11 of which are non-operating.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) applicable as of the reporting date, as adopted by the European Union, plus the provisions of German commercial law set out in section 315e of the German Commercial Code (Handelsgesetzbuch – HGB).

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

The consolidated financial statements have been prepared in euros and are presented in millions of euros (EURm). The figures in the consolidated financial statements have been rounded up or down to the nearest number. Therefore, the totals given for tables may not exactly match the amounts obtained by adding individual figures together, and differences could arise where individual amounts or percentages are added up. With respect to the financial information set out in this report, a dash ("–") signifies that no figure is available, while a zero ("0.0") signifies that the relevant figure is available but has been rounded to zero.

The consolidated financial statements have been prepared on a historical cost basis, with the exception of certain financial assets and financial liabilities (including derivative instruments) that are measured at fair value through profit or loss.

The Company has prepared its consolidated statement of profit or loss in accordance with the cost of sales (function of expense) format.

Current and non-current assets and current and non-current liabilities are presented separately on the face of the consolidated statement of financial position. Assets that are used or settled in the normal operating cycle, are held for the purpose of trading, or are due to be settled within 12 months after the reporting period are classified as current. Assets not meeting these criteria are classified as non-current.

Liabilities are classified as current where they are expected to be settled in the normal operating cycle, or within 12 months or where there is no unconditional right to defer settlement for at least 12 months. All other liabilities are classified as non-current.

In 2021, minor reclassifications were made for the previous year within the tables and the statement of financial position. These were of minor importance and no key figures relevant to the Group are affected. Reclassifications are marked with an asterisk.

Deferred tax assets and liabilities are classified as non-current.

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

The preparation of financial statements in accordance with the IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment when applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, and areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3. No material estimates were made in relation to environmental, social, and governance topics.

2.2 New Standards, Amendments, and Interpretations

The International Standards Accounting Board (IASB) has issued the following standards or amendments to standards, which were relevant for the Group and were applied for the first time in the consolidated financial statements for the year ended December 31, 2021.

		Mandatory application date set by the IASB	Adoption by the EU by Dec. 31, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	Jan. 1, 2021	Yes
Amendment to IFRS 16	Covid-19-Related Rent Concessions	June 1, 2020	Yes

The application of the new or amended standards in fiscal year 2021 did not have a material impact on group accounting, the presentation of the consolidated financial statements, or the Group's financial position, financial performance, and cash flows. The Group did not early apply standards, interpretations, or amendments that have been issued but are not yet effective.

STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

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

		Mandatory application date set by the IASB	Adoption by the EU by Dec. 31, 2021
IFRS 17	Insurance Contracts	Jan. 1, 2023	Yes
Amendments to IFRS 17	Amendments to IFRS 17	Jan. 1, 2023	No
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	Jan. 1, 2023	No
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	Jan. 1, 2023	No
Amendments to IAS 8	Definition of Accounting Estimates	Jan. 1, 2023	No
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Jan. 1, 2023	No
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract	Jan. 1, 2022	Yes
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	Jan. 1, 2022	Yes
AIP (2018–2020 cycle)	IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities, IFRS 1 Subsidiary as a First-time Adopter, IFRS 16 Lease incentives	Jan. 1, 2022	Yes
Amendments to IFRS 3	Reference to the Conceptual Framework	Jan. 1, 2022	Yes

No new standards or amendments that are not yet effective are expected to have a material impact on the Group. Westwing plans to adopt the new standards as soon as they are required to be applied.

2.3 Consolidation

2.3.1 BASIS OF CONSOLIDATION

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

As of December 31, 2021, the Company controlled 15 domestic subsidiaries (2020: 18) and exercised indirect control over 7 foreign subsidiaries (2020: 7). The composition of and changes to the Group are detailed in Note 29.

The annual financial statements of the Company and its subsidiaries are prepared using uniform accounting standards. Where necessary, the subsidiaries' accounting policies have been changed to align them with the policies applied by the Group. The financial statements of the Company and its subsidiaries cover fiscal year 2021, which runs from January 1, 2021, to December 31, 2021, and are prepared as of the reporting date of these consolidated financial statements. Intercompany receivables and liabilities, profits and losses, revenues, and income and expenses are eliminated during consolidation.

2.3.2 SUBSIDIARIES

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

2.3.3 NON-CONTROLLING INTERESTS (NCI)

Non-controlling interests arise where an acquirer acquires less than 100% of shares in an acquiree. In this case, the non-controlling interest is the equity in a subsidiary that is not attributable, directly or indirectly, to a parent. Non-controlling interests can be measured either at fair value (“full goodwill method”) or at the non-controlling interest’s share of the recognized amounts of the acquiree’s identifiable net assets (“partial goodwill method”).

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions, i.e., as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. The remaining non-controlling interests were offset against retained earnings in 2021. Therefore, as of December 31, 2021, there were no non-controlling interests in Westwing’s entities anymore.

2.4 Foreign Currency Translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

The results and changes in financial position of all entities that have a functional currency that is different to the Group’s presentation currency are translated into the presentation currency as shown below (no Group entities report in the currency of a hyperinflationary economy):

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

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

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

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

	Assets and liabilities: spot rates		Income and expenses: cumulative average rates	
Exchange rate for EUR 1	**Dec. 31, 2021**	Dec. 31, 2020	**2021**	2020
Polish zloty	**4.60**	4.56	**4.56**	4.44
US dollar	**1.13**	1.23	**1.18**	1.14
Hong Kong dollar	**8.83**	9.51	**9.20**	8.85
Chinese yuan renminbi	**7.19**	8.02	**7.63**	7.87

Only the Polish, Hong Kong, and Chinese entities had a different functional currency as of December 31, 2021, and December 31, 2020.

2.5 Revenue Recognition and Contract Balances

Westwing generates revenue primarily by selling goods via its retail websites. A much smaller share of revenue is allocated to services, i.e., the interior design services that Westwing provides to customers who want to refurbish their homes, and assembly services. In most cases customers pay when placing their orders online and hence before the Group transfers goods or provides services to the customer. Contract liabilities are recognized when the payment is made or the payment is due (whichever is the earlier), i.e., before a related performance obligation is satisfied. Contract liabilities are recognized as revenue from contracts with customers when control of the goods is transferred to the customer (generally on delivery) or the service is rendered at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. Since the outstanding performance obligations are based on contracts with an original term of less than one year, Westwing does not disclose the transaction price allocated to these outstanding performance obligations. Contract liabilities are reported as a separate line item on the balance sheet.

The period between an order being placed and the delivery being made to, or service performed for, the customer is between two days and six weeks, depending on the type of goods or services ordered.

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

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

RIGHT TO RETURN

The Company grants customers a right to return the goods bought, generally within 30 days (only Poland and Italy have a return period of 100 days). The Group uses the expected value method, based on its experience of return rates and times, to estimate the value of the goods that will be returned. The Group recognizes refund liabilities that are deducted from revenue in the case of goods that are expected to be returned. A right-of-return asset (and a corresponding adjustment to the cost of sales) is also recognized for the right to recover products from a customer.

VOUCHERS

Westwing offers three types of vouchers to customers:

Customer care vouchers

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

Marketing vouchers

These are vouchers that are posted on Instagram e.g. by influencers, or that are included in newsletters. These vouchers are valid only for a limited period, usually as long as the marketing event is running, and only take the form of a percentage discount. Simply issuing these marketing vouchers does not create a binding contract with a customer: This only occurs once the customer places an order. No liabilities are recognized by the Group.

Gift vouchers

These are vouchers which the Group sells to customers in exchange for cash. Gift vouchers can be given to friends, for instance, who will then use them in full to make an actual purchase from Westwing. The cash vouchers offered represent a separate performance obligation. In general, the revenue is not recognized by the Group when the vouchers are sold, but when the obligation is satisfied or expires. The only exception is the recognition of revenue for the proportion of vouchers which will never be used. This is estimated based on historical data. A contract liability is recognized when gift cards are sold.

CONTRACT BALANCES

EURm	**Dec. 31, 2021**	Dec. 31, 2020
Trade receivables*	7.1	5.9
Receivables from payment service providers	1.4	8.8
Contract liabilities	17.4	17.8

* Prior-year figures adjusted due to reclassification of security deposits to payment service providers from trade receivables to other financial assets.

Receivables from payment service providers include the customer payments transferred by purchase on account and direct debit transactions. If a customer uses these payment options, the Company recognizes a corresponding receivable from the payment service providers until the cash is transferred to Westwing's bank account, which is usually within 10 days.

Nearly all contract liabilities in existence at the beginning of the year in both 2021 and 2020 had been recognized as revenue during the fiscal year. The only exemptions are gift vouchers with an immaterial residual amount that has not been converted into revenue.

2.6 Expenditure

Cost of sales primarily consists of the purchase price of consumer products and inbound shipping charges and is recognized when the goods are sold. In the case of our interior design services, the cost of sales comprises the value of the working time expended by the interior designers on the services sold.

Fulfilment expenses include postage, freight, packaging, and handling costs, plus fees in respect of payment services. This item also includes personnel expenses, depreciation of right-of-use assets relating to warehouses, other depreciation and amortization, and other expenses relating to the logistics and customer care department.

Marketing expenses consist primarily of personnel expenses. Also included are expenses for online and offline marketing and promotional activities, other operating expenses, and depreciation and amortization relating to the Group's marketing function.

General and administrative expenses consist of personnel expenses, ancillary expenses, depreciation of right-of-use assets, amortization, and the Group's administrative costs. General and administrative expenses also include consulting and other professional and legal fees including external accounting, recruiting, tax consulting, and audit fees. The item also includes procurement department costs and personnel expenses relating to general management functions in the logistics area.

Other operating income and expenses primarily comprise income from grants, plus income from the reversal of provisions, insurance reimbursements, and costs relating to the recognition of allowances for expected credit losses on accounts receivable.

Net finance costs consist of interest income, interest and other finance costs (including interest expenses for lease liabilities in accordance with IFRS 16), and foreign currency gains and losses within net other finance costs.

Where personnel expenses are described separately as part of expenses it should be borne in mind that these include a material amount of share-based payments.

2.7 Property, Plant, and Equipment

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

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

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

Gains and losses on disposals are determined by comparing the proceeds of sale with the carrying amount of the disposed asset. The gains and losses are recognized in the consolidated statement of profit or loss for the year in which the disposal takes place.

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

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

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

The assets' residual values and useful lives are reviewed at each fiscal year-end.

Property, plant, and equipment also include prepaid amounts for items of property, plant, and equipment. Such amounts are not subject to depreciation

2.8 Intangible Assets

2.8.1 PURCHASED TRADEMARKS, BRANDS, LICENSES AND SOFTWARE

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

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

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

2.8.2 INTERNALLY GENERATED SOFTWARE

Research and development costs are expensed as incurred, except for development costs which must be capitalized if certain conditions are met.

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

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

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

2.8.3 AMORTIZATION

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

Asset	Useful life in years
Internally generated software	3 to 8
Acquired software and licenses	2 to 5
Trademarks (licenses)	15 years or the term of the trademark agreement, if shorter

2.8.4 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

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

2.9 Leases

Westwing recognizes a right-of-use asset and a lease liability at the commencement date for lease agreements where the Group is the lessee. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement, and restoration obligations or similar. Additionally, the present value of the expected cost for decommissioning an asset after use is included in the cost of the asset concerned if the recognition criteria for a provision are met.

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

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

The lease liability is subsequently remeasured to reflect changes in the lease term (using a revised discount rate); the assessment of a purchase option (using a revised discount rate); the amounts expected to be payable under residual value guarantees (using an unchanged discount rate); or future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate).

Short-term leases which expire within 12 months and leases based on a low-value asset (acquisition cost of less than EUR 5,000) are expensed as incurred. Income from subleasing is recognized in other operating income.

2.10 Inventories

Inventories are recorded at the lower of acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business.

The acquisition cost of inventory includes purchase costs and costs incurred to bring the inventories to their present location and condition. The Company's inventories are measured using the FIFO (first-in, first-out) method. Slow-moving products are written down in line with their age in order to approach the net realizable value; damaged goods are written off completely.

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

2.11 Financial Assets

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

The Group's only financial assets are cash and cash equivalents and trade receivables. They are held with the objective to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This means that the financial assets are measured at amortized cost in accordance with IFRS 9.

