BESTSECRET

FINANCIAL RESULTS OF PRESTIGE BIDCO GMBH
FOR THE THREE MONTHS ENDED MARCH 31, 2021

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FORWARD-LOOKING STATEMENTS

This Report includes forward-looking statements. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Report, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “may,” “plan,” “potential,” “predict,” “projected,” “should,” or “will” or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties, and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Report. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods.

PRESENTATION OF FINANCIAL INFORMATION

Financial Information

The consolidated financial statements included in this Report have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial information in this Report is based on that of PrestigeBidCo GmbH. In particular, this Report includes the unaudited consolidated financial statements of PrestigeBidCo GmbH, Aschheim and its subsidiaries (the Group), which comprise the consolidated statements of comprehensive income for the first three months 2021, the consolidated balance sheet as at March 31, 2021, the consolidated statements of cash flows for the the first three months 2021.

Non-GAAP Financial Measures

This Report contains non-GAAP measures and ratios, including EBITDA and Adjusted EBITDA that are not required by, or presented in accordance with, IFRS. Our non-GAAP measures are defined by us as set out below.

We define “***EBITDA***” as net income/loss for the period before interest and similar expenses, tax and depreciation, amortization and write-downs.

We define “***Adjusted EBITDA***” as EBITDA (i) excluding non-recurring or extraordinary items, (ii) excluding certain non-cash, non-operational items and (iii) adjusting for the pro forma effects of certain cost-savings initiatives undertaken during the period. Non-recurring or extraordinary items include a number of one-off, exceptional items that have been excluded from EBITDA.

We present non-GAAP measures because we believe that they are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-GAAP measures may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or be used as a substitute for an analysis of our earnings after taxes as reported under IFRS. Non-GAAP measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to net income/loss for the period or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

Rounding

Certain numerical figures set out in this Report, including financial information presented in millions or thousands and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Report may vary from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information are calculated using the rounded numerical data included in this Report and not the numerical data in each of the Consolidated Financial Statements or PrestigeBidCo’s internal accounting system. With respect to financial information set out in this Report, a dash (“—”) signifies that the relevant figure is not available, while a zero (“0.0”) signifies that the relevant figure is available but is or has been rounded to zero.

DEFINITIONS

Unless otherwise specified or the context requires otherwise in this Report:

- “BestSecret Group”, “Group,” “we,” “us” or “our” refer to the Issuer (PrestigeBidco) including S&B Holding, S&B GmbH, BS GmbH, S&B Logistik, S&B Outlet, S&B Wien and SOS with respect to the information as of and for the quarter ended March 31, 2021;
- “Issuer” means PrestigeBidCo GmbH, a company with limited liability (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany with its registered office at Margaretha-Ley-Ring 27, 85609 Aschheim, Germany and registered with the commercial register at the local court (*Amtsgericht*) of Munich under number HRB 227078;
- “Notes” means €260,000,000 6.25% senior secured notes due 2023 and issued pursuant to the offering memorandum dated December 8, 2016;
- ‘’PPA” means purchase price allocation;
- “Revolving Credit Facility” means the €50.0 million Revolving Credit Facility, of which €35.0 million were made available under the Revolving Credit Facility Agreement dated on or prior December 8, 2016 and an additional €15.0 million were established on December 20, 2018, by way of increase of the existing Facility;
- “Revolving Credit Facility Agreement” means the revolving credit facility agreement dated on or prior December 8, 2016 among, inter alios, the Issuer, as borrower, and Barclays Bank PLC, Goldman Sachs Bank USA and UniCredit Bank AG, London Branch, as lenders, as the same may be further amended from time to time. On December 20, 2018, the Issuer established an additional revolving credit facility of €15.0 million by way of increase of the existing facility to €50.0 million. On January 02, 2019, the lender confirmed the granting of the additional facility. The additional facility lender is UniCredit Bank AG, London Branch;
- “S&B Holding” means Schustermann & Borenstein Holding GmbH;
- “S&B GmbH” means Schustermann & Borenstein GmbH, an operating subsidiary of the Issuer;
- “BS GmbH” means BestSecret GmbH, an operating subsidiary of the Issuer;
- “S&B Logistik” means Schustermann & Borenstein Logistik GmbH, an operating subsidiary of the Issuer;
- “S&B Outlet” means S&B Outlet GmbH, an operating subsidiary of the Issuer. The Group has decided not to prolong the rental agreement for the shop premises in Zweibrücken. Our store in Zweibrücken operated by S&B Outlet GmbH was closed on January 31, 2019.
- “S&B Wien” means Schustermann & Borenstein Wien GmbH, an operating subsidiary of the Issuer; and
- “SOS” means Swiss Online Shopping AG, a subsidiary of the Issuer.