Financial assets are included in current assets, with the exception of assets with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

The Group's financial assets are initially recognized at fair value including directly attributable transaction costs. Subsequently they are measured at amortized cost using the effective interest method; interest income and expense are recognized in net finance costs.

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

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

2.12 Impairment of Financial Assets

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

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

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

2.13 Financial Liabilities

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

Financial liability at fair value through profit or loss

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

The loan agreements entered into in April 2013 with Kreos Capital IV (Luxembourg) S.à r.l. (hereinafter referred to as "Kreos") and in March 2018 with GGC EUR S.A.R.L (hereinafter referred to as "GGC") entailed warrant agreements under which Kreos and GGC had the option to receive shares in Westwing when the warrants were exercised. The warrants were attached to the borrowings but were not closely related to these instruments. As a result, the 2013 and 2017 Kreos warrants and the 2018 GGC warrant were classified as financial liabilities at fair value through profit or loss and were accounted for separately from the loans. The 2017 Kreos warrant and the 2018 GGC warrant were exercised in September 2020, leading to the issuance of 103,542 new shares in October 2020 (see Note 18). The 2018 Kreos warrant was exercised in January 2021. The GGC loans were paid back in full in 2019, and the Kreos loans in 2018.

The instruments met the definition of a derivative under IFRS 9 since they were linked to a moving share price and their value varied; as a result, they were classified as financial liabilities measured at fair value through profit or loss and were revalued to fair value at each reporting date

Financial liabilities at amortized cost

The Group's other financial liabilities are classified as financial liabilities at amortized cost.

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

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

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

2.14 Cash and Cash Equivalents

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

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

2.15 Share Capital

The share capital is fully paid up.

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

2.16 Treasury Shares

Treasury shares are shares which have been bought back by Westwing, reducing the number of shares outstanding on the open market. Treasury shares do not have voting rights. The possession of these shares does not give the Company the right either to receive any assets if the Company is liquidated or to exercise preemptive rights as a shareholder. These shares reduce the ordinary share capital. They are presented in the statement of financial position as a reduction of equity. Westwing can use treasury shares to provide participants of share-based payment programs with shares when their options vest and are exercised. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in capital reserves.

2.17 Provisions

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

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

2.18 Share-Based Payment

Certain eligible Group employees are entitled to receive remuneration in the form of share-based payment, under which employees receive equity instruments as consideration for their services (equity-settled transactions). In addition, certain eligible employees were also granted share appreciation rights, which are settled in cash (cash-settled transactions). In 2019, a new virtual program was established and cash-settled options were issued to the Management Board and a number of key management employees in the period from 2019 to 2021.

Equity-settled transactions

The cost of equity-settled share-based transactions is determined by the fair value at the grant date using an appropriate valuation model. Since Westwing is now a listed company, the share price would be used as an input for the option pricing model determining the option fair value. However, no equity-settled programs have been issued since the listing. The fair value determined at the grant date is expensed over the vesting period of the arrangement, based on the Company's estimate of the number of equity instruments that will eventually vest subject to non-market-based vesting conditions. The corresponding amount is recognized in equity.

Westwing uses a graded vesting approach. Each installment of awards with graded vesting features is treated as a separate grant and is expensed separately over the vesting period concerned. The cumulative expense recognized for equity-settled share-based transactions as of each reporting date up to the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Estimated forfeitures are revised if the number of awards expected to vest differs from previous estimates. Differences between the estimated and actual forfeitures are accounted for in the period in which they occur. Due to the change in observed employee fluctuation rates, Westwing also takes an estimated forfeiture ratio during the vesting period into account when calculating share-based payment expenses.

The income or expense for a period recognized in the statement of profit or loss represents the change in cumulative expenses recognized as of the beginning and end of the reporting period.

Options that are exercised can be serviced in three different ways: the Company can issue new shares (case 1), treasury shares can be used to provide the option holders with shares (case 2), or Westwing can settle the options in cash as provided for in the agreements (case 3). In all three cases, the amount previously recognized in the share-based payment reserve for the option holder is reclassified in full to other equity components. In case 1, the share capital is increased in the nominal amount of the exercised shares and the difference between the share-based payment reserve and the nominal amount is recognized in capital reserves. The cash received for the exercise price also increases the capital reserves. In case 2, the amount recognized for treasury shares is reduced pro rata by the number of shares for which options have been recognized using the value of the original payment for the treasury shares, and the remaining difference is recognized in capital reserves. In case 3, the share-based payment reserve is decreased and the difference between the settled amount and the share-based payment reserve is recognized in capital reserves.

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value using an appropriate valuation model. The fair value is established initially at the grant date and at each reporting date thereafter until the awards are settled. During the vesting period, a liability is recognized representing the fair value of the award and the vesting period that has expired as of the reporting date. Changes in the carrying amount of the liability over the period are recognized as income or expense in the statement of profit or loss. When cash-settled options are exercised, the liability recorded is derecognized and the difference is recognized in profit or loss. We also take an estimated forfeiture ratio during the vesting period into account when calculating share-based payment expenses.

2.19 Post-employment Benefits

Westwing does not have any typical pension schemes. However, local law in Italy and France requires provisions to be recognized for personnel expenses since employees are entitled to take saved amounts with them when they leave the Company. The Group's net obligations are determined separately for each plan by estimating the present value of future benefits earned by employees. The present value of defined benefit obligations is calculated using the relevant government guidelines.

German Group entities pay contributions to Germany's statutory pension insurance plan, which represents a defined contribution plan under IAS 19.

2.20 Current and Deferred Income Taxes

Income tax comprises current and deferred taxes. Income tax expense is recognized in the statement of profit or loss, except to the extent that it relates to items directly recognized in equity, in which case it, too, is recognized in equity.

Current tax expense is calculated based on the tax regulations applicable on the reporting date in those countries in which the subsidiaries operate and generate taxable income.

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

Deferred tax balances are measured at the tax rates enacted or substantively enacted by the end of the reporting period that are expected to apply to the period in which the temporary differences will reverse, or the tax loss carryforwards will be utilized.

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

Deferred tax liabilities are recognized on taxable temporary differences arising from investments in subsidiaries unless the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Overview

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

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

Management also makes certain judgments above and beyond the estimates involved in the process of applying accounting policies. Changes in accounting estimates are recognized in the period in which the change takes place provided that such change exclusively affects that period.

The following sections provide an overview of those judgments that have the most significant effect on the amounts recognized in the financial statements, plus estimates that could potentially lead to significant adjustments to the carrying amounts of assets and liabilities within the next fiscal year.

3.2 Accounting Estimates

Westwing's accounting estimates are not particularly affected by the impact of the COVID-19 pandemic. Minor effects exist in relation to estimates of allowances for doubtful accounts. In principle, however, the situation caused by the pandemic is resulting in significant planning uncertainty.

3.2.1 REVENUE (NOTE 5)

Since final deliveries to customers cannot always be tracked correctly, a cutoff period is applied as of each reporting date. In line with this, a period of between 2 and 5 days (depending on the country concerned) is used to deduct estimated product sales between the shipping dates and expected delivery dates occurring after the reporting date.

3.2.2 ALLOWANCE FOR OBSOLETE INVENTORIES (NOTE 15)

Inventory is valued at the lower of cost and net realizable value. The net realizable value of certain stock is determined by recognizing an allowance on inventory. This is based on management's estimate of whether losses will result from their sale for below cost less costs of disposal, or whether it will not be possible to sell certain stock items at all. The amount is calculated based on historical experience, and past and anticipated market performance.

3.2.3 SHARE-BASED PAYMENT (NOTE 19)

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

At the end of each reporting period, the Group reviews its estimates of the number of awards expected to vest and recognizes the impact of any revision to original estimates in the statement of profit or loss, as well as making a corresponding adjustment to equity. The forfeiture rate is based on historical experience and takes the maturity of the options into account.

3.2.4 REFUND LIABILITIES (NOTE 21)

Customers ordering products online have the right to return them within 30 days of purchase (100 days in the case of Westwing Italy and Westwing Poland). Westwing therefore records a refund liability for such returns in its financial statements by reducing revenue. The amount recognized for this is calculated based on experience and current information on gross sales. The liability is calculated per country and revenue is adjusted in line with this. A right-of-return asset (and a corresponding adjustment to the cost of sales) is recognized for the right to recover products from a customer.

3.3 Accounting Estimates

3.3.1 CAPITALIZATION AND IMPAIRMENT OF DEVELOPMENT COSTS

Westwing capitalizes development costs for internally generated software. Initial capitalization is based on management's judgment that the technological and economic feasibility criteria have been met. This judgment also applies if any requirements for impairment are identified. The judgment takes into consideration assumptions regarding development costs or future additional value or savings, as appropriate. The innovative nature of Westwing's development projects means that they are subject to a certain degree of uncertainty as to their future benefit.

3.3.2 INCOME TAXES (NOTE 25)

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

The Group considers a large number of factors when assessing the likelihood of future realization of its deferred tax assets. These include its recent earnings experience by jurisdiction, expectations of future taxable income, the carryforward periods available for tax reporting purposes, and other relevant factors. The Group uses judgments and estimates to assess the likelihood of future realization of its deferred tax assets, due to the inherent complexity of its business, future changes in income tax law, and potential variances between our actual and anticipated operating results. Therefore, actual income taxes could diverge materially from these judgments and estimates.

3.3.3 DETERMINING THE TERM OF LEASES WITH EXTENTION OF TERMINATION OPTIONS

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

4. OPERATING SEGMENTS

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

In line with this, Westwing has two operating segments: DACH and International. These segments are defined as follows:

- the DACH segment comprises Germany, Switzerland, and Austria;

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

- in general, expenses and income incurred at headquarters are allocated to the operating segments. Therefore, the “HQ/Reconciliation” column only contains key holding elements such as depreciation and amortization and the parent company’s cash and cash equivalents. Westwing Group AG (now: Westwing Group SE) provides a range of IT, marketing, and other services (especially commercial and technical advisory services) to its subsidiaries, and holds cash and cash equivalents for new investments and financing purposes.

The Group measures the performance of its operating segments on the basis of revenue growth, Adjusted EBITDA, and the Adjusted EBITDA margin. There is no more far-reaching reporting on the results of the segments. The cash-generating units are defined as the individual countries. This means that revenue and EBITDA are taken from the legal entity concerned and adjusted for revenue and costs generated with WestwingNow. An analogous approach is taken for segment reporting.

Adjusted EBITDA shows the operating result before interest, taxes, depreciation and amortization, and income or expenses for share-based payments. In 2021, Westwing adjusted its EBITDA for a non-operating tax claim (not income tax) for previous years from a divested entity, and for the costs relating to the Company's change of legal form into a Societas Europaea (SE). The related expenses have not been included in our Adjusted EBITDA due to their non-recurring nature. Adjusted EBITDA was also adjusted for certain reversal effects connected with the centralization of the French business in Munich. Revenues resulting from transactions between operating segments are eliminated for consolidation purposes and are not included in the overview of the operating segments, since the CODM manages the operating segments based on revenues from transactions with third parties.

Uniform measurement and valuation standards are applied by the Group across all operating segments. The revenue information below is based on customer locations.

The following table shows operating segment information for the fiscal year ending on December 31, 2021 (all amounts are in EURm unless otherwise stated):

2021	DACH	International	HQ/Reconciliation	Group
Profit before income tax	**28.8**	**–0.5**	**–9.2**	**19.0**
Finance costs*	1.3	0 .3	–	1.6
Finance income*	–0.1	–0.0	–	–0.1
Net other financial result	0.3	0.3	–	0.6
Operating profit	**30.2**	**0.1**	**–9.2**	**21.1**
Depreciation and amortization	2.2	2.7	8.1	13.0
Share-based payments*	5.6	–	–	5.6
Expenses for the SE conversion	0.4	–	–	0.4
Tax claim against a divested entity	0.3	–	–	0.3
Expenses for the centralization of the French business	–	–0.0	–	–0.0
Adjusted EBITDA	**38.8**	**2.8**	**–1.1**	**40.4**
Adjusted EBITDA margin	13.1%	1.2%	0.0%	7.7%
Revenue	296.8	225.7	–	522.5
Cash and cash equivalents	38.8	14.1	44.4	97.4

* Includes headquarters costs not allocated to the segments and therefore reported in the DACH segment.