SUMMARY OVERVIEW OF RESULTS

Results summary

BestSecret Group achieved revenues of EUR 183.3 million in the first three months of 2021, up 37.7% over the EUR 133.1 million recorded in 3M 2020. This growth reflects a strong online performance throughout the period underpinned by excellent operational delivery.

The BestSecret Group's performance was fuelled by the very strong online segment, which contributed EUR 180.3 million or 98.4% to Group revenue in the first three months of 2021. Key drivers of the 66.5% increase compared to the EUR 108.3 million recorded in the prior year period were an excellent new customer growth combined with good customer economics, an outstanding international business development and a lower return rate. The Group's online business was supported by several favourable impacts, including a tailwind from the current pandemic related lockdown, a low baseline in March 2020 due to the first COVID-19 outbreak and the earlier Easter sales period in 2021. The stationary retail segment continued to be impacted by temporary store closures throughout most of the period with only a partial reopening of the two Munich stores from March 8 onwards. Therefore, the revenue contribution was EUR 3.0 million in the first quarter 2021, which was 87.9% lower than the EUR 24.8 million recorded in 3M 2020, when the first lockdown only affected sales from mid-March onwards.

Adjusted EBITDA in the first three months of 2021 benefited from the strong top line growth, favourable return rate, good order economics and a disproportionately lower fixed cost development. With a growth of 137.9% versus prior year, Adjusted EBITDA reached EUR 31.4 million in the first quarter 2021 (3M 2020: EUR 13.2 million). The Adjusted EBITDA margin was 17.1% for 3M 2021 (3M 2020: 9.9%).

Group cash and cash equivalents stood at EUR 107.8 million on March 31, 2021, with an undrawn revolving credit facility which has a total size of EUR 50 million. The leverage ratio, which is calculated as net financial debt to LTM Adjusted EBITDA improved from 3.2x on March 31, 2020 to 2.1x at the end of the first quarter 2021.

Key Financial and Operating Data

	01.01.2021 – 31.03.2021 (in € million)	**01.01.2020 – 31.03.2020 (in € million)**	**Change %**
Revenue..	183.3	133.1	37.7
thereof from online operations..........	180.3	108.3	66.5
thereof from stationary retail business	3.0	24.8	(87.9)
Gross profit..	83.0	60.1	38.1
Gross profit margin................................	45.3%	45.2%	0.3
Adjusted EBITDA	31.4	13.2	>100.0
Adjusted EBITDA margin	17.1%	9.9%	72.7

Subsequent events

The continuing pandemic related government-imposed restrictions are still impacting the stationary retail business of BestSecret Group. In Germany, the two stores in Munich were partially reopened on May 11, whereas the store in Frankfurt remains closed. The store in Vienna, Austria, reopened on May 3, 2021.

No other events occurred between April 1, 2021, and May 28, 2021, that would require adjustments to the amounts recognized in the consolidated financial statements or would need to be disclosed under this heading.

Consolidated Income Statement Information

	01.01.2021 - 31.03.2021 (in € million)	01.01.2020 – 31.03.2020 (in € million)	Change %
Revenue	183.3	133.1	37.7
Cost of sales	(100.3)	(73.0)	37.4
Gross profit	**83.0**	**60.1**	**38.1**
Selling and distribution costs	(60.1)	(49.5)	21.4
Administrative expenses	(16.1)	(14.6)	10.3
Other operating income	0.7	0.4	75.0
Other operating expenses	(0.3)	(0.6)	(50.0)
Earnings before interest and taxes (EBIT)	**7.3**	**(4.2)**	**-**
Interest and similar expenses	(6.6)	(6.2)	6.5
Earnings before taxes (EBT)	**0.7**	**(10.4)**	**-**
Income taxes	(0.6)	2.0	-
Net income/loss for the period	**0.1**	**(8.4)**	**-**

Consolidated Balance Sheet Information

	31.03.2021 (in € million)	31.12.2020 (in € million)	Change %
Assets			
Non-current assets			
Property, plant and equipment	180.9	183.9	(1.6)
Goodwill	203.5	203.5	0.0
Other intangible assets	317.1	329.8	(3.9)
Non-current financial assets	0.4	0.5	(20.0)
Total non-current assets	**702.0**	**717.7**	**(2.2)**
Current assets			
Inventories	172.6	155.7	10.9
Prepayments for inventories	3.1	3.7	(16.2)
Trade and other receivables	0.1	0.2	(50.0)
Other current financial assets	3.4	2.7	25.9
Other current non-financial assets	11.1	13.8	(19.6)
Cash and cash equivalents	107.8	103.6	4.1
Total current assets	**298.2**	**279.7**	**6.6**
Total assets	**1,000.1**	**997.4**	**0.3**
Equity			
Issued capital	0.03	0.03	0.0
Other capital reserves	474.2	474.2	0.0
Foreign currency translation reserve	0.2	0.3	(33.3)
Retained earnings	(58.6)	(58.6)	0.0
Total equity	**415.8**	**415.9**	**0.0**
Non-current liabilities			
Non-current interest-bearing loans and borrowings	256.0	255.7	0.1
Other non-current financial liabilities	106.5	106.9	(0.4)
Deferred tax liabilities	87.1	89.5	(2.7)
Provisions	0.6	0.6	0.0
Total non-current liabilities	**450.2**	**452.7**	**(0.6)**
Current liabilities			
Trade and other payables	28.7	23.9	20.1
Other current financial liabilities	5.5	5.4	1.9
Income tax payable	17.3	15.6	10.9
Current interest-bearing loans and borrowings	4.9	0.8	>100.0
Other current liabilities	76.1	81.3	(6.4)
Provisons	1.6	1.7	(5.9)
Total current liabilities	**134.1**	**128.7**	**4.2**
Total equity and liabilities	**1,000.1**	**997.4**	**0.3**

Cash Flow Statement Information

	01.01.2021 – 31.03.2021 (in € million)	01.01.2020 – 31.03.2020 (in € million)	Change %
EBITDA	**27.0**	**12.8**	**>100.0**
Adjustments to reconcile EBITDA to net cash flow	(5.8)	(6.7)	(13.4)
Change in operating working capital	(7.7)	(23.1)	(66.7)
Income tax paid	(1.4)	(1.4)	0.0
Net cash flow from operating activities	**12.0**	**(18.4)**	**-**
CAPEX	(4.5)	(7.8)	(42.3)
Net cash flow from investing activities	**(4.5)**	**(7.8)**	(42.3)
Payment of lease liabilities	(1.1)	(1.1)	0.0
Proceeds from borrowings	0.0	24.5	(100.0)
Interests paid	(2.2)	(1.8)	22.2
Net cash flow from financing activities	**(3.3)**	**21.6**	**-**
Change in cash and cash equivalents	**4.2**	**(4.6)**	**-**
Cash and cash equivalents at the end of the period	**107.8**	**71.4**	**51.0**

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Segments

IFRS 8 requires that operating segments be defined on the basis of the internal reports of corporate divisions that are regularly reviewed by the chief operating decision maker (CODM) of the Group for the purpose of making decisions about the allocation of resources and assessing the financial performance of the given segments “stationary retail business” and “Online”. Thus, the internal organizational and management structure and the internal reports submitted to the Management Board form the basis for determining the segment reporting format of the Group. Primary emphasis is placed on the indicators revenue and EBITDA. Reporting on the business segments is in line with the internal reporting. There are no intersegment transactions in the internal reporting structure. No information on segment assets or liabilities is available or relevant for decision-making.