The following table shows operating segment information for the fiscal year ending on December 31, 2020 (all amounts are in EURm unless otherwise stated):

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

* Includes headquarters costs not allocated to the segments and therefore reported in the DACH segment.

Within the DACH segment, revenue in Germany amounted to EUR 240.4m (2020: EUR 195.2m). Group revenue outside Germany amounted to EUR 282.1m (2020: EUR 237.7m).

Westwing Germany recognized long-term assets (not including financial instruments) of EUR 61.2m (December 31, 2020: EUR 40.2m), while entities outside Germany reported long-term assets of EUR 13.1m (December 31, 2020: EUR 8.3m).

Long-term assets and cash and cash equivalents are allocated at the level of the legal entities.

5. REVENUE ANALYSIS

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

EURm	2021	2020
Revenue from the sale of products	515.0	428.3
Service revenue	0.6	–
Other revenue	6.8	4.5
Total	**522.5**	**432.9**

Revenue from the sale of products is reported net of discounts. Service revenue comprises the sales of interior design and assembly services.

Other revenue is generated from the sale of return products and obsolete inventories to trading partners, and from marketing services.

6. ADDITIONAL INFORMATION ON INCOME AND EXPENSES

FULFILMENT EXPENSES

EURm	2021	2020
Logistics costs	–74.2	–62.1
Personnel expenses	–17.0	–11.7
Depreciation and amortization	–4.5	–3.1
Other expenses	–11.4	–9.2
Total	**–107.1**	**–86.1**

Fulfilment expenses rose by EUR 21.0m to EUR 107.1m in 2021. Logistic costs include shipping costs of EUR 51.7m (2020: EUR 42.3m), plus storage and handling costs of EUR 16.3m (2020: EUR 14.3m).

MARKETING EXPENSES

EURm	2021	2020
Purchased marketing services	–27.6	–15.8
Personnel expenses	–17.1	–12.2
Depreciation and amortization	–0.6	–0.1
Other expenses	–4.1	–2.8
Total	**–49.3**	**–31.0**

Other expenses comprise consulting costs and travel expenses. The increase in marketing expenses is due to higher investments in this area in line with our marketing strategy.

GENERAL AND ADMINISTRATIVE EXPENSES

EURm	2021	2020
Personnel expenses	–49.7	–43.5
Depreciation and amortization	–7.9	–7.5
Other expenses	–21.7	–14.0
Total	**–79.3**	**–64.9**

Other expenses primarily comprise legal, consulting, maintenance, IT, and travel expenses:

EURm	2021	2020
Auditor’s remuneration		
Audit cost according to section 314 (1) no. 9 a of the HGB	0.4	0.5
Of which relates to previous periods EUR 0k (2020: EUR 156k)		
Other services according to section 314 (1) no. 9 b of the HGB	0.1	0.1
Other services according to section 314 (1) no. 9 d of the HGB	–	0.0

The other assurance services in the year under review relate to auditing activities in connection with the non-financial statement (limited assurance) and auditing activities in connection with the compensation report.

7. PERSONNEL EXPENSES

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

EURm	**2021**	2020
Wages, salaries and other short-term employee benefits	–64.6	–48.8
Share-based payment expenses	–5.6	–8.4
Social security and similar expenses	–13.5	–10.3
Total	**–83.8**	**–67.4**

The share-based payment expenses of EUR 5.6m (2020: EUR 8.4m) relate to equity-settled programs from previous years and to the new 2019 cash-settled commitment packages. The reduction in share-based payment expenses was mainly due to decreased cash-settled share-based payment expenses essentially caused by a lower share price.

In addition to regular personnel expenses, post-employee benefits have been granted to Group employees in Italy and France. These mainly comprise the statutory Italian employee severance indemnity obligation ("trattamento di fine rapporto", or "TFR"), which amounted to EUR 0.7m at the end of 2021 (December 31, 2020: EUR 0.6m). In addition, the German Westwing entities paid EUR 3.8m in contributions to Germany's statutory pension insurance plan (2020: EUR 3.0m).

In 2021, Westwing employed an average of 2,062 employees (2020: 1,501 employees) in the following functions:

	2021	2020
Fulfilment	850	563
Marketing	281	207
Administration	931	731
Total	**2,062**	**1,501**

8. OTHER OPERATING EXPENSES AND INCOME

Other operating expenses for the year include the following items:

EURm	**2021**	2020
Expenses for expected credit losses (ECL)	–2.0	–0.9
Other operating expenses	–1.8	–2.7
Total	**–3.8**	**–3.6**

The decrease in other operating expenses primarily relates to tax costs that were incurred in 2020 only. Other operating expenses mainly consist of expenses for other periods.

Other operating income for the year comprises the following:

EURm	2021	2020
Lease income*	0.2	0.2
Income from release of provisions	2.4	1.1
Insurance reimbursement	1.1	0.5
Other operating income*	0.1	1.1
Total	**3.9**	**3.0**

* The prior-year figures were adjusted for EUR 0.2m in lease income that should have been classified as other operating income.

The increase in income from the reversal of provisions mainly relates to the reversal of a provision for a legal claim in the amount of EUR 0.8m.

9. LEASE EXPENSES

LEASES IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

EURm	2021	2020*
Fulfilment expenses		
Expenses from variable, short-term and low value leases	–0.5	–0.1
Other lease expenses (ancillary costs)	–0.3	–0.1
Marketing expenses		
Expenses from variable, short-term and low value leases	–0.0	–0.0
Other lease expenses (ancillary costs)	–0.1	–0.0
General administrative expenses		
Expenses from variable, short-term, and low value leases	–0.0	–0.0
Other lease expenses (ancillary costs)	–0.9	–0.8
Other operating profit		
Income from subleases	0.2	0.2
Depreciation		
Depreciation/impairment on right-of-use assets	–6.5	–5.6
Net finance costs		
Interest expenses on lease liabilities	–1.2	–1.3
Total lease expenses	**–9.3**	**–7.8**

* The prior-year figures were broken down by function to add clarity.

The Group's total cash outflows for leases in 2021 amounted to EUR -8.2m (2020: EUR –7.7m). There were no sale and lease back transactions. Expenses from variable and short-term leases account for roughly half of the full amount. The amount attributable to low value leases is immaterial.

10. NET FINANCE COSTS

Net finance costs for the year consist of the following:

EURm	2021	2020
Finance income:		
Valuation adjustment	0.1	–
Total finance income	**0.1**	**–**
Finance costs:		
Interest expenses	–0.4	–0.7
Interest on leases	–1.2	–1.3
Other finance costs	–	–1.1
Total finance costs	**–1.6**	**–3.0**
Net finance result	**–1.5**	**–3.0**
Net other finance costs:		
Foreign currency gains	6.6	3.6
Foreign currency losses	–7.2	–4.1
Net other finance costs	**–0.6**	**–0.5**
Net finance costs	**–2.1**	**–3.5**

In 2021, finance income related to the valuation adjustment made to the 2013 Kreos warrant before it was exercised in January 2021. Please see Note 18 for further information.

In 2020, other finance costs primarily included valuation adjustments relating to the revaluation of the GGC warrant (EUR 0.2m) and the 2013 and 2017 Kreos warrants (EUR 0.8m). The GGC and 2017 Kreos warrants were exercised in September 2020 in exchange for 103,542 new shares of the Company; these were issued in October 2020.

11. EARNINGS PER SHARE

Earnings per share are calculated as follows:

EURm	2021	2020
Profit attributable to owners of the parent	12.0	29.8
Basic weighted average number of ordinary shares in issue (shares)	20,487,447	20,051,432
Effects of dilution from share options	1,218,197	1,609,905
Diluted weighted average number of ordinary shares in issue (shares)	21,705,644	21,661,337
Basic earnings per share in EUR	**0.58**	**1.49**
Diluted earnings per share in EUR	**0.55**	**1.38**

Basic earnings per share are determined by dividing net profit for the period attributable to shareholders of Westwing Group AG (now: Westwing Group SE) by the basic weighted average number of shares.

The diluted earnings per share are determined by dividing net profit for the period attributable to shareholders of Westwing Group AG (now: Westwing Group SE) by the diluted weighted average number of shares.

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

12. PROPERTY, PLANT, AND EQUIPMENT

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

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

EURm	Leasehold improvements	Furniture, fittings and equipment	Right-of-use assets	Prepayments on PPE	Total
Cost as of January 1, 2021	**4.1**	**14.0**	**41.6**	**0.0**	**59.7**
Additions	0.3	4.2	23.5	2.5	30.5
Disposals	–1.6	–2.0	–3.5	–	–7.1
Exchange adjustments	–0.0	–0.0	–0.0	–0.0	–0.1
Cost as of December 31, 2021	**2.9**	**16.2**	**61.5**	**2.5**	**83.1**
Accumulated depreciation as of January 1, 2021	**2.3**	**8.4**	**14.5**	**0.0**	**25.2**
Depreciation	0.3	2.4	6.5	0.0	9.2
Disposals	–1.6	–1.8	–3.5	–	–6.9
Exchange adjustments	–0.0	–0.0	–0.0	–0.0	–0.0
Accumulated depreciation as of December 31, 2021	**1.1**	**9.0**	**17.5**	**0.0**	**27.6**
Carrying amount as of December 31, 2021	**1.8**	**7.2**	**44.0**	**2.5**	**55.5**

Acquisitions of furniture, fittings, and equipment were made at all entities and included servers and IT hardware as well as office and warehouse equipment. The additions to the right-of-use assets in 2021 primarily relate to the new warehouse in Poland. In 2020, additions to right-of-use assets related primarily to additional storage space in Italy and Poland, and to additional photo studio spaces and enhancements in Germany.

As of December 31, 2021, EUR 41.8m of the right-of-use assets was attributable to offices and warehouses (December 31, 2020: EUR 25.5m), while EUR 2.2m was attributable to operating and office equipment (December 31, 2020: EUR 1.6m). EUR 5.9m of the depreciation charged on right-of-use assets relates to offices and warehouses (2020: EUR 5.0m) and EUR 0.6m to operating and office equipment (2020: EUR 0.5m). No impairments of right-of-use assets were recognized in 2021 or 2020. For a lease not yet commenced, to which Westwing has been committed, the Group expects payment outflows of EUR 33.9m within 15 years from the start of the lease in 2023.

13. INTANGIBLE ASSETS

The intangible assets used in the business are set out below:

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

EURm	Software and licenses	Trademarks	Internally generated in-tangible assets	Intangible assets under development	Total
Cost as of January 1, 2021	**1.0**	**0.3**	**22.3**	**2.8**	**26.4**
Additions	0.1	–	0.2	8.4	8.6
Transfers	–	–	8.0	–8.0	–
Disposals	–0.3	–0.1	–6.1	–1.1	–7.5
Cost as of December 31, 2021	**0.8**	**0.2**	**24.5**	**2.0**	**27.4**
Accumulated amortization as of January 1, 2021	**0.8**	**0.2**	**11.3**	**0.0**	**12.3**
Amortization	0.1	0.0	3.6	–	3.7
Impairment losses	–	0.0	0.1	–	0.1
Disposals	–0.3	–0.1	–6.1	–1.1	–7.5
Accumulated amortization as of December 31, 2021	**0.6**	**0.2**	**8.9**	**–1.1**	**8.5**
Carrying amount as of December 31, 2021	**0.2**	**0.1**	**15.5**	**3.1**	**18.9**

Additions to internally generated intangible assets and intangible assets under development of EUR 8.4m (2020: EUR 5.3m) largely comprise development costs for warehouse and logistics applications, mobile app projects, and the development of the Company's own software in the area of consumer apps and payment methods, plus new stability, speed, and security features. The development projects have been broken down into identifiable project phases, which are characterized by the development of new functionalities. Once specific phases have been completed and the functionality rolled out, the related costs are transferred from intangible assets under development to internally generated intangible assets. This is the point at which amortization over the useful life of three to five years commences. The aggregate research and development expenditure expensed during the year was EUR 12.2m (2020: EUR 10.4m).

Amortization of intangible assets is allocated to the function that uses the asset. In 2021, certain internal tools project had to be impaired by EUR 0.1m, as these have not proved as valuable as originally expected (2020: EUR 0.2m). The impairment test for intangible assets under development that was performed did not reveal any need for impairment.

14. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables and other financial assets comprise the following:

EURm	**Dec. 31, 2021**	Dec. 31, 2020
Trade receivables*	7.1	5.9
Receivables from payment service providers (PSPs)	1.4	8.8
Tenant deposits	4.6	4.1
Other financial assets*	3.2	2.6
Trade and other receivables, net	**16.3**	**21.4**
Thereof:		
Non-current*	4.8	4.0
Current*	11.5	17.4

* The prior-year figures were adjusted due to the reclassification of PSP deposits from trade receivables to other financial assets.

Trade receivables are shown net of the allowance for expected credit losses. Receivables from payment service providers of EUR 1.4m involve only limited credit risk. The allowance for expected credit losses on trade receivables amounted to EUR 4.6m (December 31, 2020: EUR 3.0m). It relates primarily to overdue receivables with a higher credit risk. The other categories of trade and other receivables do not contain any impaired assets.

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

Information on the financial assets and liabilities can be found in Notes 23 and 24.

The ageing of trade receivables based on the invoice issue date, gross of any provisions, is as follows:

EURm	Dec. 31, 2021	Dec. 31, 2020
Up to 3 months	3.5	0.9
3 months to 1 year	1.5	2.8
1 year to 5 years	5.6	3.6
Over 5 years	1.0	1.5
Trade receivables (gross)	**11.7**	**8.8**
Allowance for impairment	–4.6	–3.0
Trade receivables (net)	**7.1**	**5.8**

The distribution of the allowance for impairment is as follows:

Dec. 31, 2021 in EURm	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Trade receivables (gross)	**3.5**	**1.5**	**5.6**	**1.0**
Allowance for impairment	–0.1	–0.1	–3.3	–1.0

Dec. 31, 2020 in EURm	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
Trade receivables (gross)	**0.9**	**2.8**	**3.6**	**1.5**
Allowance for impairment	–0.1	–0.1	–1.3	–1.5

After allowance for impairment, trade and other receivables of EUR 16.3m (2020: EUR 21.4m) are partially due, however, they are not considered to be impaired.

Provisions have been partially recognized for trade receivables that are past due. The trade receivables aged between 3 months and one year primarily relate to cash on delivery transactions in Poland and Italy. Trade receivables outstanding and aged between one and five years are considered to be past due and provisions have been recognized in full for them in those cases in which collectibility is no longer assured.

The change in the allowance for expected credit losses on trade receivables during the reporting year was as follows:

EURm	2021	2020
As of January 1	**3.0**	**1.9**
Added during the the year	2.0	1.3
Utilized during the year	–0.4	–0.2
As of December 31	**4.6**	**3.0**

The provisions for expected credit losses in the fiscal year were mainly due to the increase in receivables resulting from the Company's strong business development.

15. INVENTORIES AND PREPAYMENTS ON INVENTORIES

Inventories and prepayments on inventories have developed as follows:

EURm	Dec. 31, 2021	Dec. 31, 2020
Inventories	54.9	30.2
Prepayments on inventories	12.1	7.8
Total	**67.0**	**38.1**

Inventories available for sale (products and merchandise) are stated net of the allowance for writedowns of inventories of EUR 7.4m (December 31, 2020: EUR 5.6m). Writedowns of inventories recognized in profit and loss amounted to EUR 5.9m (2020: EUR 9.4m). The total costs of goods sold was EUR 265.7m in 2021 (2020: EUR 218.9m).

In 2021, Westwing improved its inbound costs capitalization process in accordance with IAS 2, as such costs are required to bring inventories to their present location and condition. The effect in 2021 amounted to EUR 1.2m.

16. OTHER ASSETS

Other assets comprise the following:

EURm	Dec. 31, 2021	Dec. 31, 2020
Other advances	2.5	2.2
VAT receivables	5.1	3.1
Other tax receivables	4.2	0.2
Right-of-return assets	2.4	3.1
Other non-financial receivables	0.1	0.1
Total	**14.2**	**8.7**

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

EURm	Dec. 31, 2021	Dec. 31, 2020
Cash at bank and in hand	82.4	89.9
Cash equivalents	15.0	15.0
Total	**97.4**	**104.9**

As of December 31, 2021, Westwing had bank accounts amounting to EUR 0.1m that were pledged as a deposit (December 31, 2020: EUR 0.1m).

Cash equivalents amounting to EUR 15.0m (December 31, 2020: EUR 15.0m) represent short-term deposits with a maturity period of up to three months.

18. SHARE CAPITAL AND RESERVES

Share capital and capital reserves

The changes in the share capital were as follows:

	Number of shares (in thousands)	Number of treasury shares (in thousands)	Share capital (EURk)	Treasury shares (EURk)
January 1, 2020	**20,741**	**–743**	**20,741**	**–2,565**
Settlement of share options	–	202	–	685
Settlement of warants	104	–	104	–
As of December 31, 2020/January 1, 2021	**20,844**	**–541**	**20,844**	**–1,880**
Settlement of share options	–	214	–	727
Settlement of warrants	60	–	60	–
As of December 31, 2021	**20,904**	**326**	**20,904**	**–1,153**

The total number of ordinary no-par value shares as of December 31, 2021, was 20,903,968 (December 31, 2020: 20,844,351 shares) with a nominal value of EUR 1.00 per share. Each share entitles the bearer to one vote at the annual general meeting of Westwing Group AG (now: Westwing Group SE). The nominal value of all ordinary shares is fully paid up. The capital reserves of EUR 364.5m (December 31, 2020: EUR 357.8m) consist of the capital increases from the past years in excess of the nominal value.

In 2021, Westwing settled 214,775 equity-settled share-based payment options with treasury shares (2020: 202,200). This led to a decrease of EUR 7.2m (2020: EUR 5.3m) in the share-based payment reserve within the other reserves and a corresponding increase in the capital reserves of EUR 6.8m (2020: EUR 4.8m). In addition, Westwing settled originally equity-settled share-based options of EUR 1.5m (2020: EUR 2.4m) in cash. This resulted in a decrease of EUR 0.7m (2020: EUR 2.4m) in the share-based payment reserve and a decrease of EUR 0.8m (2020: increase of EUR 0.0m) in the capital reserves.

One capital increase took place in 2021. This was connected to the exercise of the 2013 Kreos warrant in January 2021. The share capital rose by 59,617 new shares. The excess amount of EUR 0.8m was recognized in capital reserves.

Two capital increases were made in 2020; these related to the exercise of the GGC and 2017 Kreos warrants in October 2020. The exercise of the 2017 Kreos warrant resulted in 9,792 new shares and that of the GGC warrant in 93,750 new shares. The excess amount of EUR 1.5m was recognized in capital reserves. Furthermore, EUR 0.3m was recognized when the underlying warrant liabilities at fair value were transferred to capital reserves.

As of December 31, 2021, the total amount of treasury shares recognized as a deduction from equity amounted to EUR 1.2m (December 31, 2020: EUR 1.9m); the relevant nominal number included was 326,475 (December 31, 2020: 541,250).

Please see chapter 9.2 of the Combined Management Report for disclosures regarding authorized capital.

As of December 31, 2021, retained earnings amounted to EUR –303.4m. This is the result of the net losses accumulated in the fiscal years since the Company's formation (EUR –312.7m as of December 31, 2020).

The other reserves include the IFRS adoption reserve of EUR –6.2m (December 31, 2020: EUR –6.2m) and the share-based payment reserve of EUR 45.9m (December 31, 2020: EUR 53.3m). In the 2021 fiscal year, equity-settled programs for certain top managers were reclassified to cash-settled programs from other reserves to liabilities, as cash settlement was considered more likely for this group of persons. The share-based payment reserve within other reserves has decreased accordingly by EUR 5.3m. We refer to Note 19. The IFRS adoption reserve includes the effect of the transition from German GAAP to the IFRSs as of January 1, 2013. The share-based payment reserve comprises the value of equity-settled share-based payments.

The other comprehensive income reserve of EUR 0.4m (2020: EUR 0.4m) represents foreign currency differences arising from the translation of foreign operations into the presentation currency and is allocated to the Polish entity.

19. SHARE-BASED PAYMENT ARRANGEMENTS

Since 2011, eligible Group employees have been entitled to participate in share-based payment arrangements, under which employees receive Group equity instruments as consideration for their services (equity-settled transactions).

In addition, certain eligible employees have been granted share appreciation rights, which are settled in cash (cash-settled transactions).

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

- **Smaller equity-settled programs 2014–2018 granted in the normal course of business**
  In 2014–2018, several equity-settled programs were granted to eligible employees in the normal course of business. They have a lock-up period of 6 or 12 months, with 100% of shares vesting after four years. In some cases they include exit shares that vest at the later of an IPO or four years after the grant date. The strike price is either EUR 1.00/150 or between EUR 12.20 and EUR 34.86.

- **Commitment Package 2016**
  A commitment package was granted in June 2016. It has a lock-up period of 36 months, with 60% of shares vesting after 4 years and 40% of shares vesting at the later of an IPO or 4 years after the grant date. The strike price is EUR 1.00/150. More than 60% of the options have already vested.

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

- **Commitment Package 2019**
  A new commitment package was granted in August 2018. It has a lock-up period of between 12 and 48 months, depending on the management level of the employees concerned. 50% of the shares vest after 4 years and 50% of shares vest after the later of an IPO or 4 years after the grant date. The strike price is EUR 19.30.

- **2019 new VSOP program**
  A new cash-settled virtual share option program was launched in August 2019. Of this program virtual shares for executives and other top managers of the Company, including the Management Board, was outstanding as of December 31, 2020. The shares fully vest on December 31, 2022, and they are only exercisable as from August 2023. The options have an average share price cap of EUR 21.50 and an average strike price of EUR 2.44.

No equity-settled share options were granted in 2021 and 2020. However, in 2019 a new cash-settled program was established, under which a total of 898,000 virtual options granted to executives and other top managers of the Company, including the Management Board, were outstanding as of December 31, 2021 (December 31, 2020: 830,000). The options fully vest on December 31, 2022, and they are only exercisable as from August 2023. The average exercise price is EUR 2.44 but is subject to an average share price cap of EUR 21.50. Expenses of EUR 2.3m were recognized for this program in 2021 (2020: EUR 3.0m).

A number of members of the management notified the Company that they wanted to exercise their options in 2021 and 2020. In these cases, the Company decided to settle these options, previously accounted for as equity-settled, with EUR 1.5m in cash instead of shares (2020: EUR 2.4m), for all programs granted in line with the underlying contracts. In accordance with IFRS 2, this was treated as the repurchase of equity instruments and a corresponding reduction of the share-based payment reserve in equity. In principle, the Company intends to use shares to settle equity-settled share-based options. There is no legal obligation for Westwing to settle options in cash. A de facto cash settlement obligation has arisen for some members of management as a result of company practice.

Nevertheless, in line with prevailing opinion, Westwing decided to reclassify the programs originally issued as equity-settled into cash-settled programs for certain members of the management. The effect in the fiscal year was a reduction of the share-based payment reserve within other reserves by EUR 5.3m with a corresponding increase in the cash-settled share-based payment liability. The subsequent measurement reduced the liability for these individuals by EUR 0.7m as of December 31, 2021.

Share-based payment expenses and liabilities
In 2021, the total share-based payment expense amounted to EUR 5.6m (2020: EUR 8.4m). Of this figure, EUR 0.0m was recorded in fulfilment expenses (2020: EUR 0.0m), EUR 5.6m was recorded in general and administration expenses (2020: EUR 8.4m), and EUR 0.0m was recorded in marketing expenses (2020: EUR 0.0m).

The total share-based payment expense includes expenses of EUR 4.7m (2020: EUR 4.8m) due to equity-settled share-based payment awards. Most of this amount relates to the 2019 Commitment Package, which was issued in August 2018 und runs until end of 2022. Expenses for cash-settled share-based payment amounted to EUR 0.9m, of which EUR 1.6m is attributable to the 2019 VSOP program, EUR 0.1m to the reimbursement of the tax difference relating to anti-dilution shares for certain top managers, and EUR 0.6m to the reversal of a social security liability. Total expenses for cash-settled payments in 2020 were EUR 3.6m.

The tables below provide an overview of the changes in equity- and cash-settled share-based payment awards relating to shares in the Company.