	Online		**Stationary retail business**		**Total**	
	01.01.2021 – 31.03.2021 (in € million)	**01.01.2020 – 31.03.2020 (in € million)**	**01.01.2021 – 31.03.2021 (in € million)**	**01.01.2020 – 31.03.2020 (in € million)**	**01.01.2021 – 31.03.2021 (in € million)**	**01.01.2020 – 31.03.2020 (in € million)**
Revenue	180.3	108.3	3.0	24.8	183.3	133.1
Cost of sales	(97.8)	(57.9)	(2.5)	(15.1)	(100.3)	(73.0)
Gross profit	**82.5**	**50.4**	**0.5**	**9.7**	**83.0**	**60.1**
Gross margin in %	*45.8%*	*46.5%*	*16.7%*	*39.1%*	*45.3%*	*45.2%*
EBITDA	**30.0**	**13.6**	**-3.0**	**-0.9**	**27.0**	**12.8**

Results of Operations

	01.01.2021 - 31.03.2021 (in € million)	01.01.2020 – 31.03.2020 (in € million)	Change %
Revenue	183.3	133.1	37.7
Cost of sales	(100.3)	(73.0)	37.4
Gross profit	**83.0**	**60.1**	**38.1**
Selling and distribution costs	(60.1)	(49.5)	21.4
Administrative expenses	(16.1)	(14.6)	10.3
Other operating income	0.7	0.4	75.0
Other operating expenses	(0.3)	(0.6)	(50.0)
Earnings before interest and taxes (EBIT)	**7.3**	**(4.2)**	**-**
Interest and similar expenses	(6.6)	(6.2)	6.5
Earnings before taxes (EBT)	**0.7**	**(10.4)**	**-**
Income taxes	(0.6)	2.0	-
Net income/loss for the period	**0.1**	**(8.4)**	**-**

Revenue

Our revenue increased by €50.2 million, or 37.7%, from €133.1 million for the first three months ended March 31, 2020 to €183.3 million for the first three months ended March 31, 2021. Revenue growth was supported by the very strong performance of the online segment due to an excellent new customer growth combined with good customer economics, an outstanding international business development and a lower return rate.

Our online revenue increased by €72.0 million, or 66.5%, from €108.3 million for the first three months ended March 31, 2020 to €180.3 million for the first three months ended March 31, 2021. The growth of the e-commerce business was driven by several favourable factors such as the tailwind from the current pandemic related lockdown and the low baseline in the first three months ended March 31, 2020.

Our stationary retail business revenue decreased by €21.8 million, or 87.9%, from €24.8 million for the first three months ended March 31, 2020 to €3.0 million for the first three months ended March 31, 2021. The drop of 87.9% compared to the previous year's figure of €24.8 million is mainly attributable to the temporary store closures throughout most of the period with only a partial reopening of the two Munich stores from March 8, 2021 onwards.

For the first three months ended March 31, 2021, 74.2% of the Group's revenue was generated in Germany, a decrease from 79.5% in the prior year period, confirming the continuing internationalization trend.

Cost of sales

Cost of sales increased by €27.3 million, or 37.4%, from €73.0 million for the first three months ended March 31, 2020 to €100.3 million for the first three months ended March 31, 2021. They were affected by an improvement in pricing policy (earlier discounts) which was balanced by the overall business growth, resulting in a stable gross profit margin on prior year's level. Cost of sales as a percentage of revenue were 54.7% which was 0.1 percentage points less than for the first three months ended March 31, 2020 (54.8%) when targeted marketing campaigns impacted the gross profit margin. Expenses for depreciation of €0.2 million (2020: €0.2 million) and costs for the storage of goods of €1.3 million (2020: €1.0 million) are reported in cost of sales for the first three months ended March 31, 2021.

Selling and distribution costs

Selling and distribution costs increased by €10.6 million, or 21.4%, from €49.5 million for the first three months ended March 31, 2020 to €60.1 million for the first three months ended March 31, 2021. The increase is mainly driven by the higher business volume and higher amortization for intangible assets (in particular the customer relationship "Schustermann & Borenstein"). The COVID-19 pandemic accelerated the shift towards online shopping and, as a result, the remaining useful life of the "Schustermann & Borenstein" customer base was adjusted from the remaining 10 years to 5 years. Therefore, the quarterly amortization increased from €1.7 million to €3.3 million.

Selling and distribution expenses consist of marketing expenses of €3.6 million (2020: 2.4 million), sales expenses of €5.5 million (2020: €7.9 million), fulfillment expenses of €32.8 million (2020: €23.6 million), depreciation and amortization expenses of €18.2 million (2020: €15.6 million). Amortization in the amount of €13.5 million (2020: €11.9 million) relates to intangible assets step-ups resulting from PPA.