Change in equity-settled share options:

In thousands	2021	2020
Number of unvested awards outstanding at the beginning of the period	1,889	2,519
Forfeited during the period	–78	–392
Vested during the period	–76	–238
Reclassified to cash-settled options	–419	–
Number of unvested awards outstanding at the beginning of the period	**1,316**	**1,889**
Number of vested awards outstanding at the beginning of the period	1,156	1,215
Vested during the period	76	238
Exercised during the period	–259	–298
Reclassified to cash-settled options	–52	–
Total number of vested awards outstanding at the end of the period	**921**	**1,156**

Change in cash-settled share options:

In thousands	2021	2020
Number of unvested awards outstanding at the beginning of the period	823	672
Granted during the period	111	335
Forfeited during the period	–8	–177
Vested during the period	–	–7
Cancelled during the period	–35	–
Reclassified from equity-settled options	419	–
Number of unvested awards outstanding at the end of the period	**1,310**	**823**
Number of vested awards outstanding at the beginning of the period	12	5
Vested during the period	–	7
Reclassified from equity-settled options	52	–
Total number of vested awards outstanding at the end of the period	**64**	**12**

Equity-settled and cash-settled options

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

	Weighted average exercise price in EUR		Number of options in thousands	
Share options	2021	2020	2021	2020
Outstanding as of January 1	15.23	14.37	3,044	3,734
Forfeited during the year	20.53	18.15	–78	–392
Exercised during the year	1.99	0.57	–259	–298
Reclassified to cash-settled options	17.60	–	–471	–
Outstanding as of December 31	**16.08**	**15.23**	**2,237**	**3,044**
Thereof vested	11.51	9.45	921	1,156

Cash-settled options	Weighted average exercise price in EUR 2021	2020	Number of options in thousands 2021	2020
Outstanding as of January 1	1.17	1.23	835	677
Granted during the period	12.61	1.00	111	335
Forfeited during the year	1.00	1.06	–8	–177
Cancelled during the year	1.00	–	–35	–
Reclassified from equity-settled options	17.60	–	471	–
Outstanding as of December 31	**7.74**	**1.17**	**1,374**	**835**
Thereof vested	5.65	13.21	64	12

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

Share options		Weighted average exercise price per share options in EUR		Share options in thousands	
Grant date	Vesting date	2021	2020	2021	2020
2011	2015	0.01	0.01	3	3
2013	2017	0.01	0.01	25	26
2014	2018	21.84	17.59	356	457
2015	2019	36.06	32.61	4	7
2016	2020	0.25	0.22	99	153
2017	2021	0.01	0.22	7	35
2018	2022	16.09	16.10	1,743	2,363
		16.08	**15.23**	**2,237**	**3,044**

Cash-settled options		Weighted average exercise price per cash-settled option in EUR		Cash-settled options in thousands	
Grant date	Vesting date	2021	2020	2021	2020
2014	2018	29.66	29.01	3	2
2015	2019	30.66	33.03	6	2
2017	2021	0.01		10	
2018	2022	17.88		458	
2019	2022	1.00	1.00	430	465
2020	2022	1.00	1.00	361	365
2021	2022	13.04	–	107	–
		7.74	**1.17**	**1,374**	**835**

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

The fair values of the equity- and cash-settled options granted to employees are measured using a Black-Scholes option pricing model. Expected volatility is estimated by considering the historical average share price volatility of comparable companies. Starting from 2020 it considers also Westwing's own share price volatility. Since Westwing's listing, the fair value of the options has been determined using a Black-Scholes option pricing model with the share price at the grant date and the expected volatility as inputs.

No equity-settled share options were granted in 2021 and 2020.

For cash-settled options, the fair value of the underlying shares and the fair value of the cash-settled options have to be determined at each reporting date. The weighted average fair value for the cash-settled options outstanding as of December 31, 2021, was EUR 12.80 (December 31, 2020: EUR 9.39).

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

Reporting date	2021	2020
Share price (EUR)	22.12	33.12
Weighted average option exercise price (EUR)	7.74	1.17
Volatility based on expected life	69.4%	59.4%
Expected life	1.75	2.75
Risk-free rate	0%	0%
Share price cap	20.00–80.00	20.00
Fair value per option (EUR)	12.80	9.39

20. DERIVATIVE FINANCIAL INSTRUMENTS

In addition to the loan agreement described in Note 2.13, Westwing Group GmbH (now Westwing Group SE) and GGC signed a warrant agreement on March 23, 2018, pursuant to which the lender was granted warrant rights entitling it to acquire a certain number of new shares in the Company against contributions in cash. The equity option is accounted for separately, as it is independent from the credit line granted. The warrant was exercised in October 2020 and the underlying liability of EUR 0.2m was offset against capital reserves.

In April 2013, Westwing entered into a warrant agreement with Kreos plus a loan agreement. This stipulated that, on execution, Kreos would receive equity for a price per share to be determined by Kreos, providing that this price is in line with the price agreed in any financing round since the warrant was issued. The warrant was recorded as a derivative financial instrument at fair value through profit or loss. The value as of December 31, 2020, amounted to EUR 0.8m. The share purchases were exercised in January 2021 and the underlying liability of EUR 0.8m was offset against capital reserves.

In parallel with the loan agreement with Kreos, Westwing entered into a warrant agreement in January 2017. On execution of the warrant, Kreos was to receive equity from Westwing. In return for Kreos's general concession, Kreos would receive equity from Westwing for a price per share to be determined by Kreos, provided that this price is in line with the price agreed in any financing round since the warrant was issued. The number of shares depended on the amounts in the tranches drawn under the loan agreement. The warrant was recorded as a derivative financial instrument at fair value through profit or loss. It was exercised in September 2020, and the underlying liability of EUR 0.1m was offset against capital reserves on settlement in October 2020.

21. CURRENT AND NON-CURRENT LIABILITIES

Financial liabilities

Financial liabilities as of December 31 comprised the following:

EURm	Dec. 31, 2021	Dec. 31, 2020
Trade payables	41.8	27.9
Accruals	15.0	13.8
Liabilities for share-based payment	10.3	3.7
Lease liabilities	45.9	28.9
Refund liabilities	7.4	9.8*
Other financial liabilities	–	0.8
Total	**120.4**	**84.9**
Thereof current	72.6	58.1
Thereof non-current	47.7	26.8*

* Reclassed from non-financial liabilities.

The refund liabilities of EUR 7.4m (December 31, 2020: EUR 9.8m) serve to capture the risk of products being returned within 30 days (or 100 days in the case of the entities in Italy and Poland). The liability is calculated per country at an estimated return rate based on historical data.

Further disclosures on financial assets and liabilities can be found in Note 24.

Non-financial liabilities

Non-financial liabilities as of December 31 were as follows:

EURm	Dec. 31, 2021	Dec. 31, 2020
Contract liabilities	17.4	17.8
Liabilities relating to employees	6.9	7.2
VAT liabilities	4.9	1.7
Tax liabilities	1.0	5.4
Other non-financial liabilities	0.7	0.3
Total	**30.9**	**32.4***
Thereof current	30.9	32.4*
Thereof non-current	–	–

* Refund liabilities reclassified to financial liabilities.

Liabilities relating to employees of EUR 6.9m (December 31, 2020: EUR 7.2m) include accruals for vacation, bonuses, and severance pay.

22. PROVISIONS

The changes in provisions for liabilities and charges were as follows:

EURm	Legal claims	Restoration	Other	Total
As of January 1, 2020	**0.1**	**1.1**	**1.5**	**2.7**
Additions	0.8	0.5	0.6	1.8
Reversals	–0.1	–0.1	–0.4	–0.6
Utilization	–0.0	–	–0.8	–0.8
As of December 31, 2020/January 1, 2021	**0.8**	**1.4**	**0.8**	**3.0**
Additions	0.0	0.1	0.1	0.2
Reversals	–0.8	–0.1	–0.2	–1.1
Utilization	–0.0	–0.2	–0.1	–0.3
As of December 31, 2021	**0.1**	**1.1**	**0.6**	**1.8**
Thereof:				
Current liabilities	0.1	–	0.6	0.7
Non-current liabilities	–	1.1	–	1.1
As of December 31, 2021	**0.1**	**1.1**	**0.6**	**1.8**

The restoration provision relates to the obligation to return leased property to its former condition at the end of the lease term. The timing of the cash outflow depends on the timing of the lease term in respect of which the provision was recorded. The opening balance for the restoration provision mainly refers to the office at Moosacher Strasse 88 in Munich and to the warehouses in Berlin and Poznan, Poland. The addition in 2021 relates to the new warehouse in Poland. The reversal of EUR 0.1m refers to the old warehouse in Berlin.

The provision for legal claims represents the best estimate of the obligation in connection with claims against the Group relating to certain Westwing Collection furniture.

Other provisions mainly include an estimated risk provision in connection with external audits.

23. FINANCIAL RISK MANAGEMENT

23.1 Financial Risk Factors

23.1.1 OVERVIEW

The Group actively manages its financial risks, operational risks, and legal risks. The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk, and liquidity risk. The primary objectives of financial risk management are to establish risk limits and ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to reduce operational and legal risks. Group risk management is performed centrally and covers all consolidated entities.

23.1.2 MARKET RISK

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

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Polish zloty. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. Since 2021, the Group has also maintained a US dollar bank account, which is subject to fluctuation. Therefore, the table below presents the annual average exchange rates and the exchange rates at the reporting date for the Polish zloty and the US dollar:

	Exchange rate at reporting date		Annual average exchange rate	
Exchange rate for EUR 1	**Dec. 31, 2021**	Dec. 31, 2020	**2021**	2020
Polish zloty	4.60	4.56	4.56	4.44
US dollar	1.13	1.23	1.18	1.14

The Group's business model minimizes foreign exchange risks. A significant portion of local revenue and local costs are generated in the local currencies concerned. Foreign exchange gains and losses shown in consolidated profit and loss arise mainly from liabilities to suppliers, intercompany funding activities with the Polish affiliate, and the US dollar bank account.

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

EURm	**Dec. 31, 2021**	Dec. 31, 2020
10% appreciation/depreciation in the Polish zloty	+1.1/–1.1	+0.2/–0.2
10% appreciation/depreciation in the US dollar	–0.1/+0.1	+0.0/–0.0
Total	**+1.0/–1.0**	**+0.2/–0.2**

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

23.1.3 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by being unable or unwilling to meet its obligations. Credit risk arises in relation to cash and cash equivalents, deposits with banks and financial institutions, and receivables from end customers and business partners. Exposure to credit risk arises as a result of the sale of products on credit and of other transactions with counterparties giving rise to financial assets. Trade receivables arising in connection with "purchase on account" and "direct debit" transactions are sold to third-party providers as they arise. Credit exposures to customers are recorded systematically, analyzed, and managed by the subsidiaries concerned using both internal and external sources of information.

The Group's maximum exposure to credit risk is represented by the carrying amount of the individual classes of financial assets in the statement of financial position, as shown below:

EURm	Notes	Dec. 31, 2021	Dec. 31, 2020
Trade receivables and other financial assets	**14**		
Trade and PSP receivables (net)*		8.5	14.7
Other financial receivables*		7.9	6.7
Cash and cash equivalents	**17**		
Cash in hand		0.0	0.0
Bank balances		82.4	89.9
Short-term bank deposits		15.0	15.0
Total on-balance sheet exposure		**113.8**	**126.3**

* The prior-year figures were adjusted due to the reclassification of PSP deposits from trade receivables to other financial assets.

Trade receivables and other financial assets

Due to the nature of the Group's activities, exposure to credit risk with counterparties is limited, since in most transactions cash is received at the time of sale, or on delivery of the product in the case of cash on delivery sales. As of December 31, 2021, EUR 1.4m of trade receivables and other financial assets were attributable to receivables from payment service providers and credit card companies (December 31, 2020: EUR 8.8m).

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

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

Cash and cash equivalents

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

EURm	Dec. 31, 2021	Dec. 31, 2020
AAA	–	–
AA- to AA+	0.7	4.0
A- to A+	96.1	–
BBB- to BBB+	0.1	100.9
Lower than BBB	–	–
Unrated	0.5	0.0
Total	**97.4**	**104.9**

Credit risk concentration

The structure of the Group and the market in which it operates means that its credit risk is spread across a large number of different counterparties. Therefore, no relevant credit risk concentrations are considered to exist in the operating business. However, since a high proportion of cash and cash equivalents are held with Deutsche Bank, this can be considered to be a risk cluster. That having been said, Westwing also works with other large banks to spread the risk. Due to its contractual terms, the Group considers expected credit losses to be immaterial.