Administrative expenses

Administrative expenses increased by €1.5 million, or 10.3%, from €14.6 million for the first three months ended March 31, 2020 to €16.1 million for the first three months ended March 31, 2021. The increase in administrative expenses is primarily driven by the health and safety measures in relation to COVID-19. Administrative expenses consist of technology expenses of €3.6 million (2020: €3.3 million), general and administrative expenses of €11.2 million (2020: €10.2 million) and depreciation of €1.3 million (2020: €1.1 million).

Other operating income

Other operating income increased by €0.3 million, or 75.0%, from €0.4 million for the first three months ended March 31, 2020 to €0.7 million for the firsth three months ended March 31, 2021. Other operating income mainly consists of non-period income and income from foreign currency exchange differences.

Other operating expenses

Other operating expenses decreased by €0.3 million from €0.6 for the first three months ended March 31, 2020 to €0.3 million for the first three months ended March 31, 2021. Other operating expenses mainly consist of foreign exchange losses. The decrease is mainly attributable to lower credit losses.

Interest and similar expenses

Interest and similar expenses increased by €0.4 million, or 6.5%, from €6.2 million for the first three months ended March 31, 2020 to €6.6 million for the first three months ended March 31, 2021. Interest and similar expenses mainly consist of interest for the Bond and expenses relating to IFRS 16.

Income taxes

Income taxes decreased by €2.6 million from €2.0 million tax income for the first three months ended March 31, 2020 to (€0.6) million tax expenses for the first three months ended March 31, 2021. This development is primarily due to tax deferrals in the prior year period.

Net profit for the period

Net profit for the period amounted to €0.1 million for the first three months ended March 31, 2021 compared to the net loss of (€8.4) million for the first year ended March 31, 2020, representing an increase of €8.5 million. The increase is primarily due to the higher business volume.

EBITDA / Adjusted EBITDA

	01.01.2021 – 31.03.2021 (in € million)	01.01.2020 – 31.03.2020 (in € million)
Net profit/ loss for the period	**0.1**	**(8.4)**
Income taxes	0.6	(2.0)
Interest and similar expenses	6.6	6.2
Amortization, depreciation and write-downs	19.7	17.0
EBITDA	**27.0**	**12.8**
Reorganization [(a)]	0.6	0.2
New store opening/ store extension and logistics/ warehouse extension/ improvements[(b)]	0.3	0.1
Introduction/ improvement of tools and processes[(c)]	0.1	0.2
Costs relating to COVID-19[(d)]	3.5	0.0
Adjusted EBITDA	**31.4**	**13.2**

(a) Represents costs for retail optimization, consulting fees for strategy project and other process optimizations, severance payments, headhunter services.

(b) Represents expenses incurred in connection with the reorganization of processes for the outsourcing of bulky goods as well as expenses in connection with the expansion of our warehouse.

(c) Represents costs for the implementation of a HR tool as well as implementation of a new ERP system and other financial reporting advancements.

(d) Represents costs relating to COVID-19 measures, including bonus payment, hazard pay, extensive hygienic measures and regular tests, as well as other costs for our stationary retail business during closing periods.

Depreciation, amortization and write-downs costs increased by €2.7 million from €17.0 million for the first three months ended March 31, 2020 to €19.7 million for the first three months ended March 31, 2021. Testing the useful lives at the end of 2020 showed the need for prospective adjustment of the remaining useful life of the "Schustermann & Borenstein" customer base from the remaining 10 years to 5 years from the 2021 reporting period onwards. This causes the increase of quarterly amortization by €1.7 million. The increase is further attributable to the expanded area of the logistics centre which was put into operation at the end of 2020. The relevant depreciation expenses were accordingly recognized in the first three months ended March 31, 2021, but not in the first three months ended March 31, 2020.

EBITDA increased by €14.2 million, from €12.8 million for the first three months ended March 31, 2020 to €27.0 million for the first three months ended March 31, 2021. The increase over prior year was mainly attributable to strong revenue growth coupled with a lower return rate, good order economics and a disproportionately lower fixed cost development.

The one-off costs increased by €4.0 million, from €0.5 million for the first three months ended March 31, 2020 to €4.5 million for the first three months ended March 31, 2021 mainly due to costs relating to COVID-19 measures.

Adjusted EBITDA for the year increased by €18.2 million, from €13.2 million for the first three months ended March 31, 2020 to €31.4 million for the first three months ended March 31, 2021.