23.1.4 LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities in a manner that does not affect the Group's daily operations or financial position. Liquidity facilitates the ability to meet expected and unexpected requirements for cash.

Westwing manages its liquidity to enhance shareholder value and to make sure that the Group uses capital efficiently. It has also invested in cash equivalents so as to ensure a high level of flexibility regarding cash without incurring the disadvantages associated with cash at banks, including the usual penalty interest.

The table below shows the Group's nonderivative financial liabilities as of December 31, 2021, by their remaining contractual maturity. The amounts disclosed in the maturity table are the undiscounted contractual cash flows. Debtors with credit balances are not included.

The undiscounted cash flows differ from the amount included in the statement of financial position, since the carrying amount disclosed in the latter is based on discounted cash flows.

The maturity analysis of financial liabilities as of December 31, 2021, based on undiscounted contractual payments, is as follows:

EURm	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total
Liabilities					
Lease liabilities	1.4	4.3	31.5	12.8	50.0
Trade payables	41.8	–	–	–	41.8
Accruals	15.0	–	–	–	15.0
Refund liabilities	7.4	–	–	–	7.4
Total future payments, including future principal and interest payments	**65.6**	**4.3**	**31.5**	**12.8**	**114.2**

The maturity analysis of financial liabilities as of December 31, 2020, based on contractual undiscounted payments, is as follows:

EURm	Less than 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total
Liabilities					
Lease liabilities	1.2	5.8	21.5	3.6	32.0
Trade payables	27.9	–	–	–	27.9
Accruals	13.8	–	–	–	13.8
Refund liabilities	9.8	–	–	–	9.8
Derivative financial instruments	0.8	–		–	0.8
Total future payments, including future principal and interest payments	**53.5**	**5.8**	**21.5**	**3.6**	**84.2**

23.2 Capital Management

The Group manages its capital structure in order to finance its activities and continued growth. The Group's objectives when managing its capital are to safeguard its ability to continue as a going concern in order to provide returns for share-holders and benefits for other stakeholders, and to maintain an optimal capital structure so as to reduce the cost of capital. As of December 31, 2021, the equity ratio was 43.0% (December 31, 2020: 47.9%). External requirements such as financial covenants do not exist.

23.3 Fair Value Estimation

IFRS 13 requires the fair values of financial assets and financial liabilities to be allocated to one of three levels in the fair value hierarchy. The individual levels of the fair value hierarchy are defined as follows:

- **Level 1**
  Quoted (unadjusted) prices in an active market for identical assets and liabilities that the entity can access at the measurement date

- **Level 2**
  Inputs other than quoted market prices included within Level 1 that are observable for the asset and liability, either directly or indirectly

- **Level 3**
  Inputs for the assets and liabilities that are not based on observable market data

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

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

The table below presents the carrying values of the Group's financial assets and liabilities measured at fair value and discloses their fair value by hierarchy level:

EURm	Dec. 31, 2021 Level 1	Dec. 31, 2021 Level 2	Dec. 31, 2021 Level 3	Dec. 31, 2021 Carrying amount	Dec. 31, 2020 Level 1	Dec. 31, 2020 Level 2	Dec. 31, 2020 Level 3	Dec. 31, 2020 Carrying amount
Liabilities								
Derivative financial instruments	–	–	–	–	–	0.8	–	0.8
Total liabilities	**–**	**–**	**–**	**–**	**–**	**0.8**	**–**	**0.8**

In 2020, the outstanding 2013 Kreos warrant under which the loan provider had the right to receive shares in Westwing on execution was included in the derivative financial instruments category. The fair value of the warrant was calculated using the share price as of the reporting date and took the expected volatility for the remaining term into account. The 2013 Kreos warrant was exercised in January 2021, while the GGC warrant and the 2017 Kreos warrant were exercised in October 2020.

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

Cash and cash equivalents, trade receivables and other financial assets, trade and other payables, and other financial liabilities have short-term maturities. Therefore, their carrying amount at the end of the reporting period approximates to their fair value.

24. FINANCIAL INSTRUMENTS BY CATEGORY

The tables below present the analysis of the items in the statement of financial position and their classification into subsequent measurement at amortized cost and at fair value through profit or loss.

The amounts shown reflect carrying amounts that, given the short-term nature of all balances involved, reflect the items' fair values.

Financial assets – at amortized cost

EURm	Notes	Dec. 31, 2021	Dec. 31, 2020
Cash and cash equivalents	17	97.4	104.9
Trade receivables and other financial assets	14	16.3	21.4
Total		**113.7**	**126.3**

Financial liabilities

EURm	Notes	Dec. 31, 2021 Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Not in scope of IFRS 9	Total
Trade payables	21	41.8	–	–	41.8
Accruals	21	15.0	–	–	15.0
Other financial liabilities	19	–	–	10.3	10.3
Lease liabilities		–	–	45.9	45.9
Total		**56.8**	**–**	**56.2**	**113.0**

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

Changes in liabilities arising from financing activities

EURm	Dec. 31, 2020	Cash flows	Changes in fair value	New and terminated lease	Other including reclassifica-tions	Dec. 31, 2021
Lease liabilities (non-current)	23.0	–	–	20.2	–5.8	37.4
Lease liabilities (current)	5.9	–7.6	–	3.3	6.9	8.4
Other (current)	0.8	–	–	–	–0.8	–
Total liabilities from financing activities	**29.7**	**–7.6**	**–**	**23.5**	**0.4**	**45.9**

EURm	Dec. 31, 2019	Cash flows	Changes in fair value	New and terminated lease	Other including reclassifica-tions	Dec. 31, 2020
Lease liabilities (non-current)	25.6	–	–	3.0	–5.5	23.0
Lease liabilities (current)	5.1	–6.7	–	0.8	6.6	5.9
Other (current)	0.0	–	1.1	–	–0.3	0.8
Total liabilities from financing activities	**30.6**	**–6.7**	**1.1**	**3.8**	**0.8**	**29.7**

The "Other" column includes the effect of the reclassification of the non-current portion of borrowings, including lease liabilities, to the current category due to the passage of time and the accrual of interest. Leases do not contain any credit conditions and no guarantees were provided for them.

Income and expenses from financial instruments

The total impact on profit and loss as a result of financial instruments for the year ended December 31, 2021, was EUR 1.9m (2020: EUR 2.0m).

Income and expenses from financial instruments can be broken down as follows:

Category	EURm	2021	2020
Financial assets at amortized cost	Interest income	–	0.0
	Impairment of financial assets	–2.0	–0.9
Liabilities at amortized cost	Interest expense	–	–
Liabilities at fair value through profit or loss	Valuation of warrants	0.1	–1.1
Total		**–1.9**	**–2.0**

25. INCOME TAXES

Income taxes

Income tax expense (2020: tax benefit) for the years ended December 31, 2021 and 2020 consists of:

EUR m	2021	2020
Income tax:		
Current tax expense charge	–2.9	–5.2
Effective tax benefit, previous year (2020: tax expense)	0.2	–0.3
Deferred tax expense (2020: tax benefit)	–4.3	7.4
Income tax expense reported in the income statement (2020: tax benefit)	**–7.0**	**1.9**

Reconciliation from the expected tax expense as the result before income tax multiplied by Germany's domestic corporate and trade tax rate for 2021 (2020) to the tax expenses (2020: tax benefit) recognized in income statement:

EUR m	2021	2020
Result before income tax	**19.0**	**27.8**
Applicable tax rate	33%	33%
At domicile applicable tax rate expected tax expense	–6.3	–9.2
Unrecognized deferred tax assets on tax losses	–0.3	–1.8
Recognized deferred tax assets	0.0	7.4
Impairment on deferred tax assets on tax losses	–2.4	0.0
Effect from the use of unrecognized tax losses	0.9	8.4
Unrecognized deferred tax assets on temporary differences	–0.7	–1.7
Permanent differences and non-deductible expenses	0.8	–0.3
Effect on different tax rate within a range of 19% to 28% for foreign operations	–0.1	–0.4
Effective income tax benefit, prior year (2020: tax expense)	1.0	–0.3
Other effects	0.1	–0.2
Income tax benefit/(expense) reported in the income statement	**–7.0**	**1.9**

The effective tax rate of 36.8% (2020: –6.8%) is due to the profit situation at Group level and deferred tax assets being recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the tax losses carried forward can be utilized.

Deferred tax liabilities of EUR 0.2m for accounting and valuation differences between the IFRS and tax accounts in connection with shares in subsidiaries, have not been recognized in accordance with IAS 12.39.

Deferred taxes

The Group's deferred taxes relate to the following:

Negative figures relate to deferred tax liabilities, whereas positive figures relate to deferred tax assets.

	12/31/2021		12/31/2020	
EUR m	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current assets	**2.6**	**–19.2**	**0.5**	**–13.6**
Intangible assets	2.6	–5.4	0.0	–5.1
Property, plant and equipment	0.0	–13.8	0.5	–8.5
Current assets	**0.2**	**–0.7**	**0.2**	**–1.4**
Inventories	0.1	0.0	0.2	–0.1
Trade & other receivable	0.1	0.0	0.0	–0.5
Other non-fin assets	0.0	–0.7	0.0	–0.8
Non-current liabilities	**11.3**	**–0.1**	**8.2**	**0.0**
Lease liability (IFRS 16)	11.2	0.0	6.9	0.0
Other financial liability	0.0	0.0	1.2	0.0
Provisions	0.1	–0.1	0.1	0.0
Current liabilities	**3.4**	**–0.1**	**3.1**	**–0.1**
Borrowings	0.0	0.0	0.1	0.0
Finance lease liability	2.4	0.0	1.7	0.0
Trade payables	0.0	–0.1	0.0	0.0
Other financial liability	0.0	0.0	0.2	0.0
Other non-fin liability	0.2	0.0	0.0	0.0
Provisions (non-financial)	0.7	0.0	1.1	–0.1
Tax loss carryforwards	**5.8**	**0.0**	**10.5**	**0.0**
Total:	**23.3**	**–20.1**	**22.5**	**–15.1**
Netting:	**–15.1**	**15.1**	**–10.0**	**10.0**
Net DTA / DTL	**8.2**	**–5.1**	**12.5**	**–5.1**

Deferred tax balances and expenses (benefits) developed as follows:

	2021		2020
EUR m	Deferred tax assets	Deferred tax liabilities	Deferred tax assets
Balance at beginning of fiscal year of deferred tax (assets) liabilities	**7.4**	**0.0**	**0.0**
Income taxes presented in the Consolidated Statements of Income (Deferred Taxes)	0.8	–5.1	7.4
Balance at end of fiscal year of deferred tax (assets) liabilities	**8.2**	**–5.1**	**7.4**

To provide a more transparent statement of deferred taxes with respect to the Group's assets and financial positions the layout of the table in 2021 has been changed. In order to ensure a plausible reconciliation of the deferred taxes in 2020 the table below is shown for the last time this year.

EUR m	Consolidated statement of financial position 12/31/2020	Consolidated income statement 2020
Intangible assets	–5.0	–0.8
Property, plant and equipment	0.5	0.9
Provisions/(liabilities)	1.5	1.5
Other	–0.1	–0.1
Tax loss carryforwards	10.5	5.9
Deferred tax income (expense)	–	**7.4**
Net deferred tax assets/(liabilities)	**7.4**	
Reflected in the statement of financial position as follows:		
Deferred tax liabilities	–5.1	
Deferred tax assets	12.5	
Deferred tax assets, net	**7.4**	

The Group offsets deferred tax assets and liabilities if they relate to income taxes levied by the same tax authority on the same taxable entity and if the entity has a legally enforceable right to offset.

Deferred tax assets on temporary differences amounting to EUR 2.0m (2020: EUR 0.9m) and on tax loss carry forwards amounting to EUR 158m for CIT and EUR 61m for TT (2020: EUR 164m) have not been recognized as they may not be used with sufficient probability to offset future taxable profits. They exist mainly in companies for which there are no tax planning opportunities or other evidence of recoverability in the near future. On the other side, the COVID-19 pandemic and the associated closings of stationary retail led to an acceleration in the shift of business from offline stores to online channels. Our management expects that this will be a sustainable development, that will initially lead to taxable income in Germany with a high degree of probability in the coming years.

Generally, the valuation of deferred taxes is carried out using the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled.

The Group has tax losses which arose in different jurisdictions of EUR 175m for CIT and EUR 81m for TT (2020: CIT EUR 196m and TT EUR 79m). The tax losses are available for offsetting against future taxable profits of the companies in which the losses arose as follows:

	2021		2020		
EUR m	CIT	TT	CIT	TT	Restrictions on Tax Losses Carried Forward
Germany*	94	81	89	79	No
France	39		39		No
Italy	23		23		No
Netherlands*	0		25		Yes
Poland	0		1		Yes
Spain	19		19		No
Total	**175**	**81**	**196**	**79**	

* In 2017 business functions have been transferred from the Netherlands to Germany, which have been recognized in 2021. Therefore tax losses have been transferred according to the table.

The following tax losses expire as indicated:

EUR m	2021	2020	Restrictions on Tax Losses Carried Forward
Poland	0	1	Exp 2022
Netherlands	0	25	Exp 2022–2028
Total	**0**	**26**	

26. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Zerena GmbH (Rocket Internet SE, Berlin) Germany is Westwing's largest shareholder. With an equity interest of nearly 29% as of December 31, 2021 (December 31, 2020: 29%), Rocket Internet SE has significant influence on, but does not control, Westwing, and Westwing is not consolidated in Rocket Internet SE's consolidated financial statements. Rocket Internet SE does not have a seat on the Supervisory Board of Westwing Group AG (now: Westwing Group SE). All ventures that are controlled or jointly controlled by Rocket Internet SE and on which Rocket Internet SE has a significant influence are classified as related parties of the Group.

In addition, related parties comprise the Management Board and Supervisory Board members and their equity interests, their children and domestic partners, and their relatives living in the same household.

No transactions with related parties of Rocket Internet affiliates needed to be disclosed. In 2020, Rocket Internet SE exercised the warrant previously purchased from GGC (see Note 20). The exercise of the warrant resulted in a capital increase of 93,750 shares and the recognition of EUR 1.5m in capital reserves.

However, members of the Management Board purchased goods on Westwing sites and apps in their capacity as Westwing customers.

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

The outstanding balances with such related parties were as follows as of December 31, 2021 and December 31, 2020:

EUR k	**Dec. 31, 2021**	Dec. 31, 2020
Gross amount of trade receivables	–	–
Trade and other payables	–	56

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

EUR k	**2021**	2020
Sales of goods and services to related parties (individuals)	19	18
Purchases of goods and services from related parties (individuals)	–	56
Purchases of goods and services from related parties (companies)	–	5

Sales of goods and services in 2021 primarily relate to purchases made on Westwing websites by Management Board members. In 2020, the purchases primarily related to services purchased from a Supervisory Board member in the amount of EUR 56k.

All transactions were performed at arm's length.

Management Board remuneration

The Management Board comprises the Chief Executive Officer and the Chief Financial Officer.

The remuneration paid to the Management Board of the Group for their services consists of the contractual salary (short-term employee benefits), performance-related remuneration (short-term incentive), and equity participation in the form of shares or options (share-based payments, Long Term Incentive).

The members of Westwing's Management Board receive a fixed annual salary, which is paid in cash in 12 equal monthly installments. Where their contracts of service begin or end in the course of a fiscal year, the fixed annual salary for the year is question is granted pro rata.

Each member of the Management Board also receives benefits in kind and other remuneration (fringe benefits). For example, the members of the Management Board are entitled to an allowance for health insurance and retirement benefits: Westwing pays the members of the Management Board half of the maximum highest contribution to the statutory pension insurance plan each month, plus half of their private health and long-term care insurance premiums, but no more than the maximum employer contribution payable in cases in which a compulsory statutory health and long-term care requirement exists.

Above and beyond remuneration-related fringe benefits, the Company takes out D&O insurance with a standard market level of cover and a deductible in line with the relevant provisions of the German Stock Corporation Act (AktG), plus legal expenses insurance cover for top management, for all members of the Management Board.

The variable remuneration comprises the short-term variable remuneration (the "Short Term Incentive" or "STI") and long-term variable remuneration in the form of share-based option programs (the "Long Term Incentive" or "LTI"). The amount of variable remuneration is determined on the basis of the Management Board members' performance and relates especially to the Group's revenue and Adjusted EBITDA KPIs.

EUR k	2021	2020
Salaries	550	520
Remuneration for other services	–	27
Bonuses	100	131
Social security contributions	9	9
Legal protection insurance	4	4
Payments regarding special agreement	–	23
Expenses for former Management Board members	–	100
Total short-term employee benefits	**663**	**814**
Contribution to payments to German pension plan	16	25
Total post-employment benefits	**16**	**25**
Share-based payment expenses	3,122	3,545
Total	**4,464**	**4,384**

The table above includes accruals for bonus payments of EUR 100k (December 31, 2020: EUR 131k) and for cash-settled share-based payments of EUR 774k (December 31, 2020: EUR 1,389k).

The total compensation granted to the Board of Management in fiscal year 2021 in accordance with the German Commercial Code (HGB Section 315e) amounted to EUR 2,295k. In fiscal year 2021, the Board of Management was granted 45,000 virtual cash-settled options from the virtual program VSOP 2019 with a fair value of EUR 627k at the grant date.

The total remuneration of former board members in the fiscal year 2021 amounts to EUR 186k.

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

2021	Outstanding options as of Dec. 31, 2021 (in thousands)	Weighted average fair value at a grant date (in EUR)	Changes in fair value (in EUR)	Fair value as of Dec. 31, 2021 (in EUR)
Equity-settled share options	943	11.09	–	–
Cash-settled share options	421	6.46	3.47	9.93

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

Sebastian Säuberlich exercised 35,250 of his options, which were originally exercisable in return for shares, in August 2021 in return for a cash payment of EUR 1,304k. Westwing is entitled to service all share-based payment programs against cash-settlement.

An additional employment contract between Delia Lachance and Westwing GmbH existed in relation to PR services in the period up to March 1, 2020. Remuneration from this amounted to EUR 27k during the period in which she was a Management Board member in fiscal year 2020. Based on a special agreement entered into in 2020, a separate payment of EUR 23k was made to Stefan Smalla in 2020, with the approval of the Supervisory Board. In December 2020, Sebastian Säuberlich exercised 15,000 of his originally equity-settled options in return for a cash payment of EUR 397k. An additional bonus of EUR 100k was granted and paid out in 2020 to Dr. Florian Drabeck.

Supervisory Board remuneration

Total remuneration (basic remuneration and remuneration for committee work) and out-of-pocket expenses for the Supervisory Board in 2021 amounted to EUR 0.2m (2020: EUR 0.2m).

27. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

In December 2021, the Supervisory Board and Management Board issued a declaration of compliance for Westwing Group AG (now: Westwing Group SE) in accordance with Sec. 161 AktG ("Aktiengesetz": German Stock Corporation Act) for fiscal year 2021. This is published in the Investor Relations section on Westwing Group AG (now: Westwing Group SE)'s website, https://ir.westwing.com/download/companies/westwing/CorporateGovernance/Westwing_Group_AG_Compliance_Declaration_2021_ENG.pdf

28. RESOLUTION TO APPLY THE EXEMPTION SET OUT IN SECTION 264(3) OF THE HGB

The shareholders of domestic private limited subsidiary Westwing GmbH have approved the application of the exemption provisions set out in section 264(3) of the HGB in relation to the preparation of that company's financial statements under commercial law.

29. SUBSIDIARIES

The Westwing Group AG (now: Westwing Group SE) is the ultimate parent of the Group without being a pure holding company. The following direct subsidiaries as of December 31, 2021 are consolidated:

Name	Country of incorporation and place of business	Registered office	Equity interests held Dec. 31, 2021	Equity interests held Dec. 31, 2020
Westwing GmbH	DE	Munich	100.00	100.00
Westwing Commercial GmbH	DE	Berlin	100.00	100.00
Westwing Delivery Service GmbH*	DE	Munich	100.00	–
Westwing Bitterfeld Logistics GmbH****	DE	Munich	100.00	–
Westwing Spain Holding UG	DE	Berlin	100.00	100.00
Westwing France Holding UG	DE	Berlin	100.00	100.00
Westwing Italy Holding UG	DE	Berlin	100.00	100.00
Westwing Netherlands Holding UG	DE	Munich	100.00	100.00
Tekcor 1. V V UG	DE	Bonn	100.00	100.00
Brillant 1256. GmbH & Co. Dritte Verwaltungs KG	DE	Berlin	88.80	88.80
Brillant 1256. GmbH	DE	Berlin	100.00	100.00
Bambino 65. V V UG**	DE	Berlin	–	100.00
Bambino 68. V V UG	DE	Berlin	100.00	100.00
Bambino 66. V V UG	DE	Berlin	94.20	94.20
VRB GmbH & Co. B-156 KG***	DE	Berlin	–	90.00
VRB GmbH & Co. B-157 KG	DE	Berlin	77.30	77.30
VRB GmbH & Co. B-160 KG	DE	Berlin	97.50	97.50
VRB GmbH & Co. B-165 KG***	DE	Berlin	–	90.00
VRB GmbH & Co. B-166 KG***	DE	Berlin	–	90.00
VRB GmbH & Co. B-167 KG***	DE	Berlin	–	90.00

* Established on July 30, 2021
** Merged with Westwing Group AG (now: Westwing Group SE) August 26, 2021
*** Added to Westwing Group AG (now: Westwing Group SE) August 5, 2021
**** Established on October 14, 2021

In addition, the Group held all of the equity interests in the following indirect subsidiaries as of December 31, 2021:

Name	Country of incorporation and place of business	Registered office	Equity interests held Dec. 31, 2021	Equity interests held Dec. 31, 2020
WW E-Services Iberia S.L.	ES	Barcelona	100.00	100.00
Westwing S.r.l.	IT	Milan	100.00	100.00
WW E-Services France SAS	FR	Paris	100.00	100.00
Westwing Home & Living Poland S.P.Z.O.O.	PL	Warsaw	100.00	100.00
Westwing B.V.	NL	Amsterdam	100.00	100.00
wLabels Hong Kong Ltd.	HKG	Hong Kong	100.00	100.00
wLabels China Co., Ltd.	CHN	Dongguan	100.00	100.00

The proportion of voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary shares held. The parent company does not hold any preference shares of subsidiary undertakings included in the Company. Several intercompany loans exist, most of which were made by Westwing Group AG (now: Westwing Group SE) to affiliates. Westwing Group AG (now: Westwing Group SE) has signed a letter of comfort for Westwing GmbH that is valid until the end of 2023.

30. EVENTS AFTER THE BALANCE SHEET DATE

The following events occurred after the end of the 2021 fiscal year that could have a significant impact on Westwing's future financial performance, financial position, and cash flows.

As of February 23, 2022, Westwing Group AG was converted into a Societas Europaea (SE) and now trades Westwing Group SE.

Supervisory Board member Thomas Harding resigned end of March 2022 from his office as Supervisory Board member of Westwing Group SE with effect from the end of the Annual General Meeting scheduled on May 18, 2022.

The Supervisory Board will deal with the topic of his succession on short notice.

On top of this, the Russian large-scale military invasion of Ukraine, which started on February 24, 2022, might challenge all existing estimations of the future macroeconomic and sector-specific environment. The situation is highly dynamic which makes a valid forecast currently impossible. However, it can be assumed that the worldwide sanctions against Russia will deeply impact the future development of the world market.

Munich, March 28, 2022

Stefan Smalla
Chief Executive Officer
Westwing Group AG
(now: Westwing Group SE)

Sebastian Säuberlich
Chief Financial Officer
Westwing Group AG
(now: Westwing Group SE)

04

FURTHER INFORMATION

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the financial position, cash flows and profit or loss of the Group, and the Group management report, which has been combined with the management report for Westwing Group AG (now: Westwing Group SE), 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, March 28, 2022

Stefan Smalla
Chief Executive Officer
Westwing Group AG
(now: Westwing Group SE)

Sebastian Säuberlich
Chief Financial Officer
Westwing Group AG
(now: Westwing Group SE)

INDEPENDENT AUDITOR'S REPORT

To Westwing Group SE, Berlin

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Westwing Group SE (formerly Westwing Group AG), Berlin, and its subsidiaries (the Group), which comprise the consolidated Statement of Financial Position as at December 31, 2021, and the consolidated Income Statement, consolidated Statement of Comprehensive Income, consolidated Statement of Changes in Equity and consolidated Statement of Cash Flows for the financial year from January 1 to December 31, 2021, and notes to the consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Westwing Group SE, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2021. In accordance with the German legal requirements, we have not audited the content of the non-financial group statement pursuant to § [Article] 315b Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code].