Cash Flows

The following table sets forth the principal components of our cash flows for the first three months ended March 31, 2021 and 2020.

	01.01.2021–31.03.2021 (in € million)	01.01.2020-31.03.2020 (in € million)	Change %
EBITDA	**27.0**	**12.8**	**>100.0**
Adjustments to reconcile EBITDA to net cash flow	(5.8)	(6.7)	(13.4)
Change in operating working capital	(7.7)	(23.1)	(66.7)
Income tax paid	(1.4)	(1.4)	0.0
Net cash flow from operating activities	**12.0**	**(18.4)**	**-**
CAPEX	(4.5)	(7.8)	(42.3)
Net cash flow from investing activities	**(4.5)**	**(7.8)**	**(42.3)**
Payment of lease liabilities	(1.1)	(1.1)	0.0
Proceeds from borrowings	0.0	24.5	(100.0)
Interests paid	(2.2)	(1.8)	22.2
Net cash flow from financing activities	**(3.3)**	**21.6**	**-**
Change in cash and cash equivalents	**4.2**	**(4.6)**	**-**
Cash and cash equivalents at the end of the period	**107.8**	**71.4**	**51.0**

Net cash flow from operating activities

Net cash flow from operating activities changed by €30.4 million from €(18.4) million for the first three months ended March 31, 2020 to €12.0 million for the first three months ended March 31, 2021. The net cash flow from operating activities was positively affected by a strong business growth resulting in a positive cashflow for the first three months ended March 31, 2021.

Net cash flow from investing activities

Net cash flow used for investing activities decreased by €3.3 million from a net outflow of €(7.8) million for the first three months ended March 31, 2020 to a net outflow of €(4.5) million for the first three months ended March 31, 2021. The decrease was primarily due to investing activities in our logistic center expansion in prior year period.

Net cash flow from financing activities

Net cash flow from financing activities decreased by €24.9 million from €21.6 million for the first three months ended March 31, 2020 to €(3.3) million for the first three months ended March 31, 2021. The increase in net cash flow used in financing activities was primarily due to the drawing of the revolving credit facility in the amount of €24.5 million during the first three months ended March 31, 2020.

Operating Net Working Capital

We define our operating net working capital as the sum of the line items (i) inventory, (ii) prepayments for inventory, (iii) trade accounts receivable, (iv) trade and other accounts payable, (v) accruals for outstanding invoices (inventories), (vi) refund liabilities and assets for the right to recover possession for expected returns as well as liabilities for processed returns. The development of our operating net working capital is a key factor for our operating cash flow.

The following table summarizes our net working capital as at the dates indicated:

	31.03.2021 (in € million)	31.03.2020 (in € million)	Change %
Inventories and prepayments for inventories	175.7	180.1	(2.4)
Trade receivables	0.1	0.4	(75.0)
Trade payables and similar obligations	(41.2)	(33.4)	23.4
Others	(10.0)	(6.1)	63.9
Operating Net Working Capital	**124.6**	**141.0**	**(11.6)**

Operating net working capital decreased by €16.4 million to €124.6 million mainly due to an increase in trade payables and similar obligations and a reduced inventory level on the back of a strong business.

Net debt and Other Information

	As of March 31, 2021
Net debt[1]	265.1
LTM interest expense[2]	26.2
Ratio of net debt to LTM Adjusted EBITDA[3]	2.1x
Ratio of LTM Adjusted EBITDA to interest expense (fixed charge)	4.8x

(1) Net debt consists of the Notes, accrued interest on the Notes and interest-bearing liabilities which also include recognized lease liabilities less cash and cash equivalents at the balance sheet date.

(2) Interest expense represents the interest expense for the 12 months period ended March 31, 2021. Interest expense has been presented for illustrative purposes only and does not purport to project our interest expense for any future period or our financial condition at any future date.

(3) Under IFRS, the net debt and the corresponding leverage ratio are higher due to the inclusion of the lease liabilities according to IFRS 16. The ratio of net debt to LTM Adjusted EBITDA according to the OM definition (German GAAP) is 1.3x on March 31, 2021.

Employees

	3M 2021
Stationary retail business sales channel	481
Online sales channel	139
Enabling services (logistics, IT, purchasing and administration)	973
Total	**1,593**

The average number of employees in the first three months 2021 was 1,593.