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the non-financial group statement referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recognition of revenue from the sale of merchandise to private end customers in the correct period

2. Recognition and measurement of internally generated intangible assets for software solutions

3. Accounting treatment of share-based payments

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue

2. Audit approach and findings

3. Reference to further information

Hereinafter we present the key audit matters:

1. Recognition of revenue from the sale of merchandise to private end customers in the correct period

1. In the consolidated financial statements of Westwing Group SE revenue of EUR 522.5 million is reported in the consolidated statement of comprehensive income. The business model of the Group of Westwing Group SE is based on the sale of merchandise (furniture and home accessories) to private end customers via the Group's country-specific websites and apps. Revenue is recognized when delivery has been made. In principle, Westwing Group SE provides its services when the merchandise is delivered to customers, which means at the point in time when the end customer obtains control of the merchandise. Since large-volume transactions are involved, the Company has established comprehensive processes and systems for recognizing and deferring revenue. Transaction volumes are particularly high towards the end of the year, and the revenue generated in this period has a substantial impact on the Group's net profit or loss for the year. Since revenue is not recognized until the merchandise has been handed over to the end customer, any merchandise that has been dispatched but not yet delivered to the end customers does not yet represent revenue. Due to the complexity of the processes and systems in place to recognize revenue, as a significant item in terms of amount, in the correct period, and given the large transaction volumes for sale of merchandise, including the uncertainties involved in estimating delivery times – particularly towards the end of the year–, this matter was of particular significance in the context of our audit.

2. As part of our audit, among other things we assessed the appropriateness and effectiveness of the processes implemented by the executive directors of Westwing Group SE – from order through delivery to the end customers – to recognize revenue in the correct period. With the knowledge that the complexity of the accounting treatment and the estimates and assumptions to be made give rise to an increased risk of accounting misstatements when recognizing revenue in the correct period, we assessed the appropriateness of the estimates made by the executive directors, in particular as regards estimating the delivery times to end customers. In this context, we assessed the methodology applied by the executive directors to make these estimates. In order to test the recognition of revenue in the correct period, among other things we selected on a test basis individual transactions with end customers and inspected the supporting documents to determine whether the delivery times used as the basis for allocation to the correct period substantially correspond to the actual delivery times. Furthermore, we also examined the country-specific calculations underlying the allocation to periods/deferral of revenue, both

in terms of mathematical accuracy and the methods applied. Furthermore, we inspected the ledgers for additional revenues posted manually. In addition, we verified the consistency of the methods used to recognize revenue, including its allocation to periods/deferral.

We were able to satisfy ourselves that the systems and processes established as well as controls in place are appropriate overall and that the estimates and assumptions made by the executive directors for the appropriate recognition of revenue are substantiated and sufficiently documented.

3. The Company's disclosures relating to revenue recognition are contained in sections 2 "Summary of significant accounting policies: 2.5 Revenue Recognition and Contract Balances" and section 5 "Analysis of Revenue" in the notes to the consolidated financial statements.

2. Recognition and measurement of internally generated intangible assets for software solutions

1. In the consolidated financial statements of Westwing Group SE as at December 31, 2021 internally generated intangible assets for software solutions amounting to EUR 15.5 million (6% of consolidated total assets) are recognized under the financial line item "Intangible assets" in the consolidated statement of financial position. The internally generated intangible assets relate to software solutions for the purposes of the websites, apps and warehouse management system of the Westwing Group SE Group. The capitalization of internally generated product developments depends on the criteria set out in IAS 38, i.e., the technical feasibility of the intangible asset, the entity's intention to complete the asset, its intention to sell or use the asset, the entity's ability to use or sell the asset, evidence of the manner in which the asset will generate economic benefits, the availability of technical, financial and other resources to complete the development and the entity's ability to measure reliably the asset during its development. The amortization of internally generated assets is based on the assumptions made by the executive directors regarding the expected useful lives. Furthermore, impairment charges are recognized if specific expectations regarding the feasibility of development projects are not met or if the future economic benefits are reassessed. The capitalization and measurement of the development costs incurred for these software solutions are based to a large extent on the estimates and assumptions made by the executive directors of Westwing Group SE, which mainly relate to the differentiation of enhancements to existing software solutions, technical and economic feasibility, as well as the amount and timing of expected future economic benefits from the development projects.

   Due to the large number of projects for the development of software solutions and the fact that the recognition and measurement of this material item in terms of amount are based to a large extent on estimates and assumptions made by the Company's executive directors, this matter was of particular significance in the context of our audit.

2. As part of our audit procedures relating to the recognition and measurement of development costs incurred for software solutions, we first examined the processes and controls implemented by the executive directors for the capitalization of development costs for internally generated software solutions on the basis of the documentation provided to us, using individual development projects. In addition, we evaluated, among other things, the recognition of intangible assets and the method used for the calculation, accounting treatment and measurement of the development costs incurred in accordance with the requirements of IAS 38. In doing so, we also inspected the corresponding project records to assess the respective stage of project completion. Furthermore, we performed an analytical review of the list of all capitalized projects for the development of software solutions and the capitalization of associated development costs, and examined the methodology employed by the Company. In addition, on the basis of samples of the development projects for software solutions initially capitalized in the financial year, we examined the eligibility of development costs for capitalization, the existence of substantial enhancements to existing software solutions compared with existing software solutions as well as the assumptions made by the executive directors with respect to determining useful lives and the point at which to commence amortization. We also verified and assessed the ability to capitalize the development costs incurred based on documents of individual activities. Furthermore, we discussed the estimate of economic benefit with the executive directors and

inspected the respective supporting documentation. For the estimates of useful lives, we also obtained an overview of all software development projects for software solutions and discussed with the executive directors which estimates and considerations were used for the deposited values. Furthermore, we compared – on a sample basis – the amounts of the development costs capitalized for material development projects with the personnel costs incurred, and reconciled these with the underlying timesheets, also on a sample basis. In order to detect indications of impairment in relation to existing development projects, we interviewed the executive directors and the responsible employees and analyzed the age structure of the development projects as well as the project-specific progress reports.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

3. The Company's disclosures relating to the recognition and measurement of internally generated intangible assets for software solutions are contained in section 2 "Summary of significant accounting policies: 2.8 Intangible Assets" and section 13 "Intangible Assets" of the notes to the consolidated financial statement.

3. Accounting treatment of share-based payments

1. Westwing Group SE grants various share options and appreciation rights to selected Group employees under share-based remuneration plans, whereby for the majority of the share options Westwing Group SE is provided a choice of settlement. To the extent Westwing Group SE is not obligated to settle in cash, the share options are recognized as equity-settled share-based payments. If there is an obligation to settle in cash, these are recognized as cash-settled share-based payments. The share appreciation rights are cash-settled share-based payment transactions. In the financial year 2021 share appreciation rights but no equity-settled share-based options were granted. In the consolidated financial statements of the Company, EUR 5.6 million relating to share-based payment commitments was recognized under personnel expenses in the consolidated income statement. The expenses for equity-settled share-based payments are recognized at the fair value of the equity instruments as of the grant date. The expenses for cash-settled share-based payments are also measured at the fair value of the equity instruments at the grant date and subsequently – until the payments have been made – at the respective fair value at each reporting date. In our view, this matter was of particular significance in the context of our audit due to the number of share options and share appreciation rights granted and exercised over the course of the year, the volume of expenses recognized for share-based payments, as well as the complexity of measuring cash-settled respectively equity-settled share-based payment plans in accordance with IFRS 2 on the basis of underlying estimates and assumptions made by the Company's executive directors.

2. As part of our audit, we first obtained an understanding of the Company's processes relating to share-based payments, and assessed their appropriateness. On that basis, we examined the classification of the programs and the methodology used by the Company to calculate the expenses for equity-settled and cash-settled share-based payment plans. With respect to cash-settled share-based payments, we reconciled the measurement with the assistance of our internal specialists for international accounting. Together, we also assessed application of the accrual basis of accounting, among other things. In particular, we also evaluated the assumptions made by the executive directors with respect to the individually agreed target values and ranges applicable to the eligible

employees for each financial year as well as the level of target achievement. With the knowledge that estimated values result in an increased risk of accounting misstatements and that the measurement assumptions made by the executive directors have a direct effect on consolidated net profit or loss, we compared the appropriateness of the carrying amounts (including the estimated forfeiture rate for share-based payments) among other things with the underlying terms of the remuneration instruments granted in financial year 2021 and further underlying contractual data provided to us, and assessed the calculation used to measure share-based payment plans and their presentation in the consolidated financial statements. We also performed our own calculations, examined the mathematical correctness of the option valuation model, and validated the material assumptions for the option valuation model. Furthermore, we assessed whether disclosures on share-based payments had been made in the notes to the consolidated financial statements in accordance with the disclosure requirements under IFRS 2.

Based on our audit procedures, we were able to satisfy ourselves that, overall, the estimates and assumptions made by the executive directors for the accounting treatment and measurement of share-based payments are substantiated and sufficiently documented.

3. The Company's disclosures on share-based payments are contained in section 2 "Summary of significant accounting policies: 2.18 Share-Based Compensation" and section 19 "Share-Based Compensation Arrangements" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the non-financial group statement pursuant to § 315b Abs. 1 HGB as an unaudited part of the group management report.

The other information comprises further

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 ABS. 3A HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file Westwing _AG_KA+KLB_ESEF-2021-12-31 and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

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

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

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

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

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

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

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

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

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on August 5, 2021. We were engaged by the supervisory board on December 14, 2021. We have been the group auditor of Westwing Group SE, Berlin, without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dietmar Eglauer.

Munich, March 28, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd.) Dietmar Eglauer	(sgd.) Michael Popp
Wirtschaftsprüfer	Wirtschaftsprüfer
[German public auditor]	[German public auditor]

INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING[1]

To Westwing Group SE, Munich

We have performed a limited assurance engagement on the non-financial statement of Westwing Group SE, Munich, (hereinafter the "Company") for the period from 1 January to 31 December 2021 (hereinafter the "Non-financial Statement") included in section "Non-financial Statement" of the combined management report.

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Non-financial Statement.

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Statement in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section EU Taxonomy of the Non-financial Statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Company that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a Non-financial Statement that is free from material misstatement whether due to fraud or error.

1 PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the Non-financial Statement and issued an independent practitioner`s report in German language, which is authoritative. The following text is a translation of the independent practitioner`s report.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section EU Taxonomy of the Non-financial Statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Control of the Audit Firm
We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the Assurance Practitioner
Our responsibility is to express a conclusion with limited assurance on the Non-financial Statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Non-financial Statement, other than the external sources of documentation or expert opinions mentioned in the Non-financial Statement, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section EU Taxonomy of the Non-financial Statement.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Company's sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Non-financial Statement about the preparation process, about the internal control system relating to this process and about disclosures in the Non-financial Statement
- Identification of likely risks of material misstatement in the Non-financial Statement
- Analytical procedures on selected disclosures in the Non-financial Statement
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and management report
- Evaluation of the presentation of the Non-financial Statement
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the Non-financial Statement
- Inquiries on the relevance of climate-risks

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Non-financial Statement of the Company for the period from 1 January to 31 December 2021 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section EU Taxonomy of the Non-financial Statement.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Non-financial Statement.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Munich, March 28, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd.) Michael Popp)	(sgd.) Nicolette Behncke
Wirtschaftsprüfer	Wirtschaftsprüferin
[German public auditor]	[German public auditor]

FINANCIAL CALENDAR

MAY 11, 2022
Publication of first quarter results 2022

MAY 18, 2022
Annual General Meeting

AUGUST 11, 2022
Publication of half-year report 2022

NOVEMBER 10, 2022
Publication of third quarter results 2022

IMPRINT

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