RISK FACTORS

For a detailed list of the risks and uncertainties which we face we refer to our annual bond report 2020. The risks and uncertainties we describe in our 2020 annual bond report are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the possible events described in our 2020 annual bond report were to occur, our business, results of operations and financial condition could be materially and adversely affected. If that happens, the trading prices of the Notes could decline, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

We are exposed to numerous potential risks. In order to achieve targets and maximize value, management's role is to continually identify these risks and minimize potential exposure to these risks.

BestSecret Group's management continuously reviews both internal and external risks in all business areas and subsidiaries, evaluates them with respect to exposure and probability of occurrence and ensures, where appropriate, that amounts are reflected in the financial statements to cover such exposure.

General principles

The registered office of PrestigeBidCo GmbH is located at Margaretha-Ley-Ring 27, Aschheim, Germany. The company is registered with the Munich Registry Court (record HRB 227078).

Based on a frame agreement signed October 24, 2016, PrestigeBidCo GmbH acquired Schustermann & Borenstein Holding GmbH and all its subsidiaries with an effective date as basis for consolidation as of January 19, 2017. Prior to the acquisition of Schustermann & Borenstein Holding GmbH, PrestigeBidCo GmbH issued a Bond as of December 20, 2016 in the amount of KEUR 260,000 with a maturity of 7 years. Schustermann & Borenstein Holding GmbH is the parent of the Schustermann & Borenstein Group, which is a members-only, online and offline, off-price fashion retailer with a strong focus on selling premium and luxury brands.

These Interim Consolidated Financial Statements have been prepared by following IAS 34 Interim Financial Reporting and should be read in conjunction with the Company's last Annual Consolidated Financial Statements for the financial year ended December 31, 2020. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last consolidated financial statements.

The accounting and valuation principles as well as the consolidation principles for the reporting period are substantially consistent with those applied for the PrestigeBidCo's Annual Consolidated Financial statements as of December 31, 2020.

This Interim Consolidated Financial Statements were authorized for issue by the Company's management board on May 28, 2021.

The Consolidated Financial Statements are presented in euros (EUR/€). All figures are stated in millions of euros (EUR m) unless otherwise stated.

New accounting standards

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted in the European Union (EU).

The Group applied all standards and interpretations (including amendments) as adopted by the EU in its consolidated financial statements, which are mandatory for financial years starting on or after January 1, 2021.

Consolidation principles

All of the German and foreign entities over which PrestigeBidCo GmbH has direct or indirect control are fully consolidated in the Consolidated Financial Statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements of the Group include:

			Equity stake in %
Company name	**Business activity**	**Location**	**31.03.2021**
PrestigeBidCo GmbH	Parent Company	Aschheim	
Schustermann & Borenstein Holding GmbH	Holding	Aschheim	100
Schustermann & Borenstein GmbH	Retail	Aschheim	100
Best Secret GmbH	Retail	Aschheim	100
S&B Outlet GmbH	Retail	Aschheim	100
Schustermann & Borenstein Logistik GmbH	Logistic	Poing	100
Swiss Online Shopping AG (Switzerland)	Retail	Langenthal	100
Schustermann & Borenstein Wien GmbH (Austria)	Retail	Vienna	100

Currency translation

The Group's consolidated financial statements are presented in Euros, which is also the parent company's functional currency. That is the currency of the primary economic environment in which the Group operates. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Use of estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make assumptions and estimates that have effects on the amounts carried and the related disclosures. Although these estimates, to the best of management's knowledge, are based on the current events and measures, there may be deviations between estimated and actual results. Significant estimates and assumptions have been used for the following matters in particular:

- Impairment of non-financial assets (including forecasts and COVID impact)
- Determination and assessment of the realizability of deferred tax assets (DTA) on loss carryforwards and income tax
- The determination of provisions for restoration expenses and other provisions
- Assumptions for the calculation of returns and unredeemed coupons
- Inventory valuation
- Segment reporting
- Assessment of the necessity and amount of allowances on receivables
- Interest rate in connection with IFRS 16
- Assumptions with regard to making use of termination or extension options in connection with IFRS 16
- Assumptions with regard to useful lives of trademark "Schustermann & Borenstein" and customer relationship "Schustermann & Borenstein" due to rebranding